

With 'Libra,' Facebook leaps into digital money

● **Libra offers an open source code to be used by developers interested in weaving it into apps**

● **Libra will be a regulated currency, subject to local laws**

● **Libra Association debuted with 28 members including Mastercard, Visa, Stripe, Kiva, PayPal, Lyft, Uber and Women's World Banking.**

San Francisco, United States

Facebook is leaping into the world of cryptocurrency with its own digital money, designed to let people save, send or spend money as easily as firing off text messages.

"Libra" -- described as "a new global currency" -- was unveiled yesterday in a new initiative in payments for the world's biggest social network with the potential to bring crypto-money out of the shadows and into the mainstream.

Facebook and some two dozen partners released a prototype of Libra as an open source code to be used by developers interested in weaving it into apps, services or businesses ahead of a rollout as

global digital money next year. An eponymous nonprofit association based in Geneva will oversee the blockchain-based Libra, maintaining a real-world asset reserve to keep its value stable.

The initiative has the potential to allow more than a billion "unbanked" people around the world access to online commerce and financial services, said Libra Association head of policy and communications Dante Disparte.

"We believe if you give people access to money and opportunity at the lowest cost, the way the internet itself did in the past with information, you can create a lot more stability than we have had up until now," Disparte said.

"Sending money to your friend shouldn't be harder than getting them an Uber ride home," said Uber head of payments and risk Peter Hazlehurst.

"Libra has the potential to bridge the gap between traditional financial networks and new digital currency technology, while reducing the costs for everyone."

Facebook will be just one voice among many in the association, but is separately building a digital wallet called Calibra.

"We view this as a complement to Facebook's mission to connect people wherever they are; that includes allowing them to exchange value," Calibra vice president of operations Tomer Barel said.

"Many people who use Facebook are in countries where there are barriers to banking or credit."

Calibra is being built into Facebook's Messenger and

WhatsApp with goal of letting users send Libra as easily as they might fire off a text message.

Backed

Chief executive Mark Zuckerberg

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DANTE DISPARTE
LIBRA ASSOCIATION HEAD OF POLICY AND COMMUNICATIONS

by real cash

Libra learned from the many other cryptocurrencies that have preceded it such as bitcoin and is designed to avoid the roller-coaster valuations that have attracted speculation and caused ruin.

Real-world currency used to buy Libra will go into a reserve backing the digital money, the value of which will mirror stable currencies such as the US dollar and the euro, according to its creators.

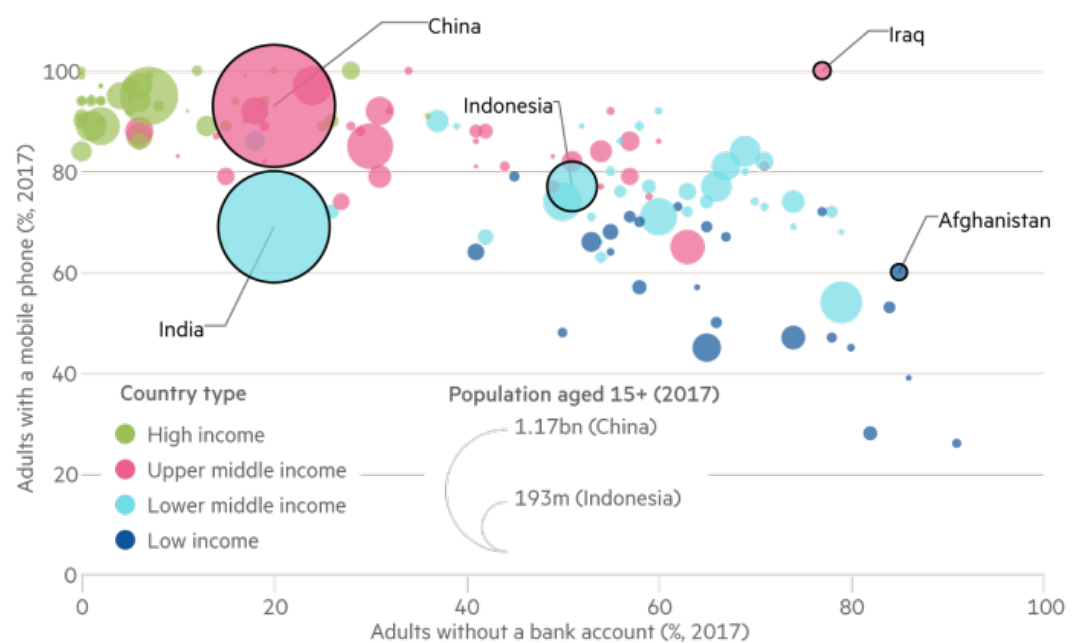
"It is backed by a reserve of assets that ensures utility and low volatility," Tomer said.

For the digital currency to operate on a global scale, Libra is relying on a platform of blockchain technology that uses about 100 trusted computer "nodes" to validate and register transactions.

The Libra Association will be the only entity able to "mint or burn" the digital currency, maintaining supply in tune with demand and assets in reserve, according to Barel.

"It is not about trusting Facebook, it is effectively trust in the association's founding organizations that this is independent

Libra's mobile-first strategy aims to plug the global payment gap



and democratic," Disparte said.

New directions

The launch comes with Facebook seeking to move past a series of lapses on privacy and data protection which have tarnished its image and spark scrutiny from regulators around the world.

Chief executive Mark Zuckerberg has promised a new direction for Facebook built around smaller groups, private messaging and payments.

The new Calibra digital wallet promises to eventually give Facebook opportunities to build financial services into its offerings, offer expand its own commerce and let more small businesses buy ads at the social network.

Like bitcoin, there's no real identity on the blockchain

From the perspective of the blockchain itself, you don't exist. Only public-private key pairs exist. The white paper states: "The Libra protocol does not link accounts to a real-world identity. A user is free to create multiple accounts by generating multiple key-pairs. Accounts controlled by the same user have no inherent link to each other."

"We certainly see long-term value for Facebook," Barel said.

Financial information at Calibra will be kept strictly separate from social data at Facebook and won't be used to target ads, Calibra vice president of product Kevin Weil said.

Libra will be a regulated currency, subject to local laws in

Like Hyperledger, it's permissioned (at least to start)

Initially, the consensus structure for Libra will be dozens of organizations that will run nodes on the network, validating transactions. Each time consensus is voted on for a new set of transactions, a leader will be designated at random to count up the votes.

Libra opts to rely on familiarity rather than democracy to choose the right entities to establish consensus in the early days. "Founding Members are organizations with established reputations, making it unlikely that they would act maliciously," the white paper states. These are entities range from traditional payment networks (Mastercard, Visa) to internet and gig-economy giants (eBay, Lyft) to blockchain natives (Xapo) to VCs (Andreessen Horowitz, Thrive Capital).

markets regarding fraud, guarding against money laundering and more, according to Weil.

Like ethereum, it makes currency programmable

In a number of ways, the white paper defines interesting ways in which its users can interact with the core software and data structure. For example, anyone can make a non-voting replica of the blockchain or run various read commands associated with objects (such as smart contracts or a set of wallets) defined on Libra. Crucially, Libra's designers seem to agree with ethereum's that running code should have a cost, so all operations require payment of Libra as gas in order to run.

Unlike ethereum, Libra makes two important changes in its smart contracts. First, it limits how much users can do on the protocol at first (the full breadth of Move's features are not yet open). Second, it breaks data out from software, so one smart contract (what Move refers to as a "module") can be directed at any pool of assets, which Move calls "resources." So one set of code can be used on any number of wallets or collections of assets.

Libra's designers have picked what they see as the best features of existing blockchains while providing their own updates and refinements

How do cryptocurrencies work?

To use currencies like Libra, people will need to install software referred to as a digital wallet.

Several digital wallets are available, but one called Calibra is being built by a Facebook subsidiary for Apple- and Android-powered smartphones and integrated with the social network's Messenger and WhatsApp mobile services.

This system "lets everyone store their money securely in their phone," Calibra vice president of product Kevin Weil told AFP.

A digital wallet chosen by the user is linked to bank accounts or credit cards for transfers or online transactions.

"The same way you can pick any browser to go on the internet, you can pick any digital wallet," Weil said.

What are the advantages?

Libra was released as an open ecosystem, so any business or service may accept it for payments. Financial institutions could also offer credit or loans in Libra.

"Imagine storing your life savings in your house; it is safer to take it with you on the go on your phone," Weil said.

Calibra, for example, could be used to send money to friends or family members in another country, or shop at stores online or in the real world the same way they might use Apple Pay or Google Pay.

More than a billion people already use WhatsApp and Messenger to communicate, so providing a way to send money makes sense.

"Over time, as the Libra ecosystem grows and Libra is built into products and services, there will be more things you can just do with Libra," Weil said.

How is cash converted to crypto?

People without access to banks could go to a currency exchange or merchant to convert cash into Libra.

Once on a smartphone, Libra could be sent text-message style, with recipients having the option to save it in their own wallets for future use or convert it to their local currency.

"We make it easy to go back and forth to local currency," Weil said.

"If you are unbanked, you will have locations like money exchanges that operate with Libra."

Currency exchange fees would be market-driven, but likely less than remittance fees charged by businesses that wire funds.

Calibra has built-in fraud and password recovery protections, and there is a "know-your-customer" process that requires people to initially provide some form of government identification.

"This is people's money; we feel a huge responsibility to keep it safe," Weil said.

