

Facebook's crypto project Diem sold after pushback

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Facebook-backed crypto project Diem is selling its assets.

The Facebook-backed digital currency project Diem announced Monday the winding down and \$182-million sale of its technology, capping a years-long initiative that drew significant concern from regulators.

Facebook's announcement in 2019 of plans to design a cryptocurrency

and [payment system](#) raised immediate red flags for global finance officials, who expressed a barrage of criticism about the security and reliability of a private network.

"The idea of Facebook doing a cryptocurrency was a bridge too far for regulators," said analyst Rob Enderle of Enderle Group.

"They have made it clear they don't trust Facebook with what they are doing now, so sure as heck were not going to let it go into the money business."

Diem Networks' US CEO Stuart Levey said in a statement that the initiative made progress, but "it nevertheless became clear from our dialogue with [federal regulators](#) that the project could not move ahead."

"Over the coming weeks, the Diem Association and its subsidiaries expect to begin the process of winding down," the association's statement said.

The technology was bought by Silvergate Capital Corporation in California that is a go-to for crypto projects, and which put the sale price at \$182 million.

Silvergate bought development, deployment and operations infrastructure, as well as tools for running a blockchain-based payment network for payments as well as cross-border wire transfers.

"As far as I can tell, Diem is dead," Enderle said.

Crypto boom

"As we undertook this effort, we actively sought feedback from governments and regulators around the world, and the project evolved

substantially and improved as a result," the Diem association's statement said.

Facebook developed the technology, initially named Libra, and then entrusted control of the project to an independent entity based in Geneva.

After the defection of several major partners such as PayPal, Visa and Mastercard, the organization scaled back its ambitions, before renaming itself Diem at the end of 2020.

The so-called stablecoin—a type of digital money tied to other kinds of assets—never launched. It was not clear what will become of related plans for Facebook-parent Meta to build a virtual wallet for holding cryptocurrency.

"The combination of a stablecoin issuer or wallet provider and a commercial firm could lead to an excessive concentration of economic power," US regulators said in a 2021 report.

"These policy concerns are analogous to those traditionally associated with the mixing of banking and commerce, such as advantages in accessing credit or using data to market or restrict access to products," the report said.

Facebook, which renamed itself Meta in October, has faced criticism on the [dominant position](#) it holds online, yet it's not the only powerful organization interested in crypto.

Creative Strategies analyst Carolina Milanesi wondered whether Libra-turned-Diem was, from the outset, part of Facebook's vision of being a platform for the metaverse.

"Cryptocurrency is going to get into the metaverse one way or another," Milanesi said.

"Maybe that is what Facebook is counting on and decided to leave the headache to someone else."

People are already buying real estate in immersive, virtual worlds referred to as the metaverse.

The European Central Bank in July formally launched a pilot project to create a "digital euro," in response to the growing popularity of electronic payments and the rise of cryptocurrencies.

Central banks are also responding to increased demand for digital payment options as cash use continues to decline, a trend fueled by the pandemic and the desire to avoid contact.

"There is a lot of distrust surrounding cryptocurrency, and a lot of us in the industry are convinced it is a big Ponzi scheme," Enderle said.

The Diem asset sale "is another red flag on crypto," he added.

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