

Q: Is Facebook's Libra a game changer for cryptocurrencies?

Brian Lockhart, CFP®: I doubt that it is a coincidence that the same week Facebook announced its foray into the world of blockchain and cryptocurrencies, the world's largest crypto jumped 20% and is above \$11,000 for the first time in 15 months. In case you doubt that Facebook's Libra is a significant event, consider who their named partners are for the venture: Visa, Mastercard, Stripe, Uber, Spotify, and Paypal all have a stake in Libra.

Libra will bring a much-needed dose of credibility to blockchain-based currencies, but I do not think Facebook's ambition is to take on Bitcoin as the 800-pound gorilla in cryptocurrency. Instead, I think Facebook is positioning itself to become a global leader in payment processing, leapfrogging over established players in this space like Venmo, Apple Pay, Google Wallet, and Snapcash.

Because Libra is going to be backed by actual currency, like U.S. dollars, it will resemble more of a blockchain version of Paypal. Because of Facebook's near universal reach globally, the fees for making transactions will be lower than any other offering benefitting retailers, and ultimately consumers. The greatest beneficiaries, however, will be the 1.7 billion that currently have no ability to have a bank account according to the World Bank Findex.

It is difficult to predict the impact on Bitcoin or Ethereum, but I do believe that Facebook is poised to become the largest payment processing company in the world.

Clint Pekrul, CFA: As I have mentioned in previous PCM reports, I'm not a qualified expert on the nuances of cryptocurrencies. But when Facebook announced it would launch its own version through Libra, I think it took the market by surprise. Technically, Libra is separate from Facebook as a unique entity, and as I understand it, will be controlled by the Libra Association. This association is made up of corporate representatives, such as Visa, MasterCard and PayPal, as well as several other venture firms that forked over the \$10m entrance fee. So essentially, a group of corporate bigwigs would control this new global currency by providing financial backing to support a relatively stable value (unlike Bitcoin, which is quite volatile).

I guess the biggest question at this point is, will people actually trust Facebook with their money? Given their recent troubles with privacy protection, where is the evidence that Facebook, with its 2.2 billion users, will be able to safeguard this new currency from cyber hackers? In addition, Libra is controlled, or backed, by a group of private corporations, which is much different than having currencies controlled by governments and central banks. So, Facebook's launch of Libra is certainly ambitious, and expect there to be much opposition to it, at least initially.