

Facebook to unveil new cryptocurrency

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Analysts say launching a cryptocurrency could help propel Facebook forward in terms of engagement with users and creating new revenue streams

Facebook is set Tuesday to unveil a bid to bring cryptocurrency payments into the mainstream, reportedly with the endorsement of governments and financial giants.

The world's biggest social network is expected to outline details of a virtual currency launching next year that it hopes will avoid the rollercoaster volatility of "blockchain" technologies such as bitcoin.

Facebook is setting up a consortium called "Libra" which, according to the Wall Street Journal, has been joined by more than a dozen companies including Visa, Mastercard, PayPal and Uber.

The companies along with venture capitalists and telecommunications firms will reportedly invest around \$10 million each into the consortium.

Facebook has been trying to ward off hostile regulatory scrutiny after a series of privacy abuses and the spread of fake news.

The consortium will be managed externally and seek to build trust among consumers by pegging the virtual coin to a basket of currencies including the dollar and euro, the Journal said.

Facebook has already sought blessings from the US Treasury and the Bank of England, the BBC reported last month.

Regulators have been reticent about cryptocurrencies, not only due to potential abuse by criminals but the wild swings in their value harming consumers.

With more than two billion users across its platforms, which include WhatsApp and Instagram, Facebook could have the clout to bring cryptocurrency out of the fringes and emulate the likes of WeChat in China, where the US site is banned.



Buffeted by the privacy storms, chief executive Mark Zuckerberg has promised a new direction for Facebook and delivered the opening keynote introducing new privacy features at the Facebook F8 Conference on April 30, 2019

WeChat allows its users to chat, shop and play games without leaving its platform, generating more revenue by offering a one-stop portal.

'How do we tax it?'

Buffeted by the privacy storms, chief executive Mark Zuckerberg has promised a new direction for Facebook built around smaller groups, private messaging and payments.

But it will need to overcome questions of trust and privacy, not least over how financial data will be stored. Some analysts are betting that the heavyweight Libra consortium will help to do that.

Facebook's crypto initiative could facilitate shopping, applications and gaming, and would leverage its broad userbase in Asia, RBC analyst Mark Mahaney said in a research note last week.

It "may prove to be one of the most important initiatives in the history of the company to unlock new engagement and revenue streams", he wrote.

But Cathy Mulligan, a cryptocurrency expert at London's Imperial College, said there were important unanswered questions about Facebook's plans.

"I think there are some interesting regulatory questions that pop up: firstly, Facebook is a global company—are they creating a global currency? That is a little bit difficult to manage," she told AFP on Monday during a visit to the UN headquarters in Geneva.

Definitions of money vary across countries, Mulligan noted.

"So how do we tax it? What implications does it have for spending money, how do you control and regulate flow?" she said, stressing also the privacy concerns after Facebook's data mishaps.

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