Facebook confirms it will launch a cryptocurrency called Libra in 2020

Facebook is finally ready to talk about its blockchain plans. Following numerous reports unraveling its upcoming announcement in detail, the company today said that its in-development global cryptocurrency, called Libra, will launch next year alongside the underlying blockchain-based network that will support it.

The currency is designed not to be a speculative asset, like Bitcoin, but a form of digital money backed by a reserve of assets. You will one day be able to use Libra as payment for online and offline services, Facebook executives say. At the beginning, the company imagines Libra will be used mainly to transfer money between individuals in developing countries who lack access to traditional banks. Eventually, the goal is to create the first truly mainstream cryptocurrency: a decentralized global form of payment that is as stable as the dollar, can be used to buy almost anything, and can support an entire range of financial products – from banking to loans to credit.

Although Facebook is building Libra, and plans to run the project through the end of this year, eventually it plans to cede the project to a larger community. The company has formed the nonprofit Libra Association with 27 other partners to oversee Libra and its development. The partnership includes venture capital firms, nonprofit organizations, crypto firms, and massive corporate financial, telecommunications, and technology service providers, including Coinbase, Mastercard, Visa, eBay, PayPal, Stripe, Spotify, Uber, Lyft, and Vodafone. Those organizations will also contribute to what is known as the Libra Reserve, the asset pool that will ensure every unit

of Libra currency is backed by something of intrinsic value rather than by simple scarcity, as Bitcoin is.



Image: Facebook

Generating new Libra is also relatively green as it doesn't consume massive amounts of power unlike the Bitcoin mining process, for example.

If Libra succeeds, it could represent one of the most consequential products Facebook has ever released – both for the company and for the world. It could offer a compelling alternative to the existing banking system, particularly for people in developing nations. It could also make Facebook

inextricable from its users' lives — a high priority for the company amid calls from regulators in the United States and abroad that it should be broken up.

According to Dante Disparte, the newly hired head of policy and communications for the Libra Association, "the goal really is to improve financial inclusion and do to the transfer of value and payments what the internet has done to the transfer of communication and information," he told *The Verge* in an interview last week over video call from Washington, DC. While the Libra Association will have members based globally, it will be headquartered in Geneva, Switzerland.




Calibra in action.
Facebook

Of course, Facebook has a business incentive to build on top of the Libra blockchain, and it's launching its own subsidiary to do just that called Calibra. The company, which employs former Twitter and Instagram product chief Kevin Weil as its vice president of product, is in charge of launching, maintaining, and building on top of Facebook's own digital wallet, which will carry the same name. Weil tells *The Verge* that Calibra will live inside of Facebook Messenger and WhatsApp at launch, but will also have a standalone iOS and Android app. Over time, Weil says Facebook will look to build new financial services, like credit lines, using Calibra.

Because Facebook owns Calibra and also has a seat on the Libra Association, it will be the only entity on the currently 29-member board that will effectively have two votes. But the governing structure of the Libra Association is still evolving, and Facebook says it hopes to recruit dozens or even hundreds more members before Libra launches in 2020.

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"This was going to be a very involved endeavor that will not only require breaking new ground, but also coming up with a new decentralized form of government," Facebook's blockchain chief David Marcus, a veteran of PayPal who ran Facebook Messenger for years, tells *The Verge.* "Because no one company can control it." As such, Facebook says it's open sourcing the Libra blockchain today under an Apache 2.0 license, meaning anyone can freely take the code and experiment with products built on top of it.

"Imagine an open, interoperable ecosystem of financial services that developers and organizations will build to help people and businesses hold and transfer Libra for everyday use," authors of the Libra white paper write. "To enable the Libra ecosystem to achieve this vision over time, the blockchain has been built from the ground up to prioritize scalability, security, efficiency in storage and throughput, and future adaptability."

Facebook and the other members of the Libra Association plan to recruit more partners to build out the network, and Marcus also says it will be raising money in the private sector to create incentives for people to quickly start using Libra and Libra-based technologies.

"We will also continue engaging with regulators, policymakers, and experts to solicit feedback and ensure that this global financial infrastructure is governed in a way that is reflective of the people it serves," reads a Facebook blog post on the Libra Association. "We believe this will be a significant undertaking – and responsibility – and we will continue to work openly and collaboratively as we move toward our goal of launching this new ecosystem in the first half of 2020."

Beyond the obvious financial incentives, Facebook is making an

effort to tie Libra into its global mission of connecting the planet. The company says that 1.7 billion people, or 31 percent of the global population, currently have no bank, with no access to modern financial services. Offering those people free and lower-cost banking services could have immense benefits to their well-being, the company says.

In this way, Facebook is presenting its cryptocurrency as a democratizing societal force in the same vein as its efforts to make free online communication accessible globally. Just as Facebook has launched efforts around the world to bring people online, through its controversial Internet.org initiative and its Free Basics internet service, it's now launching an effort to bring people free and low-cost banking tools. It remains to be seen whether Facebook's banking and commerce initiatives manage to avoid the charges of digital colonialism that dogged its earlier efforts around internet accessibility.

"Blockchain and cryptocurrencies have a number of unique properties — they are decentralized, globally accessible, low cost, and safe. But the existing blockchain systems have yet to reach mainstream adoption," reads Facebook's blog post. "Mass-market usage of existing blockchains and cryptocurrencies has been hindered by their volatility and lack of scalability. Some projects have also aimed to disrupt the existing system and bypass regulation as opposed to innovating on compliance and regulatory fronts to improve the effectiveness of anti-money laundering."

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Facebook says it wants to work with the financial sector on this, and not compete directly against it. "You'll see banks on this between now and next year, because if we bring on another billion people, they'll need savings accounts, loans, and things banks are very good at," Marcus says. Facebook also plans to drastically reduce money transfer fees and transaction fees through Calibra, a welcome move in an industry that has historically preyed on the financially

vulnerable.

Marcus says the willingness of Mastercard and Visa to be a part of the Libra Association offers evidence that even companies that reap massive profits from the status quo see the potential in Libra. “One of the values that Mastercard and Visa bring to this network is trying to help merchant acceptance, and getting their merchants to accept Libra. That will provide a lot of utility,” he says. “If this ecosystem is successful, you’ll see a whole lot of financial service innovations on top of it.”

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