

Can Facebook-Led Libra, Now Named Diem, Seize the Day When Its Crypto Coin Debuts?

Facebook's cryptocurrency play was back in the news at the end of November with reports that it would finally debut in January, following expected approval by the Swiss Financial Market Supervisory Authority. Since Facebook announced its original crypto plans in June 2019, it's gone through a name change, cycled through members and watered down its ambitions. But concerns remain about Facebook's dominance in yet another industry.

Most important, if and when Diem does make its debut next month, it will do so in the form of a single stablecoin tied to the U.S. dollar. This version is significantly scaled back from original plans to roll out a coin tied to a basket of currencies, as well as stablecoins tied to other single currencies, including the Euro, the Singapore dollar and the U.K. pound.

Gartner Research distinguished vp analyst Avivah Litan told Adweek that going this route appeases regulatory resistance, at least temporarily. "Assuming that the regulators are on board, it's basically like PayPal on blockchain. What they're doing is benign in terms of the central bank and the threat to currencies," Litan added. "There's really is no harm here."

She was also skeptical that the basket coin would ever see the light of day, saying, "Regulators don't care about the valuation of Bitcoin because it's not managed by a central bank. It's not the same kind of threat as having Facebook influence the value of your fiat currencies."

Enter Novi and Diem

Calibra, Facebook's digital wallet, and Libra, its entry into cryptocurrency, were rechristened as Novi in May and the Diem Association this month, respectively. The latter name change marks "a new day for the project," according to Facebook's announcement.

That could signal a fresh start and a new direction for Facebook's crypto plans: Libra came under fire almost immediately. Several Democratic members of the U.S. House Financial Services Committee published an open letter in July 2019 to Facebook's executives asking them to "immediately agree to a moratorium" on the project, noting, "Facebook is already in the hands of over one-quarter of the world's population."

Key partners that were already entrenched in the payments sector exited Libra last October to pursue their own initiatives, including eBay, Mastercard, PayPal, Stripe and Visa.

As for the name change from Libra to Diem, Litan saw it as "trying to make it politically correct so that Facebook can get away with what it wants to do." Furlonger added, "The name change is a suggestion that there's an attempt to at least distance from the original construct. The naming of Facebook is diminished significantly in the new white paper. The move here to be a more independent organization suggests a different tact than was originally the case. Behind the scenes, it's hard to tell what that means with respect to Facebook and its original thinking."

Gartner Research vice president analyst Christophe Uzureau and distinguished vp David Furlonger wrote in a report published in August 2019, "One may argue that the endgame is not to create a new, profitable, stand-alone venture for Facebook, but rather to collect more data and behavioral insight to

power other corporate assets. This would certainly fit with the Trojan Horse argument. But, where does that leave the other members of the network?"

The Facebook effect

Despite the name change and Facebook's efforts to paint itself as just one of several partners in the initiative, the timing is curious for an entry into cryptocurrency. At the moment, Facebook is dealing with last week's lawsuits from the Federal Trade Commission and 48 states over its perceived dominance and anti-competitive behavior in its flagship business of social media.

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