

## **PayPal response to the European Commission's public consultation of 19 December 2019 on building an EU framework for markets in crypto-assets**

### **Introductory remarks**

PayPal welcomes the opportunity to provide views to the European Commission as it is assessing the need for a European framework for crypto assets. PayPal continues to support European integration in the area of payments, financial services and the digital economy.

PayPal's mission is to democratize access to financial services and the digital economy across the globe. We have pioneered truly innovative and accessible products, features and services for over 22 years, and continue to provide value for our customers in their daily lives, for private individuals and businesses alike.

PayPal has more than 300 million active accounts across the globe, and we are adding millions of new customers every year. With a license to provide banking and payments services in Luxembourg, PayPal serves customers and businesses in 31 European jurisdictions, representing about 95 million merchants and consumers.

PayPal prides itself in serving as a reliable partner to not only consumers, merchants and business partners, but also to policymakers, regulators and law enforcement. Our culture of compliance permeates throughout the organization and is a foundational element of every endeavor. We are committed to tackling financial crimes globally, and have invested in establishing rigorous processes for identifying, investigating and reporting potentially malicious financial activities. We take a proactive approach to collaborating law enforcement and continually focus on building and maintaining close relationships with our law enforcement partners and relevant authorities at national, European and global levels. We are further committed to supporting the European institutions in evolving global standards for anti-money laundering (AML) and counter terrorism financing (CFT) rules.

We appreciate the opportunity to share our initial thoughts and look forward to further participation in upcoming discussions regarding a regulatory framework for blockchain, distributed ledger technology, and crypto-assets.

### **Thoughts on an EU framework for crypto-assets**

The crypto-asset industry has experienced substantial growth over the past few years and has become a subject of considerable discussion and debate, with topics ranging from the benefits of decentralization to the potential impact of global stablecoins and central bank digital currencies. As such, PayPal is continuously monitoring and evaluating global developments in the crypto and blockchain/distributed ledger space. Of particular interest for us is how these technologies and crypto-assets can be utilized to achieve greater financial inclusion and help reduce/eliminate some of the pain points that exist today in financial services. We also have great interest in how these technologies can be used to promote transparency and enhance compliance efforts

As these technologies continue to evolve, we believe thoughtful regulation that fosters innovation while promoting clarity can help the industry grow and thrive. In this regard, PayPal would be supportive of a



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harmonized approach across EU markets on applicable licensing or authorization requirements. The regulatory framework should allow for innovative products and services to be brought to market without undue regulatory burden while simultaneously providing regulatory clarity, guidance, and safeguards.

There are fundamental principles we believe should underpin the development of any EU framework for crypto-assets.

- First, a clear set of definitions on various crypto activities should be put in place to ensure that companies engaged in such activities are properly licensed and regulated. Lack of clarity as to the regulatory expectations for such activities creates uncertainty that may discourage companies from actively participating. It also creates loopholes and gray areas that may be exploited by participants that deprioritize compliance. Clear definitions would also help ensure adequate consumer and investor protection.
- Second, similar to other financial services, and to the extent not already covered by EU and nation-level regulation, crypto-activity should be brought in the scope of applicable AML/CFT requirements, taking into consideration the specificities of the activity in question. In this regard, we call for a proper application of a risk-based approach, in line with the principles underpinning existing EU AML regulation and global standards.
- Finally, with continuous advancements in areas such as decentralized networks, consensus protocols, and cryptography, any regulatory framework in Europe should strive to be technology neutral to support innovation and competition in this fast-evolving space. Such an approach would also foster new opportunities for merchants and consumers.

### PayPal and crypto-assets

As an innovative FinTech company and by virtue of its mission, PayPal is monitoring the evolution of the crypto-asset space. In 2019, PayPal initially signed a non-binding letter of intent to participate in the Libra Association with the intention of learning more about the proposed use of blockchain technologies to provide financial services to unbanked populations across the globe. Since the project's inception, PayPal has taken unilateral and tangible steps to further develop its capabilities in this area, and therefore – without questioning the value of the project – took the decision not to participate in the Libra Association and to continue to focus on advancing our existing mission and business priorities to democratize access to financial services.