

HEARING BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES

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ANNOTATED BY @NLW

Testimony of Mark Zuckerberg

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I. Introduction

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, thank you for the opportunity to testify today.

There are more than a billion people around the world who don't have access to a bank account, but could through mobile phones if the right system existed. This includes 14 million people here in the US. Being shut out of the financial system has real consequences for people's lives—and it's often the most disadvantaged people who pay the highest price.

"You may remember this from such previous testimony as David Marcus every time."

People pay far too high a cost—and have to wait far too long—to send money home to their families abroad. The current system is failing them. The financial industry is stagnant and there is no digital financial architecture to support the innovation we need. I believe this problem can be solved, and Libra can help.

"Don't let us fall behind in innovation!"

The idea behind Libra is that sending money should be as easy and secure as sending a text message. Libra will be a global payments system, fully backed by a reserve of cash and other highly liquid assets.

I believe this is something that needs to get built, but I understand we're not the ideal messenger right now. We've faced a lot of issues over the past few years, and I'm sure people wish it was anyone but Facebook putting this idea forward.

"This is more important than the fact that you absolutely hate us...well really me"

But there's a reason we care about this. Facebook is about putting power in people's hands. Our services give people voice to express what matters to them, and to build businesses that create opportunity. Giving people control of their money is important too. A simple, secure, and stable way to transfer money is empowering. Over the long term, if it means more people transact on our platforms, that would be good for our business. But even if it doesn't, it could help people everywhere.

This answers why FB wants to be the one to do it but not why they're the only one (or the right one) to do it.

Before we move forward, there are important risks that need to be addressed. There are questions about financial stability, fighting terrorism, and more. I'm here today to discuss those risks and how we plan to address them.

But I also hope we can talk about the risks of not innovating. While we debate these issues, the rest of the world isn't waiting. China is moving quickly to launch similar ideas in the coming months. Libra will be backed mostly by dollars and I believe it will extend America's financial leadership as well as our democratic values and oversight around the world. If America doesn't innovate, our financial leadership is not guaranteed.

China more explicitly front and center than in previous testimony.

The bigger Q they have to answer is whether private co's should have a role here at all.

We co-wrote a white paper to put this idea out into the world and start a conversation with regulators, experts, and governments. Today's hearing is an important part of that process. What we're discussing today is too important for any single company to do on its own.

That's why we helped found the Libra Association—a coalition of 21 companies and non-profits working to give everyone access to financial tools. But even though the Libra Association is independent and we don't control it, I want to be clear: Facebook will not be part of launching the Libra payments system anywhere in the world until US regulators approve.

Last time I testified before Congress I talked about taking a broader view of our responsibility. That includes making sure our services are used for good and preventing harm.

People shouldn't be discriminated against on any of our services. We have policies in place to prevent hate speech and remove harmful content. But discrimination can also show up in how ads are targeted and shown. As part of a settlement with civil rights groups, we've banned advertisers from using age, gender, or zip codes to target housing, employment, or credit opportunities, and we've limited interest-based targeting for these ads. This is part of our commitment to support civil rights and prevent discrimination.

I also know we need more diverse perspectives in our company. Diversity leads to better decisions and better services for our community. We've made diversity a priority in hiring, and we've made a commitment: within five years, we want at least 50% of our workforce to be women, people of color, and other underrepresented groups.

We've made some progress. There are more people of color, women in technical and business roles, and underrepresented people in leadership at Facebook. But I know we still have a long way to go.

This has been a challenging few years for Facebook. I recognize we play an important role in our society, and we have unique responsibilities. I feel blessed to be in a position where we can make a difference in people's lives, and, for as long as we're here, I'm committed to using our position to push for big ideas that we believe can empower people.

II. The Libra Project

The Libra project is about promoting financial inclusion through a safe, low-cost, and efficient way of sending and receiving payments around the world. Research shows that access to financial services can help people lift themselves out of poverty, and it is especially important for women in developing economies. We believe this is a problem that can be solved, and we want to be part of that solution.

Libra is one potential approach, and we're proud to have helped found a 21-member coalition of companies and social impact organizations that have now committed to moving forward with this idea. Establishing this broad-based coalition is a positive step, and I welcome the conversation that Libra has sparked. But by design, we don't expect to be leading those efforts going forward. The Libra Association has been created, has a governance structure in place, and will be driving the project from now on.

Doubling down on this commitment.

Expect questions around political campaign ads on this one

Please note, we've spent the last 5 paragraphs on FB baggage that has nothing to do with Libra.

Feels like part of the new narrative approach here is the idea that "this is more important than any one company and <shrug> we just felt we had to do something!"

See comment just above.

At Facebook, we're also exploring other ways of giving more people access to financial services, for example by lowering remittance costs through our existing platforms. We recognize that other organizations are working on this challenge too, and we support that.

Implying, importantly, that he is removed from the Libra Association.

We will continue talking to regulators about our efforts. We understand that whatever approach we take to promote financial inclusion must address regulatory concerns, including money laundering and terrorism financing, sanctions, and potential currency disruption and systemic risk. I know that the Libra Association is mindful of those things as it proceeds, and at Facebook, we're focused on those concerns as we explore what we can do as a company to address financial inclusion. We also understand the importance of being transparent about our efforts.

I recognize that some have expressed concerns about the Libra project and Facebook's role in it. I want to talk briefly about how we are working to address the concerns we've heard.

First, we've heard that people are concerned that we are moving too fast. As we have said from the beginning, we're committed to taking the time to get this right. We co-wrote a white paper to begin a dialogue with experts and the regulators and policymakers who oversee the stability and security of our financial systems. It was never intended to be the final word on the project. The goal was to signal the direction we want to go and to start a conversation about how to get there. That conversation is ongoing, and we will continue to advocate for responsible innovation in this space.

Second, some have suggested that we intend to circumvent regulators and regulations. We want to be clear: Facebook will not be a part of launching the Libra payments system anywhere in the world unless all US regulators approve it. And we support Libra delaying its launch until it has fully addressed US regulatory concerns.

We have met with regulators in 30 different jurisdictions. The Association has been focused on regulators and other stakeholders, but Association members—including Calibra, Facebook's Libra-related subsidiary—are also talking with elected officials, including many here in Congress. This is how democratic oversight and scrutiny should work.

When it comes to Calibra, I know some people wonder whether we can be trusted to build payment services that protect consumers. We recognize our responsibility to provide people with all the protections they expect when they are sending and receiving payments online. We already do this across our services. For example, every day, people buy products through Instagram Shopping, which helps businesses of all sizes show customers things they might be interested in. People purchase goods from each other on Facebook Marketplace and send money to friends and family through Messenger.

Facebook is committed to strong consumer protections for the financial information we receive, and I want to be clear about how we handle that information:

- We do not sell people's data. Speaking to Libra but really reflective of larger unresolved issues around Facebook (and the larger internet's) business model
- We do not use people's data to make decisions about lending, or to create credit reports.
- We do not share information with third parties for lending or credit decisions.

- We use information about transactions that happen on our products to improve our services, including advertising. However, we do not use people’s payment account information itself for advertising purposes.

Payments processed through Facebook’s licensed payments subsidiaries are subject to comprehensive anti-money laundering, counterterrorist financing, and sanctions monitoring that leverage both our automated systems and human review, and we report suspicious payments activity to applicable authorities consistent with our regulatory obligations. We also have policies in place to prevent fraud.

We’re committed to building similarly robust compliance systems for the Calibra app, as well as strong consumer protections, customer support, and password recovery. Automated tools will proactively monitor activity to detect fraudulent behavior, and Calibra plans to refund any unauthorized transactions.

I also recognize that there are concerns about our access to people’s financial data if they use Calibra. We set up Calibra as a regulated subsidiary, so that there is clear separation between Facebook’s social data and Calibra’s financial data. Calibra will not share customers’ account information or financial data with Facebook, except to prevent fraud or criminal activity, when people affirmatively choose to share their data, or when we are legally obligated to do so.

Finally, there’s the question of whether Libra is intended to replace sovereign currency, and whether it’s appropriate for private companies to be involved in this kind of innovation. I want to be clear: this is not an attempt to create a sovereign currency. Like existing online payment systems, it’s a way for people to transfer money.

Monetary policy is the province of central banks, not Libra. The Libra Association has no intention of competing with any sovereign currencies or entering the monetary policy arena. It will work with the Federal Reserve and other central banks responsible for monetary policy to make sure that is the case. We expect the regulatory framework for the Libra Association will ensure that the Association cannot interfere with monetary policy. Libra is also being designed with economic security and stability in mind, and it will be fully backed through the Libra Reserve.

We also believe Libra presents an opportunity to strengthen the fight against financial crimes like money laundering and terrorism financing. A lot of illicit activities are funded through cash. A digital payments system with regulated on- and off-ramps and proper know your customer practices is easier to secure, and law enforcement and regulators can conduct their own analysis of on-chain activity.

I hope we can find a way to move forward in this area, because we believe responsible innovation like Libra can give more people access to the financial tools that many of us take for granted.

A digital payments system is going to be important in the future. If America doesn’t lead on this, others will. Foreign companies or countries may act without the same regulatory oversight or commitment to transparency that we have. We’re already seeing how companies with very different values are restricting people based on their beliefs. There’s no guarantee that services which support democracy and fundamental rights around expression will win out.

Rising questions have forced a strong, clear response here. Unfortunately for FB, some will respond that it doesn’t MATTER if this is their intent if it has the effect of threatening sovereign currencies anyway. That’s the rub.

Reiterating the “this is good for law enforcement” argument we’ve seen previously

More broadly, we're in a time when our industry and our company in particular are under increased scrutiny. Technology is playing a greater role in our lives and our society, and we've made mistakes. But if healthy skepticism becomes all-out hostility, we'll put a lot of progress at risk—not just in the world, where American tech companies have an opportunity to champion American values, but also closer to home. Six million Americans work in the internet sector. Last year, our industry invested over \$60 billion, helping to drive research and innovation in this country. The internet sector makes up 10.1% of US GDP. And we operate services that create a lot of value in people's lives.

Those jobs, that investment, and that innovation didn't happen by accident. They're the result of our willingness to try new things—even if they're difficult, and even if they don't always work. I understand people have concerns about Libra. But I think it would be bad for our country and the world if companies were discouraged from taking on challenges like these, and settled for safer options that reinforce the status quo. That would harm our national reputation for innovation, make our economy less competitive, and end up concentrating more power in the hands of existing players rather than people.

III. Combating Discrimination

While we believe in innovation, we also recognize that we have a responsibility to ensure that the products and services we build are used for good. For example, people shouldn't be discriminated against on Facebook.

A. Preventing Discrimination in Ads

Advertisers on Facebook are able to choose to show their ads to people who may be interested in specific topics. This is an important part of how our platform democratizes advertising. If you run a small business, you can show your ads to people who are more likely to be interested in them—for example, people who are interested in the specific products or services you offer.

Our policies have long prohibited discrimination, but we have made significant changes to our ads platform to further prevent advertisers from misusing our tools to discriminate in their ad targeting.

Earlier this year, we announced changes in how we manage housing, employment, and credit ads on our platform. This was part of historic settlement agreements with civil rights organizations like the National Fair Housing Alliance and based on ongoing input from civil rights experts. Advertisers who want to post ads on these subjects now have to go through a special ads purchasing process that does not permit targeting by age, gender, or zip code. We've limited the interest-based categories available to advertisers in this special ads purchasing process to a small number of broad-based interest categories that don't relate to protected class features. And we are giving people the ability to search for and view all current housing ads in the US by advertiser, regardless of who the ads are shown to. We're committed to going beyond the settlement agreements to let people search US employment and credit ads on Facebook too.

We have more to do here. But we are proud of these recent efforts and the message they send about Facebook's commitment to civil rights and to protecting our users from potential discrimination. The National Fair Housing Alliance has noted that the changes we are making “position ... Facebook to be a pacesetter and a leader on civil rights issues in the tech field.”

Will be interesting to see if they can find ANY uptake for this or whether the current anti-tech narrative is too strong heading into an election year.

I would be SHOCKED if this doesn't end up with someone pressing him on whether “discrimination” extends to politicians “they” (i.e. California liberals) don't like. That political point scoring happened in the first hearings; expect it again.

B. Our Civil Rights Audit

Advertising is only one way that people interact with our platform, which is why we also work to make sure our policies are fair and unbiased. Our engagement with civil rights leader Laura Murphy’s ongoing civil rights audit of our company speaks to that commitment.

In response to feedback we have received, we’ve made a number of changes, including:

- Creating and formalizing a Civil Rights Task Force, which meets monthly for the purpose of surfacing, discussing, and addressing civil rights issues.
- Extending our longstanding ban on white supremacy to include white nationalism and white separatism.
- Working to prevent misinformation and interference in both upcoming elections and the 2020 Census.
- Combating voter suppression by updating our policies and taking steps to become more proactive. For instance, during the 2018 US midterm elections, our team found and removed more than 45,000 instances of voter suppression content designed to discourage people from voting. We proactively identified more than 90% of this content before it was reported to Facebook.

IV. **Our Commitment to Diversity**

We know that we need a diverse set of perspectives from our workforce. That is why we make diversity a priority in hiring. We have a lot of work to do, but we are committed to our goal of having a company where in the next five years, at least 50% of our workforce is comprised of women, people of color, and other underrepresented groups.

We value diversity at Facebook because it leads to better decisions, better products, and better culture. It also ensures that the products we build reflect the community of people around the world who use them.

When it comes to hiring, we have a diverse slate approach. This ensures that recruiters present qualified candidates from underrepresented groups to hiring managers looking to fill open roles. We’ve seen steady increases in hiring rates for underrepresented people since we started testing this approach in 2015.

Today, there are more people of diverse backgrounds and experiences, more people of color, more women in both technical and business roles, and more underrepresented people in leadership at Facebook. We’ve achieved higher representation of women in leadership by focusing on hiring and growing female leaders within the company. Over the last several years, the majority of new female leaders were internally promoted. Last year, we spent over 400 million dollars on certified diverse suppliers—a 73% increase from 2017. Thirty-four percent of those suppliers are women-owned, and 70% are minority-owned.

As part of our efforts, we’ve worked to build strong relationships with organizations that support people of color and women. We have partnerships with organizations like CodePath.org, the United Negro College Fund, and historically black colleges and universities. We run an internship

Literally half of this testimony is about FB answering for past transgressions - in case you had any questions about just how problematic it is for this company to be the one trying to get the cloud cover to do this thing.

program, Facebook University, for students from underrepresented communities, and the Facebook Summer Academy, for high school students from Menlo Park, East Palo Alto, and San Francisco. Our investments in K-12 education initiatives may not show up in hiring statistics for many years, but we are committed to giving more people from underrepresented groups the skills and experiences they need to find a career in technology.

I'm the first to acknowledge that we still have a lot of work to do. We aren't where we need to be on diversity, particularly at the leadership level. It took us too long to focus on diversity in a rigorous way and, as a result, the improvements we have made haven't moved the needle as much as we would like. But we are committed to this, and we will work hard to get to where we know we need to be. If we can do that, Facebook will be a stronger company and better able to advance our mission and live up to the responsibility that comes with it.

V. Conclusion

This has been a challenging few years for Facebook. We understand we have a lot to do to live up to people's expectations on issues like privacy and security. We know that companies like Facebook have become a part of people's everyday lives, and that comes with immense responsibilities and a lot of very difficult judgments. We don't think we should be tackling these issues alone, which is why I've called for a more active role for governments and regulators on harmful content, protecting elections, privacy, and data portability.

I know we have a lot to do, but I also know that the problem of financial under-inclusion is solvable, and I believe that we can play a role in helping to find the solution. I hope that today I can answer some of your questions.

FINAL THOUGHT

I don't know that I would recommend doing anything different, but it is notable to me that this fundamentally does not answer the question of why FB is the company that should be allowed to do this. In fact, it doesn't even try to.

Instead, it only tries to the question of why Facebook should not NOT be allowed to do this ("because we've cleaned up our act.")

"We won't discriminate" is all well and good, but to the extent that the fear is China pulling ahead in digital currencies, the answer to "why us" that feels more real is "we can do it faster and better than anyone else and we're the only ones you can actually control."

Again, I don't know if they have room to try any sort of argument that reads anything less than fundamentally contrite, but I worry for them that this just doesn't answer the key question of why a private company - any private company - should be allowed to do something as important as keep China off of unqualified leadership in a new currency era. It just seems far too likely that a bunch of (perhaps well intentioned) politicians say "you're right, we have to do this, but let's start a committee to figure out how."