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Fundies give Facebook's Libra a cautious tick

Sarah Turner *Reporter*



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Global fund managers have given a cautious tick of approval to Facebook's cryptocurrency and digital wallet, which they see as a first step towards the company making money from its popular messaging platforms.

The US technology giant announced on Tuesday it [intended to launch a digital currency, Libra](#). It also planned to launch a payments system powered by blockchain and a digital wallet, to be named Calibra.

"The reason that Facebook is trying to develop a currency is driven by a desire to expand beyond traditional advertising," said Alex Barbi, co-manager of the Platinum Asset Management technology fund.

"They are [trying to offer new services](#). Financial services could be one. It's an interesting proposal."

Andrew Macken, chief investment officer at Montaka Global Investments, said it was likely the move would [enable e-commerce transactions](#) on Facebook properties.

"They haven't scratched the surface of monetising Messenger and WhatsApp, and anything that can help them to monetise these products is positive," he said.

For Nick Griffin, chief investment officer of Munro Partners, a move by Facebook into currency is a natural extension of the company's plans to commercialise its business.

"It will make it easier for the millions of small businesses and billions of Facebook users to make cross-border payments and to pay for smaller items over Facebook," he said.

Regulation

All the fund managers highlighted that [Facebook had come under regulatory scrutiny](#) following a string of high-profile data privacy scandals.

Mr Macken agreed: "Cryptocurrency needs to be private and secure. Those are the same issues that Facebook is already facing with its almost 3 billion members' private data."

Mr Barbi said the world's central banks appeared to be on alert for potential financial stability and monetary policy transmission risks from Libra. "Central bankers are signalling that they are watching," he said. "If the currency pool becomes very big, there is a risk of substitution of existing currencies."

If Facebook's proposals were to work, the regulatory framework would have to be structured in the right way, he said.

The easiest application of Libra would be for international monetary transfers such as remittances, where the costs were very high, Mr Barbi said. It was also more likely to work in developing markets where access to banks was limited.

Early days

With the plan in its infancy, Munro's Mr Griffin said the hurdles to success were high.

"We won't be putting anything into our forecasts for the next three years to account for this currency system. It's hard to successfully launch a payment system, let alone a currency," he said.

"Both Apple and Google have tried with Apple Pay and Google Pay. But there's a real chicken-and-egg argument. You need to get people to use it before the merchants are likely to accept it," he said. Still, "Facebook is in a better position than most to make a success of it because of its massive user base."

"I would say it makes Facebook interesting and potentially opens up optionality," Platinum's Mr Barbi. "This is potentially very positive for Facebook once we see the implementation steps."



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