

Libra, Facebook's new digital currency

News

Facebook is unveiling a digital currency called Libra as the company seeks to make its ads more valuable by enabling smoother transactions and payments online, particularly among those without credit cards or bank accounts.

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- Libra will use the same security and record-keeping principles as Bitcoin, the most popular digital currency system today.
- But unlike Bitcoin, Libra is backed by several traditional financial companies, including PayPal, Visa and Mastercard, and will base its value on multiple real-world currencies such as the US dollar and the euro.
- Libra is scheduled to launch publicly in the first half of next year.

Cryptocurrency

- It's a form of digital cash that uses encryption technology to make it secure.
- Cryptocurrencies exist not as physical bills or coins but rather as lines of digitally signed computer code.
- Records are typically kept on ledgers known as blockchain.
- People can store their cryptocurrency stashes in virtual wallets that resemble online bank accounts.
- Although it's possible to trace bitcoins and some other cryptocurrencies as they are spent, owners of accounts behind the transactions aren't necessarily known. That makes such currencies a favorite among certain cybercriminals.
- But it is sometimes possible to tie cryptocurrency transactions to a real person who has cashed out digital coinage into a traditional currency.

Facebook's Cryptocurrency

- Facebook is developing a wallet app for Libra.
- As with other cryptocurrencies, people will be able to buy and sell libras on exchanges for traditional currencies.
 - ✓ It's not clear what fees, if any, consumers will have to pay for such transfers, although Facebook says they should be low.
- Facebook is hoping to keep the libra's value stable by tying it closely to established currencies.
 - ✓ Because of high fluctuation in value of Bitcoins only a handful of merchants accept bitcoins as payments.

- ✓ But unlike bitcoins, the Libra will be backed by real-world bank deposits and government securities in a number of leading currencies.
- Facebook is also recruiting partners ahead of time.
 - ✓ Lyft, Uber and Spotify already have joined the Libra group.
 - ✓ They will likely accept libras when the system launches.
 - ✓ They'll also help fund, build and govern the system.
 - ✓ That'll make Libra less of a free-for-all than Bitcoin.
- Facebook says Libra will embrace regulation, but it isn't providing many details on how.
- With Libra, the verifications will initially be managed by its founding companies, such as Facebook and PayPal. Facebook believes the closed approach will mean better security.
 - ✓ Most cryptocurrencies, including Bitcoin, anyone can lend computing power to verify transactions and to prevent anyone spending the same digital coin twice.
- Facebook says it won't use Libra data to target ads, but may share data "to keep people safe, comply with the law, and provide basic functionality."
 - ✓ Facebook is creating a subsidiary, Calibra, to try to keep the operations separate.

Though Libra could be a way for Facebook to drive spending when people interact with Facebook ads, the company says the currency will be independent and won't require a Facebook account to use.