

Facebook Inc

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Facebook unveils new Libra cryptocurrency

Social media giant Facebook Inc (NASDAQ:FB) has published details of its new cryptocurrency, Libra, ahead of a planned public launch next year.

According to a whitepaper, released on Tuesday, the new currency will be built on its own blockchain and governed by an independent body known as the Libra Association.

READ: Bitcoin hits 12-month high as launch of Facebook cryptocurrency expected imminently

The consortium is currently comprised of 28 founding members including payment giants Visa Inc (NYSE:V), Mastercard Inc (NYSE:MA) and PayPal Holdings Inc (NASDAQ:PYPL) as well as ride-hailing firm Uber Technologies Inc (NYSE:UBER) and FTSE 100 telecoms giant Vodafone Group Plc (LON:VOD).

Each of these members are expected to inject at least US\$10mIn of their own cash into the project in order to form a bedrock reserve for the currency, while Facebook says it is planning to have 100 founding members before the official public launch next year.

These may include other online giants such as Google parent Alphabet Inc (NASDAQ:GOOG) and Microsoft Inc (NASDAQ:MSFT), who have yet to sign up to the initiative.

Each of these members will be responsible for their own 'node' in the Libra blockchain, through which the currency will be managed and operated.

According to the whitepaper, the aim of Libra is to allow users to convert fiat currency into the equivalent value of Libra which can then be used with accepting merchants and can be converted back into fiat money if desired.

Facebook itself will be launching a digital wallet, called Calibra, into its existing family of apps which will allow users to pay for things through the company's networks, which include instant messaging service WhatsApp and image sharing site Instagram.

The company seems to be trying to replicate the success of Chinese messaging app WeChat, which not only allows users to message each other but also offers a payment service that enables subscribers to transfer money to contacts or pay for various services through their mobile phones.

The Libra project is also aiming to provide financial services to what it estimated was the 1.7bn people in the world without a bank account, saying the new currency would allow anyone with a mobile phone and internet connection to transfer money instantly and at little cost.

Stablecoin

The whitepaper said that Libra will be backed by "a collection of low-volatility assets" such as bank deposits and stable

Price: 189.61

Market Cap: \$540.98 billion

1 Year Share Price Graph



Share Information

Code: FB

Listing: NASDAQ

52 week	High	Low
	208.65	123.02

Sector: Online business & e-commerce

Website: www.facebook.com

Company Synopsis:

When it comes to social networking, it's wise to put your best face forward. Facebook, the social networking juggernaut, lets users share information, post photos and videos, play games, and otherwise connect with one another through online profiles.

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short-term government securities.

As a result, the currency will not be 'pegged' to an existing currency such as the US dollar and will therefore not have a fixed exchange rate against other currencies.

The asset bedrock, however, also means that Libra will act as a 'stablecoin', which means its value will not be subject to the wild swings associated with existing cryptocurrencies such as Bitcoin.

Increased likelihood of crypto adoption

Jasper Lawler, head of research at London Capital Group, said that Facebook's foray into the crypto space will expose its 2bn users to the concept of digital currency and bring familiarity of the technology to a much wider audience.

He compared the move to Amazon Inc (NASDAQ:AMZN) launching its Prime streaming service, which brought the idea into the mainstream and provided a big boost to the shares of rival Netflix Inc (NASDAQ:NFLX).

He added that the wider exposure to crypto should spur regulators into action as while "niche" speculation of cryptos was easy to ignore, regular usage by a huge number of people could not rely on the current "wild-west" approach.

"Can-kicking big decisions like how to regulate cryptocurrency ETFs are more acceptable while cryptocurrencies are a speculative niche [but regular] usage by 2 billion people means regulation of cryptocurrencies is needed asap", Lawler said.

Following the news, Facebook's shares were up 1.8% at US\$192.4 in pre-market US trading.

Meanwhile, the price of original cryptocurrency Bitcoin was down 1.5% in early afternoon trading in London at US\$9,129, although this was still close to a 12-month high of around US\$9,346 reached on Monday.

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