



## TEXAS

“Well into the ninth year of the business cycle expansion, **Texas' economic activity remained healthy.** Crude oil prices were above the year-end trough and are anticipated to rise if trade talks with China are successful. Payroll expansions continued during historically **low unemployment.** Growth rates for real income per capita and **average hourly earnings continued to lag** despite skilled labor shortages. Texas home sales corrected after reaching a record high in April, but the **housing market stayed strong** with a positive future outlook amid decreasing interest rates and a resurgence in single-family permit issuance. Exports rebounded after staggering values to start the year. **Strained trade relations** and the slowing global economy, however, may weigh on overall activity in the second half of 2019.” - July 2019 - Outlook for the Texas Economy - Real Estate Center - Texas A&M (REC)

## AUSTIN

“The **Austin economy remained healthy** in May. The Austin Business-Cycle Index accelerated and remained above its long-term trend. Labor force growth remained restricted, though recent job growth was strong, particularly in the construction and mining and information sectors. **Hourly wages declined** further in May, while total construction permits rose.” - July 2019 - Austin Economic Indicators - Dallas Fed



## UNITED STATES

“**Housing activity indicators were mixed.** Existing home sales rose in May, but new home sales fell. Single family housing starts and permits remained lackluster. A still-strong labor market and lower mortgage rates potentially could provide more support to the housing market.”

“After being soft in May, **payroll growth was robust in June.**”

“**Real business equipment spending fell modestly in 2019 Q1,** as investment continued to weaken from its pace in 2018.” - July 2019 - Research Function - New York Fed

## HOUSING – HOME SALES AND MONTHS OF INVENTORY

“Texas housing sales inched down monthly after a record-breaking April but continued a general trend upward. Existing homes, which are typically cheaper than new-home equivalents, accounted for most of this year's rebound as buyers shifted toward lower-priced options.” – July 2019 – Texas Housing Insight – Real Estate Center

“Housing starts had little effect on Texas' **months of inventory (MOI), which held firmly at 3.8 months**. The number of active listings is dominated by the resale market and thus relies more on new listings of existing homes. Last year's stretch of slow and steady inventory growth stalled amid rebounding demand and fewer new Multiple Listing Service listings.” – July 2019 – Texas Housing Insight – Real Estate Center

As of May 2019, the **Austin MSA's months of housing inventory was 2.6 months**. The Real Estate Center has estimated that “seasonally adjusted; around 6.5 months of inventory is considered a balanced housing market in which neither sellers nor buyers dictate prices.”

## Texas Home Sales Remain Elevated, Inventories Remain Flat



\*Seasonally adjusted.

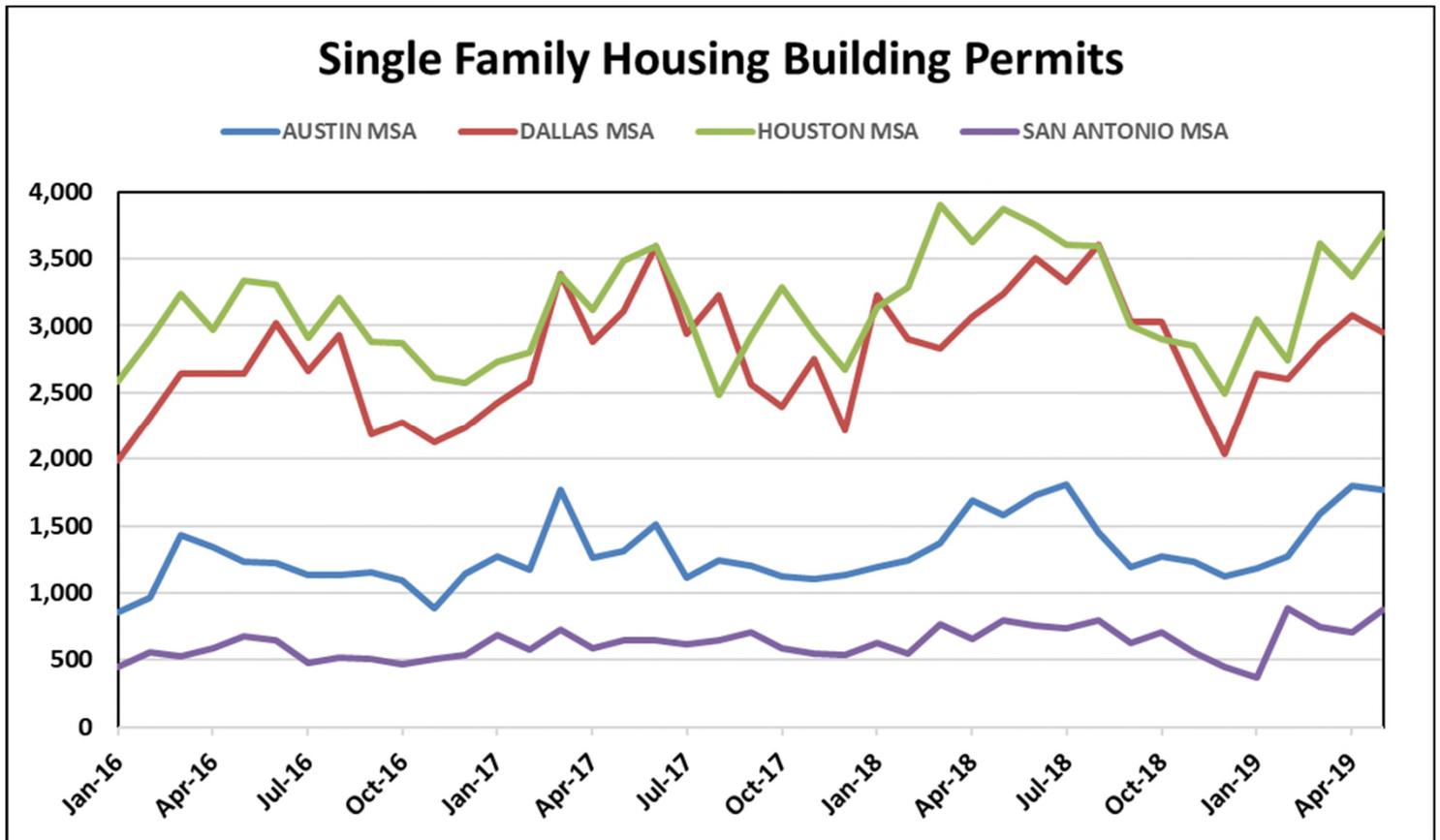
NOTE: Data through June 2019.

SOURCES: Multiple Listing Service; seasonal and other adjustments by FRB Dallas.

## HOUSING – SINGLE FAMILY BUILDING PERMITS

“Single-family construction permits increased for the fifth consecutive month after sliding in the second half of 2018. **Texas accounted for 16 percent of the national total, remaining the frontrunner with 10,946** (nonseasonally adjusted) monthly permits issued. **Houston and Dallas-Fort Worth topped the list at the metropolitan level with 3,690 and 2,945 permits**, respectively, as they climbed from last year's correction.” – July 2019 – Texas Housing Insight

“... **Austin's growth accelerated to 12 percent year over year (YOY), issuing more than 1,700 permits in May**. San Antonio posted similar growth levels and issued 875 permits, outpacing larger metros such as Seattle, Miami, and Chicago.” – July 2019 – Texas Housing Insight

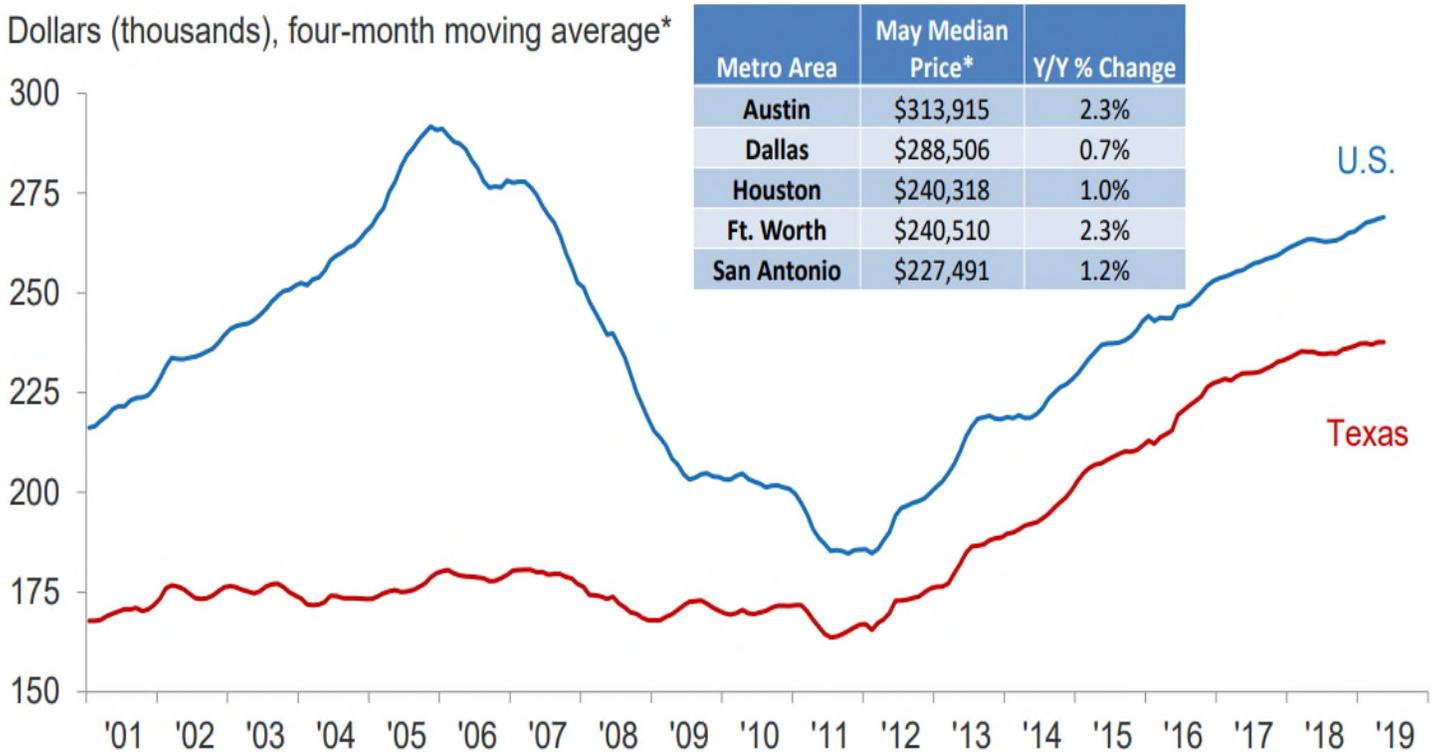


Source: Real Estate Center at Texas A&M University

## HOUSING – MEDIAN HOME PRICES

“Home-price appreciation moderated in the major metros according to the Texas Repeat Sales Index.” – July 2019 - Texas Housing Insight - REC

### Texas Median Home Price Near Record High



\*Seasonally adjusted, real dollars.

NOTE: Data through June 2019.

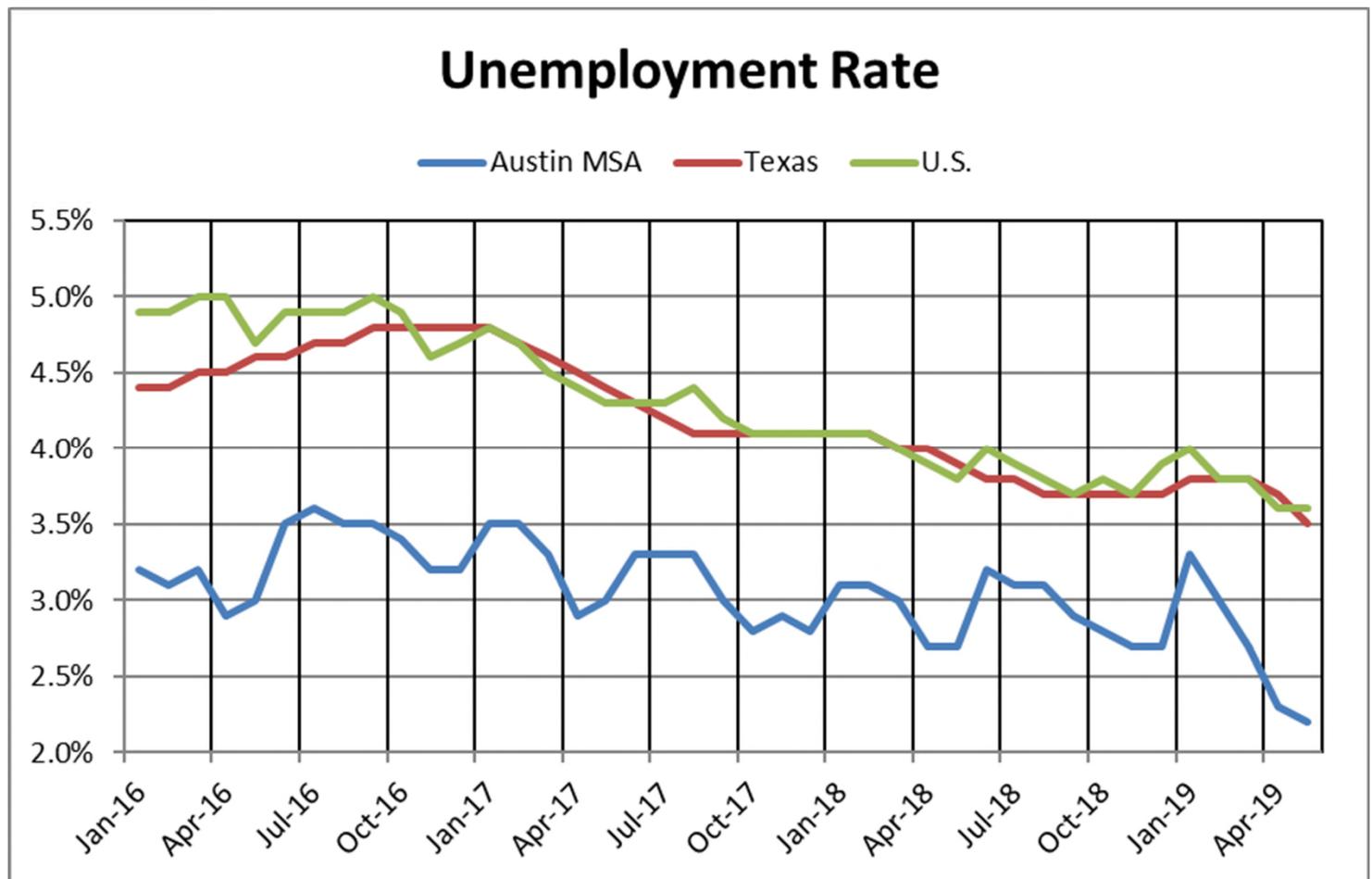
SOURCES: Multiple Listing Service; seasonal and other adjustments by FRB Dallas.

Provided by Federal Reserve of Dallas – Your Texas Economy – July 2019

## JOBS - UNEMPLOYMENT RATES – AUSTIN MSA, TEXAS, U.S.

According to the St. Louis Federal Reserve Economic Data (FRED), **Austin’s MSA unemployment rate** declined to 2.2 percent in May, the **lowest posting since December 1999**.

“The **Texas unemployment rate** dipped to 3.5 percent in May, **setting a new record low in the four-decade** history of the series. The **U.S. unemployment rate** was flat at 3.6 percent, its **lowest level since 1969**.” – June 2019 – Texas Economic Indicators

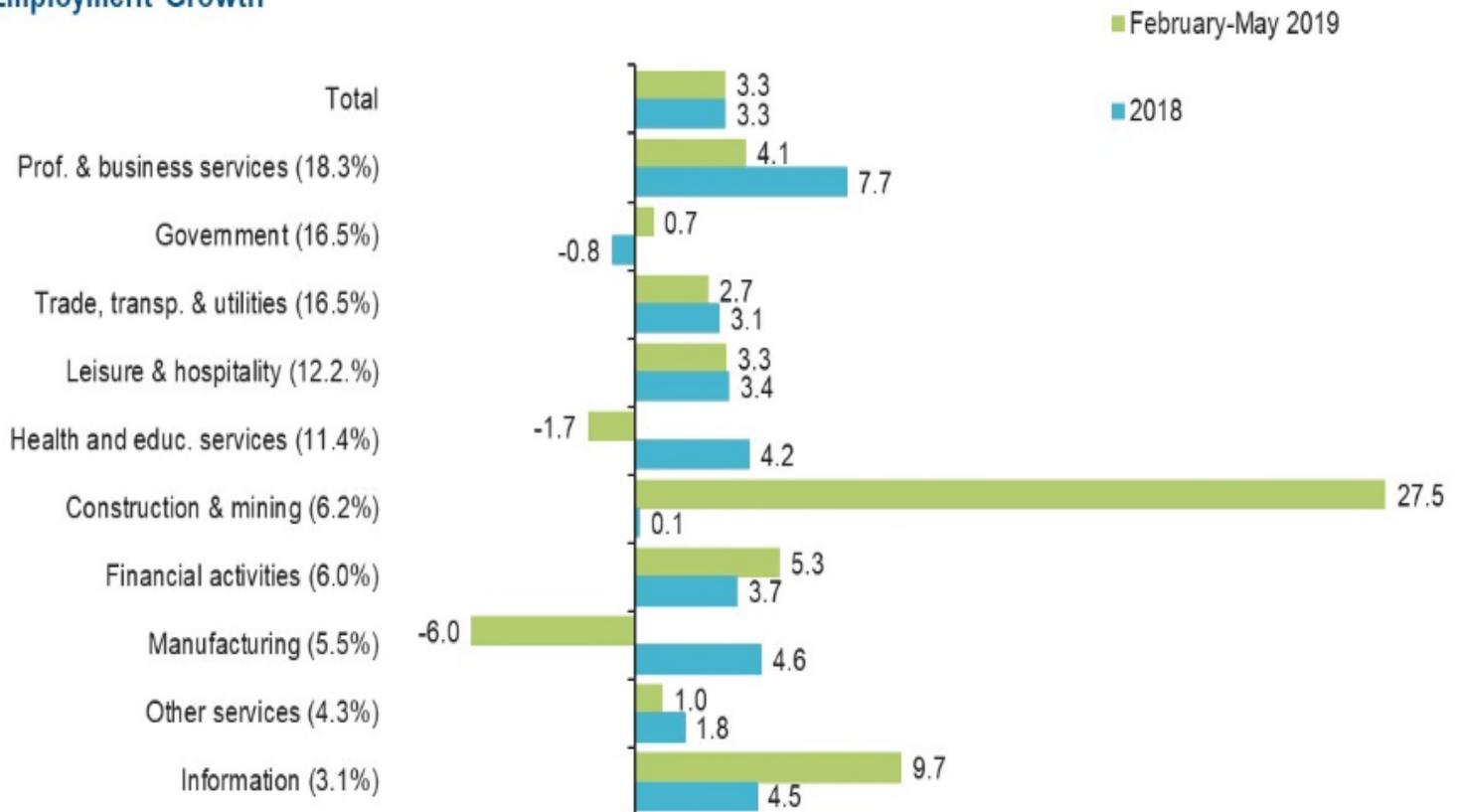


*Note: U.S. and Texas seasonally adjusted, Austin MSA not seasonally adjusted. Source: Bureau of Labor Statistics*

## JOBS – GROWTH RATE – AUSTIN

**“The Austin metro saw a 3.3 annualized percent gain in jobs during the three months ending in May.** Growth was led by the construction and mining sector, which swelled an annualized 27.5 percent, or a net 4,000 jobs. The information sector also experienced strong expansion with a growth of 9.7 percent, or 800 jobs. Financial activities, which saw considerable strength in employment related to finance and insurance, posted solid gains with an additional 850 jobs. An area of weakness was manufacturing, where net jobs contracted 6.0 percent (annualized), or 900 jobs.” – July 2019 Austin Economic Indicators – Dallas Fed

### Employment Growth



NOTES: Data show seasonally adjusted and annualized percentage employment growth by industry. Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.

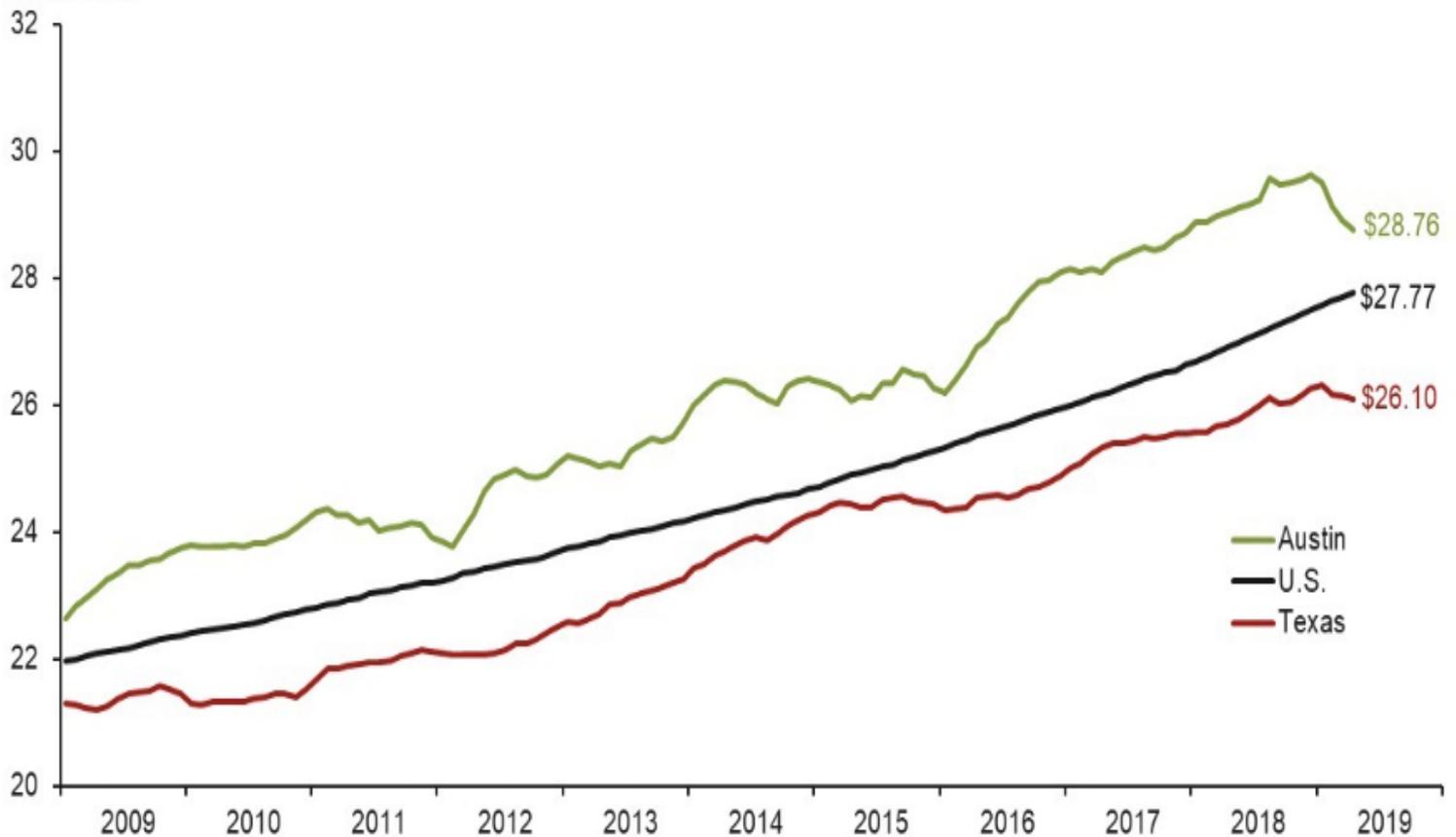
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

## JOBS – AUSTIN’S PRIVATE SECTOR AVERAGE HOURLY EARNINGS

**“The three-month moving average of private sector hourly wages for the metro area declined in May for the fourth consecutive month. The metro’s average wage of \$28.76 remained above Texas and U.S. averages. Austin wages declined 1.6 percent year over year, while U.S. wages increased 3.1 percent and Texas wages increased 1.7 percent. Part of the decline in the metro’s average wage can be attributed to compositional effect, where the rapidly growing construction and mining sector drove down the average.”** – July 2019 - Austin Economic Indicators – Dallas Fed

### Private Sector Average Hourly Earnings

Dollars/hour\*



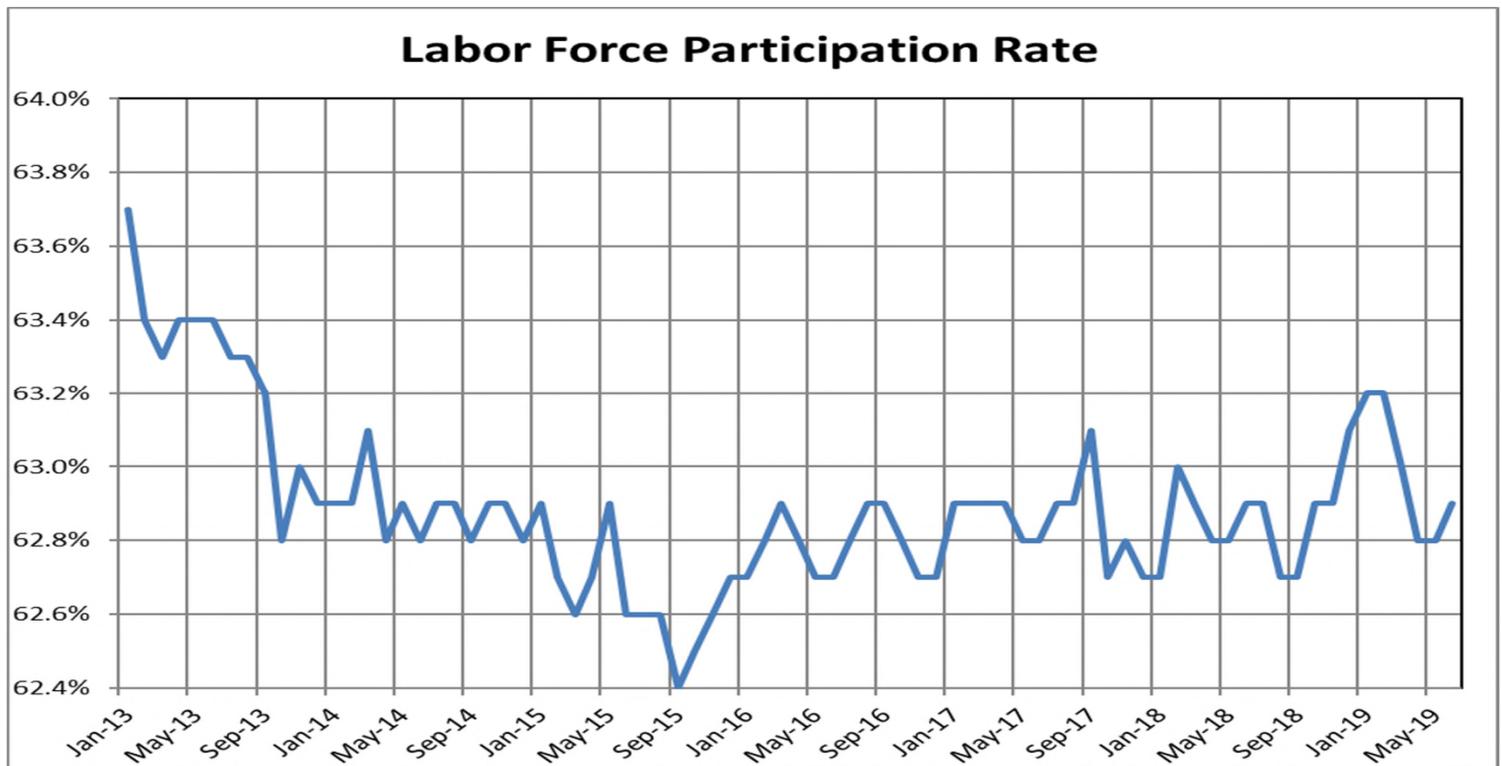
\*Seasonally adjusted, three-month centered moving average.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

## JOBS – LABOR PARTICIPATION RATE

“Payroll growth rebounded sharply in June as the U.S. economy added 224,000 jobs, the best gain since January and running contrary to worries that both the employment picture and overall growth picture were beginning to weaken. The unemployment rate edged up to 3.7% as labor force participation rose, according to the Labor Department.” – July 2019 – CNBC

“As the unemployment rate edged higher, a more encompassing measure that counts discouraged workers as well as the underemployed nudged up to 7.2%, still around its lowest level since early 2001. **The labor force participation rate increased one-tenth to 62.9%, its best since March**, pushing up the headline and “real” unemployment rates. The total labor force increased by 335,000 to just under 163 million while those counted as not in the labor force fell by 158,000 to 96.1 million.” – July 2019 – CNBC



Source of Data: Bureau of Labor Statistics

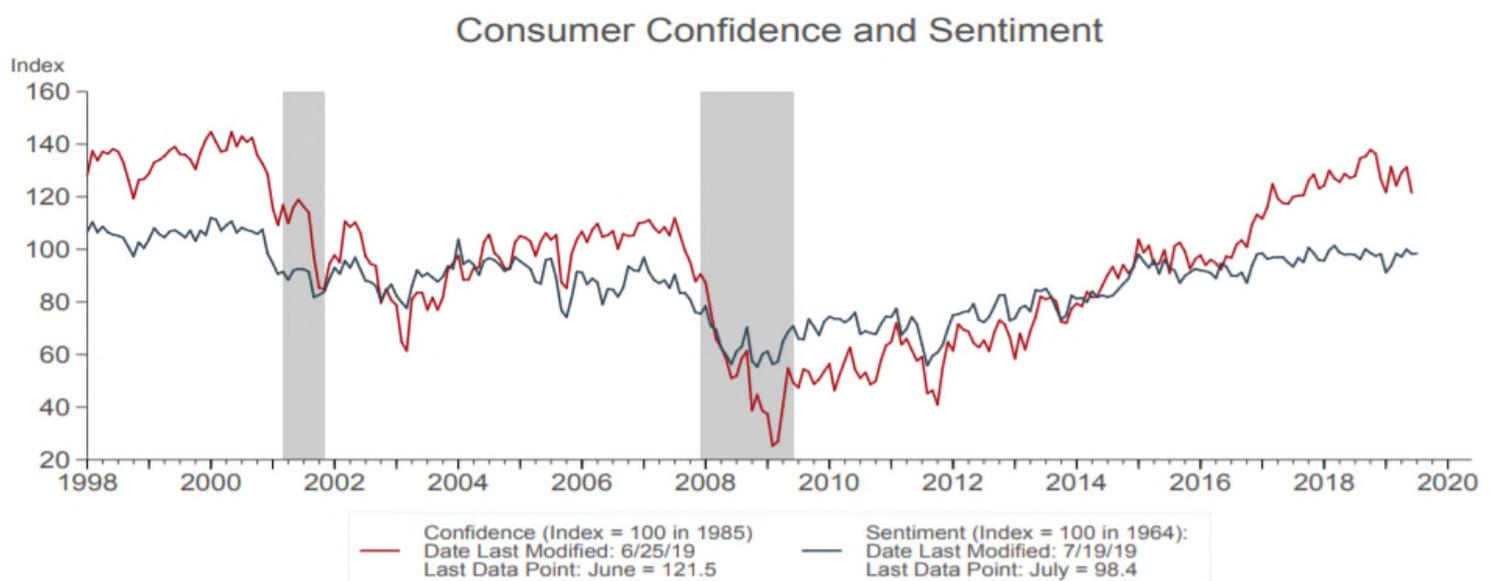
The **labor force participation rate**, as defined by the Bureau of Labor Statistics (BLS), is “the percentage of the population [16 years and older] that is either employed or unemployed [that is, either working or actively seeking work].”

## CONSUMER CONFIDENCE AND SENTIMENT – U.S.

“The Conference Board Consumer Confidence Index® declined in June, following an increase in May. The Index now stands at 121.5 (1985=100), down from 131.3 in May.”

“**After two consecutive months of improvement, Consumer Confidence declined in June to its lowest level since September 2017** (Index, 120.6),” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. “The decrease in the Present Situation Index was driven by a less favorable assessment of business and labor market conditions. Consumers’ expectations regarding the short-term outlook also retreated.”– June 2019 - The Conference Board

Surveys of Consumers, Chief economist, Richard Curtin, commented “**Consumer sentiment remained largely unchanged in early July from June**, remaining at quite favorable levels since the start of 2017. Moreover, the variations in Sentiment Index have been remarkably small, ranging from 91.2 to 101.4 in the past 30 months. Perhaps the most interesting change in the July survey was in inflation expectations, with the year-ahead rate slightly lower and the longer term rate moving to the top of the narrow range it has traveled in the past few years.”



NOTE: Gray shaded areas indicate NBER recessions.

SOURCES: The Conference Board; Survey of Consumers; Survey Research Center; U. of Michigan.

Provided by Federal Reserve of Dallas - U.S. Economy Charts- 2019

U.S. consumer **confidence** index (CCI) is defined as “the degree of optimism on the [current] state of the economy that consumers are expressing through their activities of savings and spending.” – Wikipedia

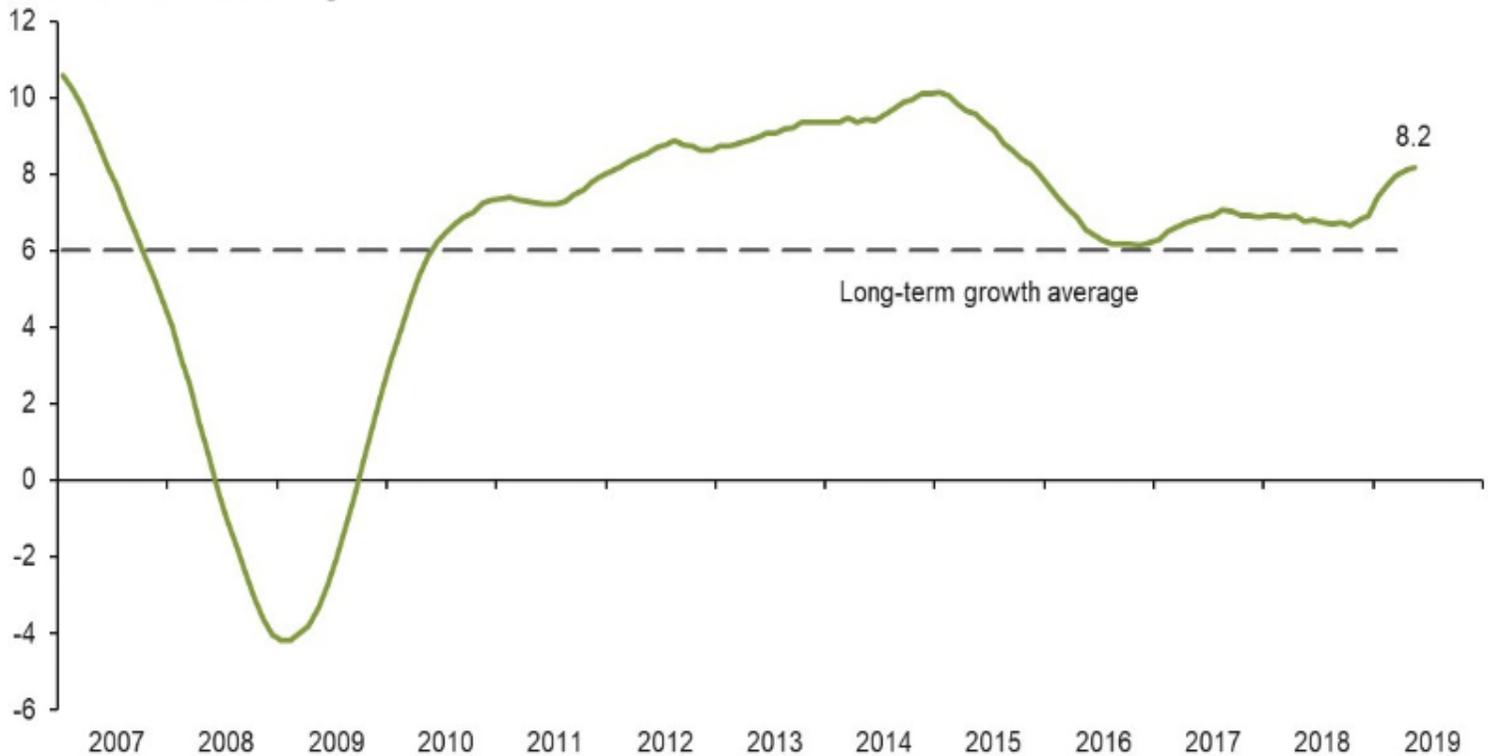
U.S. consumer **sentiment** is defined as “the indicator of the future course of the national economy.” – Investopedia

## BUSINESS CYCLE INDEX – AUSTIN MSA

“The Austin Business-Cycle Index accelerated to a robust annualized rate of 8.2 percent in May—the strongest expansion since November 2015. The index was propelled by the declining unemployment rate and robust job growth.” – July 2019 - Austin Economic Indicators - Dallas Fed

### Austin Business-Cycle Index

Percent, month/month change\*



\*Seasonally adjusted, annualized rate.  
SOURCE: Dallas Fed.

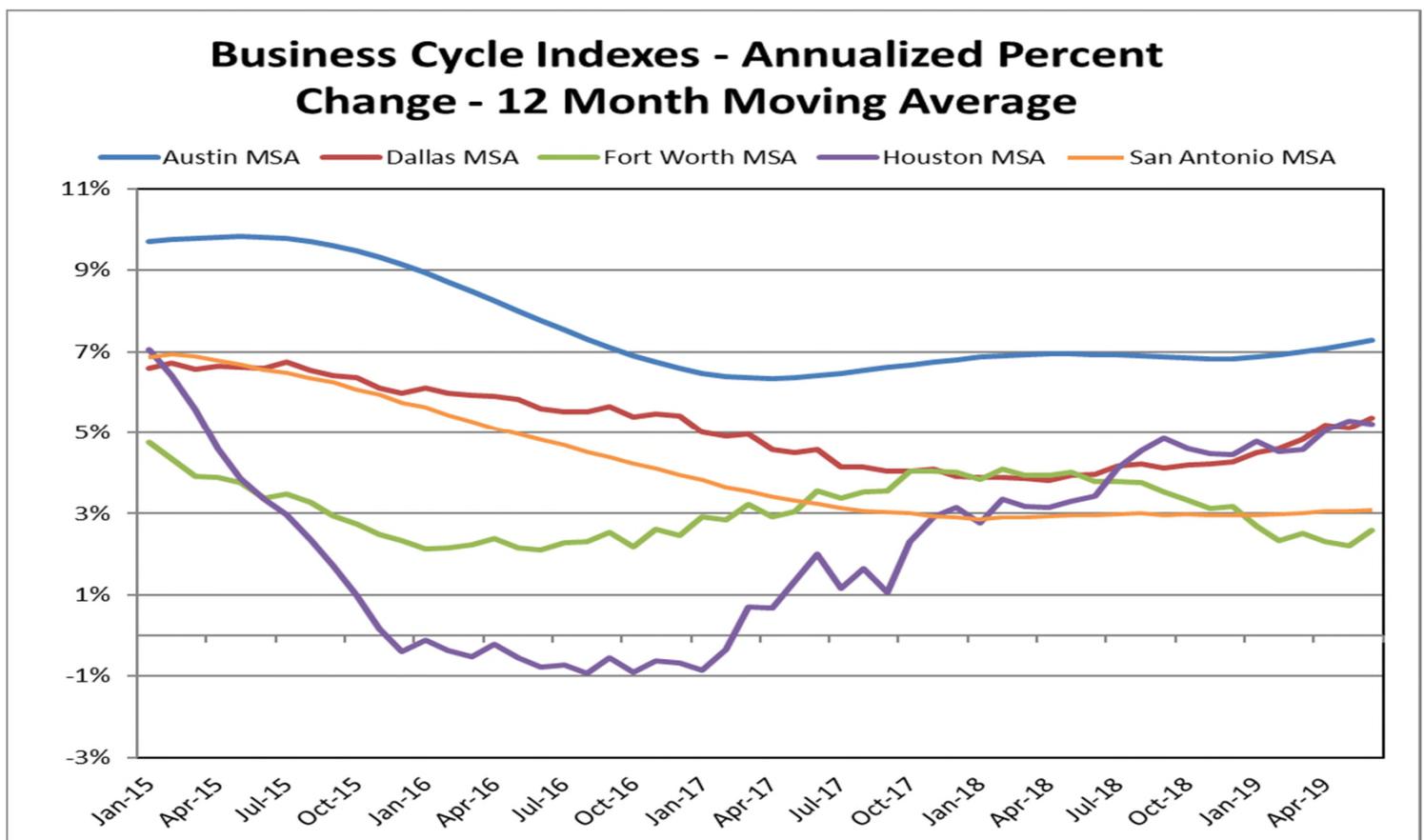
**Business Cycle Indexes** are meant to reflect broad movements in local economic conditions. The Dallas Fed states that “the [local area] indexes are constructed based on the aggregated movements in the local area unemployment rate, nonagricultural employment, inflation-adjusted wages, and inflation-adjusted retail sales. The weights of the components are statistically optimized for each metropolitan area in order to best capture the underlying cyclical movements in the local area economy.”

## BUSINESS CYCLE INDEX – MAJOR METROS

“The **Houston Business-Cycle Index grew 6.0 percent over the three months** ending in May, owing to strong – but thus far un-benchmarked – employment data. This suggests that the region’s economy has been expanding at a healthy pace in 2019 and that the region accelerated from the nearly 4.8 percent growth rate in second half 2018.” – Houston Economic Indicators.

“**The San Antonio Business-Cycle Index ... decelerated to an annualized rate of 3.1 percent** in May, slightly above the long-term average of 3.0 percent.” – June 2019 – San Antonio Economic Indicators

In the chart below, a **twelve month moving average** was incorporated to smooth out **short-term fluctuations** and highlight longer-term cycles.

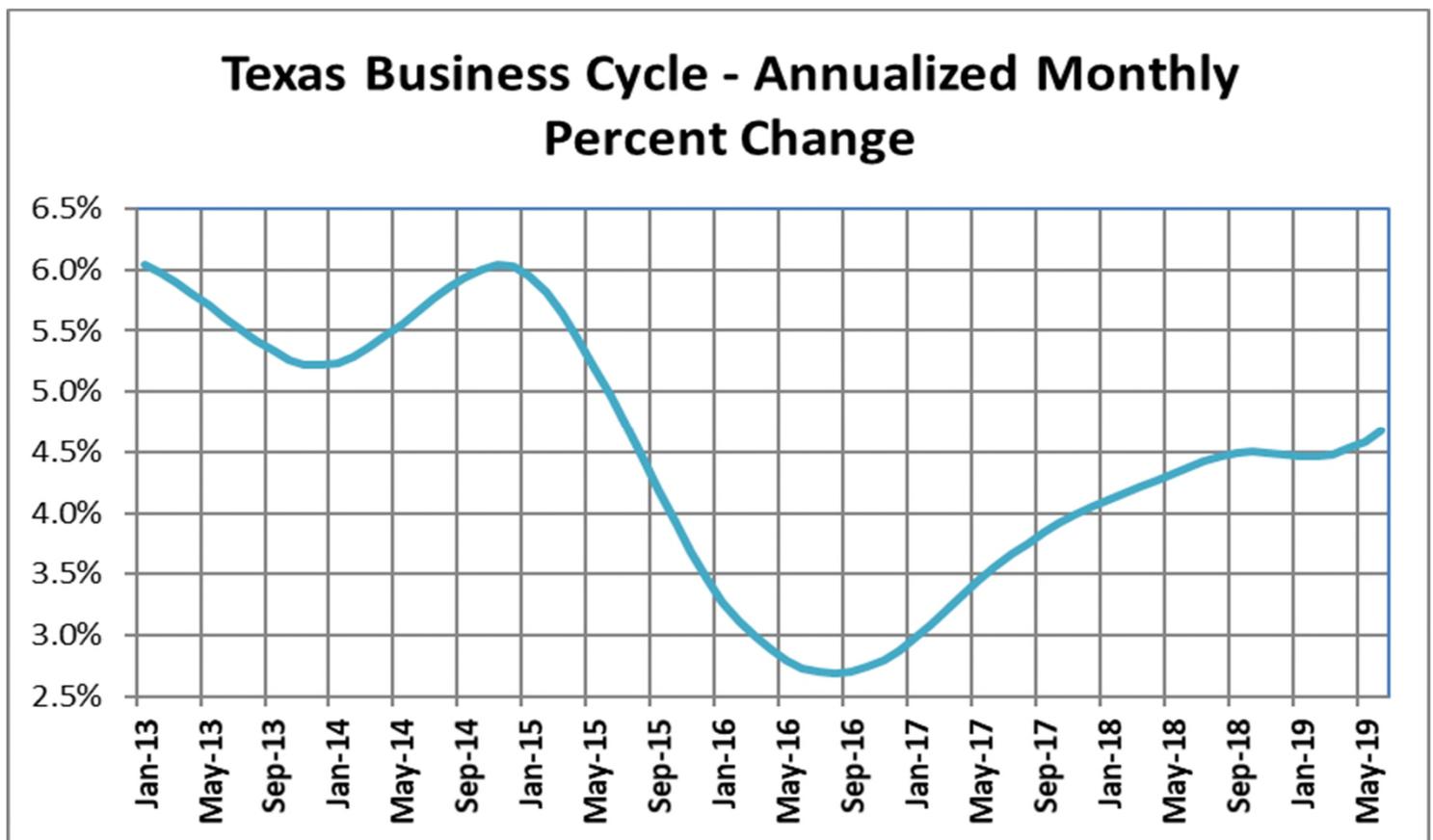


Source: Federal Reserve Bank of Dallas – Index 1980 = 100

**Business Cycle Indexes** are meant to reflect broad movements in local economic conditions. The Dallas Fed states that “the [local area] indexes are constructed based on the aggregated movements in the local area unemployment rate, nonagricultural employment, inflation-adjusted wages, and inflation-adjusted retail sales. The weights of the components are statistically optimized for each metropolitan area in order to best capture the underlying cyclical movements in the local area economy.”

## BUSINESS CYCLE INDEX – TEXAS

“The Dallas Fed's Texas Business-Cycle Index accelerated 4.8 percent on a seasonally adjusted annualized rate (SAAR), registering above the post-recession average. Payroll expansions held steady, however, but trade uncertainty hindered higher growth.” – July 2019 - Outlook for the Texas Economy - REC

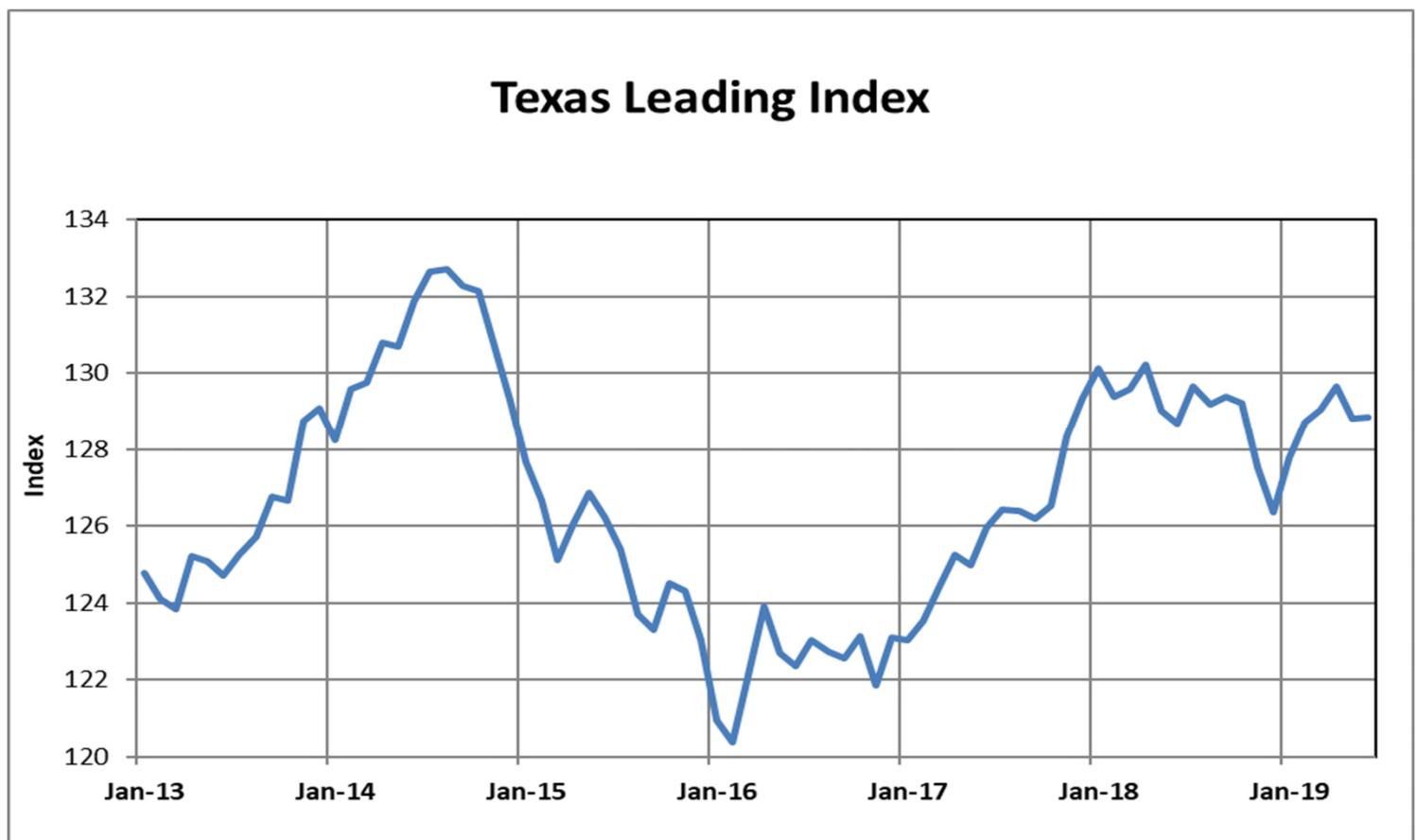


Source: Federal Reserve of Dallas - Index, 1987 = 100

“The **Texas Business-Cycle Index** is a single economic statistic that helps gauge the **current state** of the Texas economy. The Texas Business-Cycle Index is constructed using payroll employment, gross state product and the unemployment rate.” – Dallas Fed

## LEADING INDEX – TEXAS

“**The Texas Leading Economic Index** (a measure of future directional changes in the business cycle) **decreased after four straight increases** amid a dip in oil prices and appreciation in the Texas value of the dollar, which limited export growth by making goods more expensive to international buyers.” - July 2019 - Outlook for the Texas Economy - REC

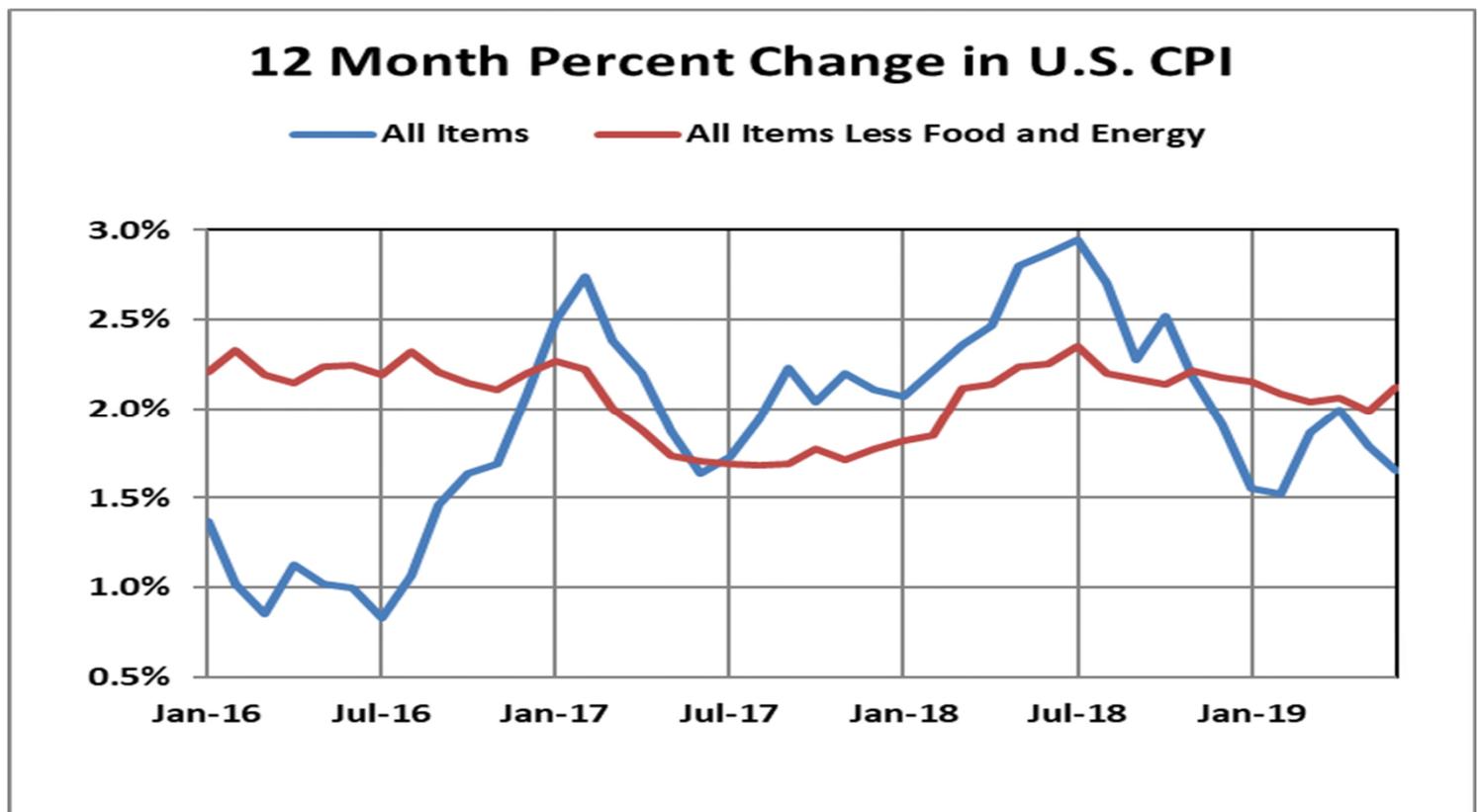


Source: Federal Reserve of Dallas - Index, 1987 = 100

Dallas Fed has defined the **Texas Leading Index** as the “single summary statistic that sheds light on **the future of the State's economy**.” The Texas Leading Index is made up of eight leading indicators that have been shown to change direction – up or down – before the overall economy. The eight indicators used by the Dallas Fed are the Texas value of the dollar, U.S. leading index, real oil price, well permits, initial claims for unemployment insurance, Texas stock index, help-wanted index and average weekly hours worked in manufacturing.

## CONSUMER PRICE INDEX

“The **all items index increased 1.6 percent** for the 12 months ending June, a smaller increase than the 1.8-percent rise for the period ending May. **The index for all items less food and energy rose 2.1 percent** over the last 12 months, and the food index increased 1.9 percent. The energy index, in contrast, declined 3.4 percent over the last 12 months.” – Bureau of Labor Statistics – June 2019 - Economic News Release



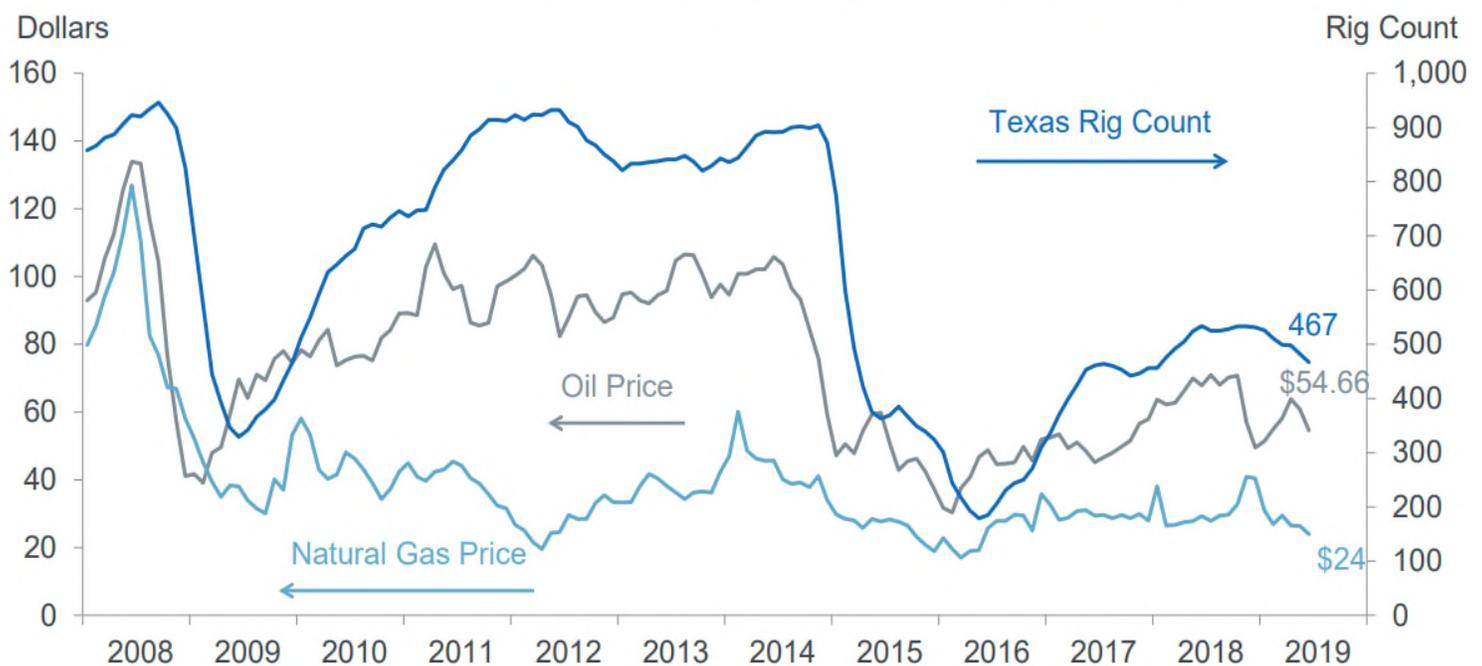
Source: Bureau of Labor Statistics, not seasonally adjusted, 1982-84=100

According to the Bureau of Labor Statistics (BLS), “There are a variety of CPI numbers generated each month. In the graph above, two numbers are compared. The first is the **Official CPI Number** that is reported to the media. It is the broadest and most comprehensive CPI and is called the **All Items CPI for All Urban Consumers**. The second one is called the **All items less food and energy**.” The BLS mentions that “Some users of CPI data use this index because food and energy prices are relatively volatile, and these users want to focus on what they perceive to be the ‘core’ or ‘underlying’ rate of inflation.”

## OIL AND NATURAL GAS

“After four consecutive increases, the average **West Texas intermediate crude oil spot price dipped below \$60 per barrel** but remained \$8 above the December trough. Strained trade relations with China contributed to uncertainty regarding future oil demand, weighing down prices. **Anticipated OPEC production cuts, however, may support higher prices.** Texas production balanced above 4.9 million barrels per day in April as the industry focus shifted from exploration activity to generating cash flow. The active rig count ticked down for the fourth consecutive month to 480 [in April]. Natural gas prices extended an eighth-month stretch of volatility. The [April] Henry Hub spot price fell to \$2.68 per million British thermal unit (BTU), a two-and-a-half year low. In the Permian Basin, insufficient infrastructure pushed the West Texas Waha spot price into negative territory per BTU for the third straight month despite ample demand. Prices are expected to remain low until additional pipeline is available later this year.” – July 16, 2019 - Outlook for the Texas Economy – REC

### Oil Prices Tick Down, Rig Count Softens



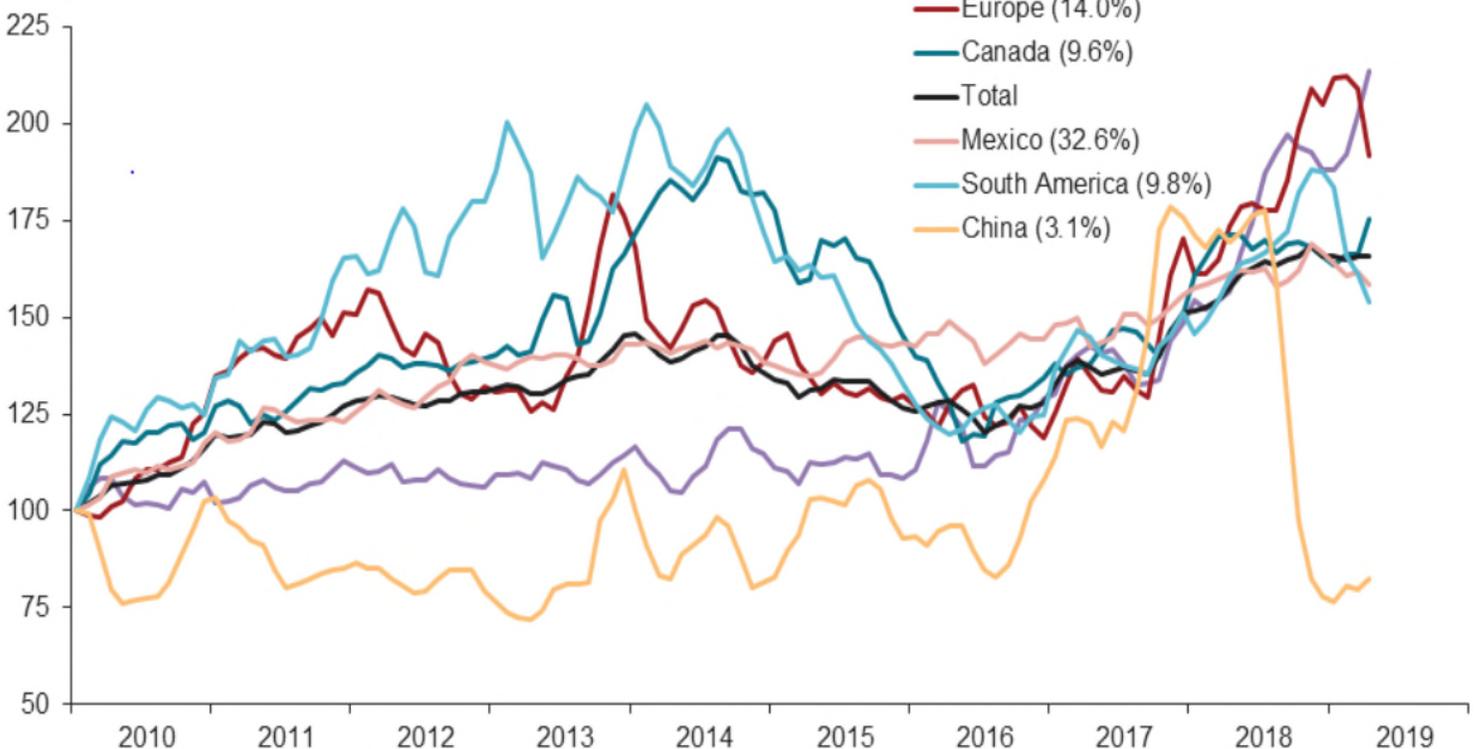
NOTES: Oil price is dollars per barrel. Natural gas price is dollars per million Btu, multiplied by 10. Data through June 2019.  
 SOURCES: Wall Street Journal; Baker Hughes; U.S. Energy Information Administration.

## TEXAS EXPORTS BY REGION

“Texas exports strengthened 3.1 percent in April, while exports from the rest of the U.S. inched down 1.9 percent. In the first four months of 2019, the state’s exports have grown 6.5 percent compared with the same period in 2018. Texas agricultural exports and mining exports rebounded in the month, while manufacturing exports edged down. **Exports to Canada surged 14.7 percent in the month**, and exports to Central America and the Caribbean, Europe, China, South America, and Asia excluding China also expanded, while exports to Africa and Mexico declined. This year through April, compared with the same period last year, **exports to Asia excluding China surged 32.8 percent**, followed by exports to Europe (19.8 percent), Central America and the Caribbean (19.2 percent), Africa (4.4 percent), South America (3.6 percent) and Canada (2.0 percent). In contrast, **exports to Mexico edged down 0.2 percent**, and **exports to China collapsed 52.8 percent, likely due to tariffs.**” – June 2019 – Texas Economic Indicators – Dallas Fed

### Texas Exports by Region

Index, 2010 = 100\*



\*Three-month moving average, real dollars, seasonally adjusted.

NOTE: Numbers in parentheses refer to share of April 2019 Texas exports.

SOURCES: Census Bureau; Bureau of Labor Statistics.

Graph provided by the Dallas Fed

## IN-DEPTH – LIBRA

### WHAT IS A LIBRA?

“Libra is a cryptocurrency developed by Facebook. The company says Libra will make sending money online cheaper and faster, and it will improve access to financial services, especially for people without bank accounts or with little access to banking.” – July 2019 - CNN



*Source: Reuters Provided by The Economist*

### HOW IS THIS CRYPTOCURRENCY DIFFERENT FROM ALL THE OTHERS?

“Unlike other popular cryptocurrencies, Libra will be tied to a set of fiat currencies, which are backed by the governments that issue them, including the U.S. dollar, the euro, the yen and others. Facebook says it will also be backed by a reserve of real assets, including a basket of bank deposits and short-term government securities.

‘This means the Libra currency will act as a globally hedged currency that is intended to stay stable in value,’ said [Marc Boiron, a partner at FisherBroyles, LLP]. In other words, Libra is meant to avoid the volatility and wild swings in value we’ve experienced with other popular cryptocurrencies such as Bitcoin.” – June 2019 Huffpost

## IN-DEPTH – LIBRA

### WHY DID FACEBOOK CREATE LIBRA?



*Source:Libra.org*

“Essentially, Facebook wants to make it as easy to move money around the world as it is to send a text message.

[Facebook] released a White Paper to explain the details. It doesn’t see the cryptocurrency as an attempt to replace the current financial system, as is Bitcoin’s aim. Rather, it’s intended to extend a digital payment method to under-served populations that don’t currently have easy access to traditional financial institutions.

Worldwide, almost two billion adults ‘remain outside of the financial system with no access to a traditional bank, even though one billion have a mobile phone and nearly half a billion have internet access,’ reads the paper. Libra aims to fill the gap.

Even in the U.S., where consumers have access to a wealth of payment options, the FDIC estimates that more than 8 million households are unbanked. But the currency’s potential lies well beyond the U.S. Populations in Africa, Southeast Asia and some Latin American countries are lacking stable, accessible currencies and payment methods.

‘For large chunks of the world, Libra will be about having a superior form of payment and wealth preservation,’ says [Nicolas] Colas, co-founder of DataTrek Research” – June 2019 – CNBC

“The goal is to eliminate transaction fees and create a universal payment system capable of quickly transacting payments around the world,” explained Braden Perry, a regulatory and enforcement attorney.” – June 2019 - Huffpost

## IN-DEPTH – LIBRA

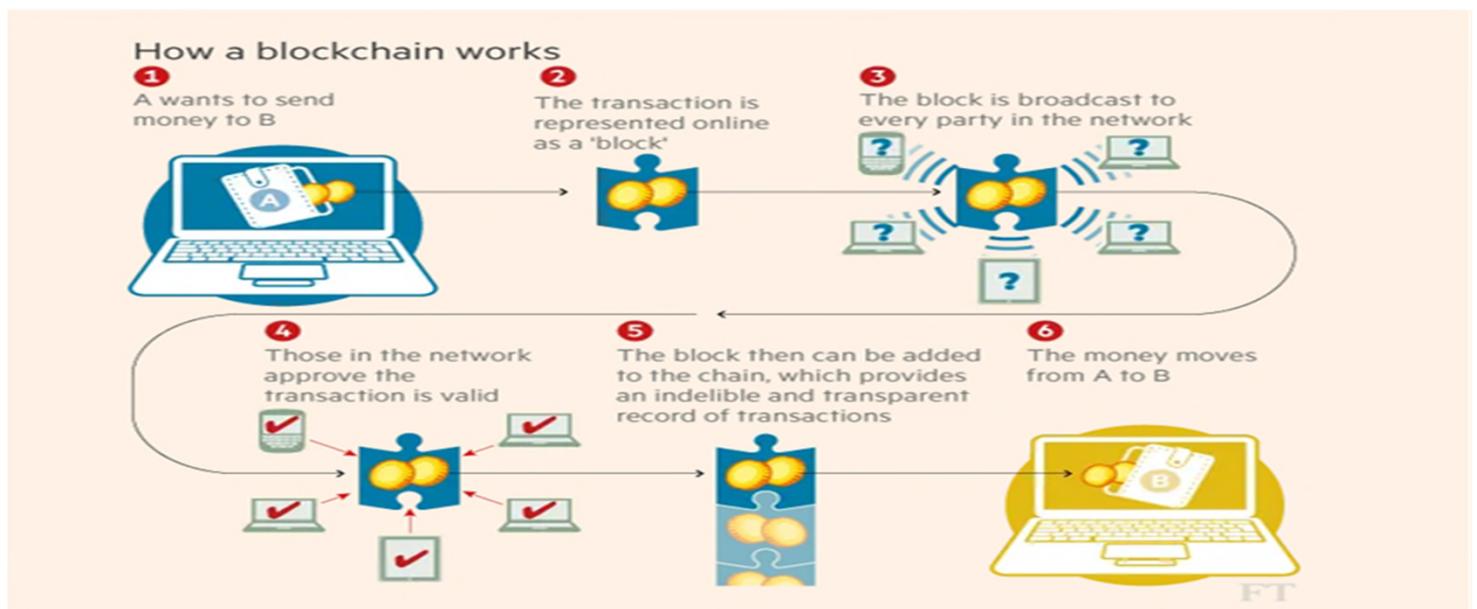
### HOW WILL LIBRA WORK?

“Libra and the technologies to use it will be built upon a blockchain platform called the Libra Network. A blockchain is made up of a series of servers (also called ‘nodes’) that record and validate every transaction made on the network. Unlike with many other cryptocurrency networks that allow any server to join the chain, the Libra Network is a ‘permissioned’ blockchain, meaning only certain servers will be able to connect to the chain.

Facebook says that will allow the network to run faster than other cryptocurrencies, making Libra practical for everyday uses like purchasing something online.

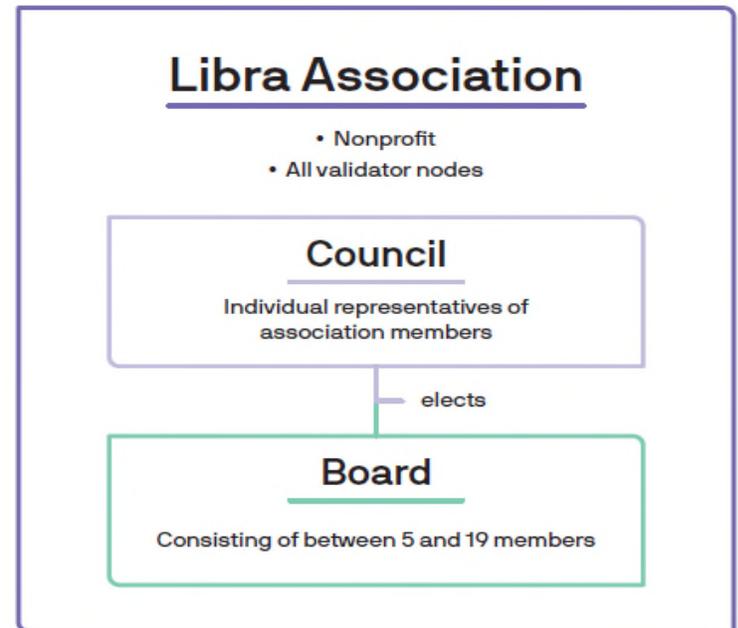
The network is built with open-source code, meaning any developer will be able to create a digital wallet or other tool to use Libra on top of the network. Facebook has said it will eventually transition the Libra network to a public blockchain, though it has provided no details on that process.” – July 2019 CNN

For an overview of blockchain technology, please see the In-Depth portion of the Travis County Auditor’s 4<sup>th</sup> Quarter 2016 Economic Outlook. [click here](#)



## IN-DEPTH – LIBRA

### LIBRA ASSOCIATION OPERATING STRUCTURE →



Source:Libra.org

## WHO WILL OVERSEE LIBRA?

“The currency will be serviced by a collective of companies called the ‘Libra Association’. It functions as what is known as a ‘stablecoin’, pegged to existing assets like the dollar or euro, in the aim of making it less subject to the volatility that many cryptocurrencies experience.

The Libra Association is described by Facebook as an independent, not-for-profit organization based in Switzerland. It serves two main functions: to validate transactions on the Libra blockchain and to manage the reserve Libra is tied to and allocate funds to social causes.

Within the Libra Association will be a governing body called the Libra Association Council, comprised of a representative of each member of the association, which will vote on policy and operating decisions.

Facebook claims that although it created the Libra Association and the Libra Blockchain, once the currency is launched in 2020 the company will withdraw from a leadership role and all members of the association will have equal votes in governance of Libra.

The companies who contributed a minimum of \$10m (£8m) to be listed as founding members of the Libra Association include tech companies such as PayPal, Ebay, Spotify, Uber and Lyft, as well as financial and venture capital firms such as Andreessen Horowitz, Thrive Capital, Visa and Mastercard.” – June 2018 - The Guardian

## IN-DEPTH – LIBRA

### HOW WILL POTENTIAL USERS GET LIBRA?

“Facebook isn’t going into details about how the currency will be available at launch, but signs point to a hybrid approach. The presence of traditional payments firms, such as Visa and MasterCard, in the list of founders suggests that the company will be perfectly happy to let users simply buy the currency.

But Facebook is also likely to carry out what’s known in cryptocurrency circles as an ‘air drop’, handing out small amounts of currency for free in an effort to kickstart the ecosystem. That will be crucial if it is to fulfil its goal of bringing financial services to people without bank accounts.

Ultimately, of course, those users will need a more reliable source of Libra income than simple handouts from Facebook. In the long-term, then, we can also expect some of Libra’s founder members to offer their employees all or part of their pay in the currency.” – June 2019 – The Guardian



*Source:Libra.org*

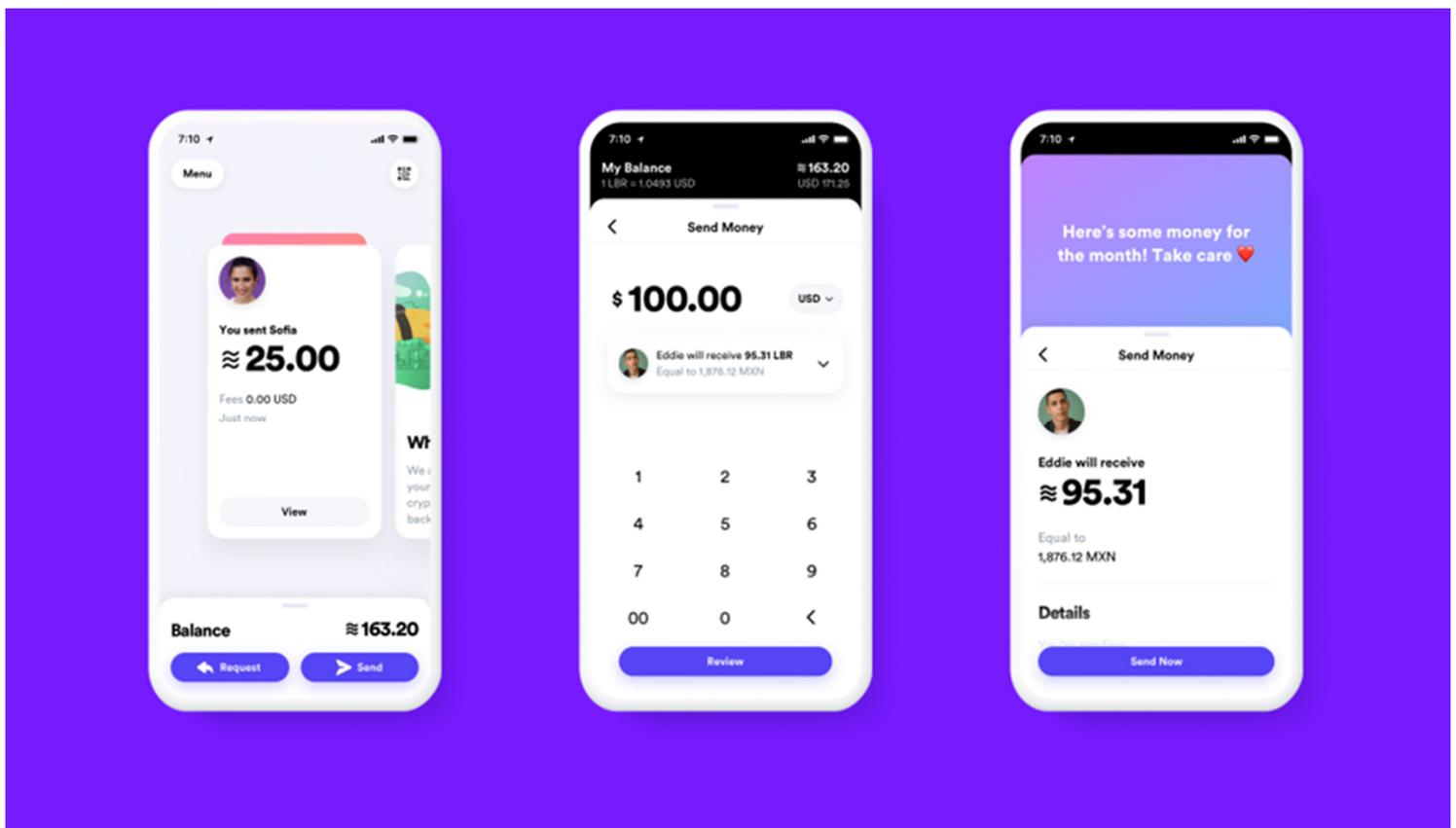
## IN-DEPTH – LIBRA

### HOW DOES SOMEONE USE LIBRA OR WITHDRAW THEIR FUNDS?

“‘[If] you have a balance of, say, \$100, you go to a merchant, you scan your smartphone for a \$10 purchase, the Libras are taken out of your account and held by the merchant,’ says Colas.”  
– June 2019 - CNBC

A 1-to-1 peg means you can always convert your Libra back to your currency at the then existing exchange rate.

“To withdraw funds, users will be able to convert their digital currency into legal tender based on an exchange rate. It won’t be so dissimilar to when you exchange U.S. dollars for euros during a European vacation, for example.” – June 2019 – CNBC



Source: Facebook Newsroom

## IN-DEPTH – LIBRA

### WHAT IS CALIBRA?

“Calibra is a Facebook subsidiary created to develop products and provide financial services using Libra.

The division's first product will be the Calibra Wallet, a digital wallet that will let users store Libra and send it to friends like they'd send a text message at ‘low-to-no-cost,’ Facebook says. The Calibra Wallet will be a standalone app, and will plug-in to Facebook's Messenger and WhatsApp. Other companies and entities will also be able to develop wallets and other tools to use Libra on the network.

To protect user privacy, Facebook plans to keep the Calibra subsidiary independent. The company says Calibra will not share customers' account information or financial data with Facebook except in limited circumstances such as preventing fraud or complying with the law, or unless users have agreed to the sharing of their data.” – July 2019 CNN

“From the beginning, Calibra will let you send Libra to almost anyone with a smartphone, as easily and instantly as you might send a text message and at low to no cost. And, in time, we hope to offer additional services for people and businesses, like paying bills with the push of a button, buying a cup of coffee with the scan of a code or riding your local public transit without needing to carry cash or a metro pass.” – June 2019 – Facebook



*Source: Facebook Newsroom*

## IN-DEPTH – LIBRA

### HOW CAN FACEBOOK PROFIT FROM ITS CRYPTOCURRENCY?

Below, as identified by Motley Fool, are five potential avenues for Facebook to profit from Libra.

#### **Attracting more businesses to the platform**

“The goal of the Libra currency is to enable more commerce. That's why it's designed to be a stable cryptocurrency. Transacting in volatile currencies is difficult, which is why businesses have largely shied away from accepting even the most popular cryptocurrencies like bitcoin.”

#### **Serving the underbanked**

“Calibra will provide basic banking services like the ability to save and spend money with its digital wallet, likely at no cost to the user. But Libra opens an opportunity for Facebook or its subsidiary to offer more advanced banking services for a fee.”

#### **Peer-to-peer payments**

“Current peer-to-peer payments apps are limited geographically. Sending money internationally is still an expensive process, and Facebook has an opportunity to massively undercut the market by using Libra. Combined with its enormous user bases for its family of apps, it has an easy path to win a share of the fast-growing digital remittance market.”

#### **Increasing commerce on its platforms**

“Facebook has taken steps to increase commerce on its various apps including things like Facebook Marketplace and Checkout on Instagram. Libra could be another path for its users to spend directly with businesses on Facebook's apps.”

#### **In-app payments**

“Libra will provide smartphone users without access to traditional banking a way to make in-app purchases for games or subscriptions. The best way for those users to buy things in apps currently is with products like app store gift cards, which are susceptible to fraud and can create breakage since you can't always buy the exact amount needed. Libra is more secure and more flexible.”

## IN-DEPTH – LIBRA



Source:Libra.org



Source:Libra.org



Source:Libra.org

## WHY IS FACEBOOK'S VISION FOR LIBRA AT ODDS WITH REGULATORS?

“In Facebook's original vision, Libra would be an open and largely decentralized network, akin to Bitcoin. The core network would be beyond the reach of regulators. Regulatory compliance would [not be the responsibility of Libra, but] the responsibility of exchanges, wallets, and other services that are the ‘on ramps and off ramps’ to the Libra ecosystem.

Facebook now seems to recognize its **original vision was a non-starter with regulators.**”

“Networks like Bitcoin and Ethereum are fully open and permissionless: anyone can create services and software for these networks without seeking advance approval from anyone else. Bitcoin and Ethereum can get away with this because no one owns and controls these networks. There's no one regulators can fine or imprison for non-compliance, so regulators have focused their enforcement efforts on intermediaries at the edges of the network.

But the Libra Association will ultimately control the Libra network—both because it decides who can be a validator and because it will have control of the hard currency backing each Libra coin. So regulators can pressure the Libra Association to enforce money-laundering and other laws across the entire Libra network.” – July 2019 ARS Technica

## IN-DEPTH – LIBRA

### WHAT ARE THE REGULATORS SAYING?

“Lawmakers and regulators are concerned about a new financial tool that will suddenly be available to Facebook’s 2.4 billion users, and they are scrambling to determine how to oversee it. Facebook [attended] two public Congressional hearings.....to evaluate Libra’s potential impacts on consumers and global financial systems. Some have proposed legislation to stop Libra altogether.

Treasury Secretary Steven Mnuchin said the government is worried Libra could be used for human trafficking, purchasing illegal drugs and other illicit uses. Last week, Federal Reserve Chairman Jerome Powell told Congress Libra ‘raises many serious concerns regarding privacy, money laundering, consumer protection and financial stability.’” – July 2019 CNN

“According to Reuters, French finance minister Bruno Le Maire told a news conference on July 18 that the G7 ‘cannot accept private companies issuing their own currencies without democratic control.’

His remarks followed informal talks in Paris, where the Group of Seven expressed vehement opposition to the prospect of firms having as much power as countries in creating means of payment.

The ministers and central bank governors also warned:

‘Stablecoins and other various new products currently being developed, including projects with global and potentially systemic footprint such as Libra, raise serious regulatory and systemic concerns.’

Benoit Coeure, a European Central Bank board member, had told the meeting that global stablecoins could boost competition in the payments sector, reduce fees for consumers and support greater financial inclusion. However, he warned that they could undermine efforts to clamp down on money laundering, terrorism financing and tax compliance.” – July 2019 - Cointelegraph

## IN-DEPTH – LIBRA

### WHY ABOUT PRIVACY CONCERNS?

“Facebook will pay a record \$5bn fine to settle privacy concerns, the US Federal Trade Commission (FTC) has said. ‘Despite repeated promises to its billions of users worldwide that they could control how their personal information is shared, Facebook undermined consumers’ choices,’ said FTC chairman Joe Simons.

He added that the heavy fine was designed ‘to change Facebook’s entire privacy culture to decrease the likelihood of continued violations.’” – July 2019 - BBC



Source: Aurich Lawson – Getty Images Provided by ARC Technica



Source: CNN Image courtesy: Chris Ratchiffe - Bloomberg

“‘From a privacy perspective, it’s difficult not to be skeptical,’ Perry said. According to the Libra white paper, for instance, Facebook won’t import contacts or any of your profile information – but it will request you [to] do so.

‘It also states it won’t share any transaction data back to Facebook, so it won’t be used to target you with ads, rank your news feed or otherwise earn Facebook money directly,’ he said. However, Perry noted, data will be shared anonymously for research, hunting down criminals or requests from law enforcement.” – June 2019 - Huffpost

## IN-DEPTH – LIBRA

### ADDITIONAL COMMENTS REGARDING FACEBOOK’S LIBRA

U.S. Senator Elizabeth Warren tweeted “Facebook has too much power and a terrible track record when it comes to protecting our private information. We need to hold them accountable—not give them the chance to access even more user data.”

In June 2019 Forbes article, Frances Coppola wrote, “Facebook’s business model since its inception has been to harvest and monetize data. I see no reason to assume that this has changed. So when I find, buried in Libra’s whitepaper, two sentences that imply Facebook’s real aim in creating Libra is to set the standard for global digital identities, my hair stands on end. As Dave Birch, director of Consult Hyperion and an expert on digital identity, puts it:

‘There are no throwaway remarks in a Facebook white paper that has taken a year to put together. It’s in there for a reason. [Facebook] are actually going to try and fix the identity problem.’

Dave seems fairly sanguine about Facebook’s intention. But I am not. We now know just how damaging Facebook’s data harvesting can be. If Facebook became the standard setter for digital identities, it could gain access to all personal data. And that is what it wants. Not control of finance, control of data. And if you think your personal data would be digitally secure from harvesting simply because Facebook said so, you are the biggest sucker in the world.”

## IN-DEPTH TOPICS COVERED IN PREVIOUS ISSUES – SEE AUDITOR WEBPAGE

- 5G Network 4<sup>th</sup> Qtr 2018
- Alibaba 3<sup>rd</sup> Qtr 2017
- Bitcoin 4<sup>th</sup> Qtr 2016
- Cashless Society 4<sup>th</sup> Qtr 2017
- Chatbots 1<sup>st</sup> Qtr 2019
- Facial Recognition 1<sup>st</sup> Qtr 2018
- Labor Participation Rate 4<sup>th</sup> Qtr 2015
- Libra, Calibra, Facebook 2<sup>nd</sup> Qtr 2019
- Money Market Fund Reform – New Rules 3<sup>rd</sup> Qtr 2016
- Negative Interest Rate Policy (NIRP) 2<sup>nd</sup> Qtr 2016
- New Silk Road 2<sup>nd</sup> Qtr 2017
- Quantitative Easing 1<sup>st</sup> Qtr 2016
- Texas Imports and Exports 2<sup>nd</sup> Qtr 2018
- Universal Postal Union 3<sup>rd</sup> Qtr 2018

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