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NEWS STABLECOINS

# Future of Diem hangs in the balance as Novi looks for an alternative



by Frank Chaparro

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## Quick Take

- A months-old partnership between Silvergate and the Diem Association has apparently hit regulatory headwinds.
- Now Novi, Facebook's crypto wallet subsidiary, is looking for a different stablecoin.

Facebook's stablecoin project — previously known as Libra and now called Diem — has had a tumultuous journey since it was revealed with much fanfare back in June of 2019.

Since then, the project has hit roadblock after roadblock from [skeptical policymakers](#) and [central bankers](#) around the world. The nonprofit organization formed to develop the network has also [lost several key members](#), including Visa, Mastercard and PayPal.

In response to the backlash, the project's developers have drastically scaled back their ambitions. Instead of a stablecoin backed by a basket of global fiat currencies, the current vision entails individual coins backed by single national currencies. They've also changed the project's name in hopes of distancing it from the highly contentious Libra proposal.

Now the project is facing yet another setback. Novi — Facebook's crypto-focused subsidiary, which was formerly known as Calibra — is looking to work with a stablecoin other than Diem, which appears to have been held up yet again.

The nonprofit Diem Association has yet to begin minting tokens, despite announcing [a partnership with the crypto-friendly bank Silvergate](#) over four months ago. Sources attribute the delay to regulatory headwinds.

Novi has been in talks with stablecoin providers Circle and Paxos to potentially use either USDC or PAX, according to three sources briefed on the situation.

Silvergate said its partnership with Diem is still intact. "There is no disruption to Silvergate's partnership with Diem," the firm said in a statement.

It added: "Silvergate remains the exclusive issuer of Diem USD. We maintain our belief that stablecoins present a massive and unique opportunity, and with the development of an appropriate regulatory framework have the potential to become an alternative payment rail for customers around the world."

A spokesman for the bank did not respond to a message seeking clarity about the timeline for the partnership to go live. Diem was a focal point of Silvergate's last earnings call in July, with analysts asking several questions about the partnership.

When asked about how much Silvergate would make from minting, CEO Alan Lane offered scant information: "We have not shared any of those details yet and it's just unfortunately still premature at this time."

A source close to the Diem Association said that although Diem has not shut down, the organization is "effectively a zombie organization."

"They are looking for new paths, but the chances of success seem slim," the person said.

Michael Crittenden, an external spokesman for Diem, declined to comment.

Messages to Novi were not returned before publication.



## Total Stablecoin Supply

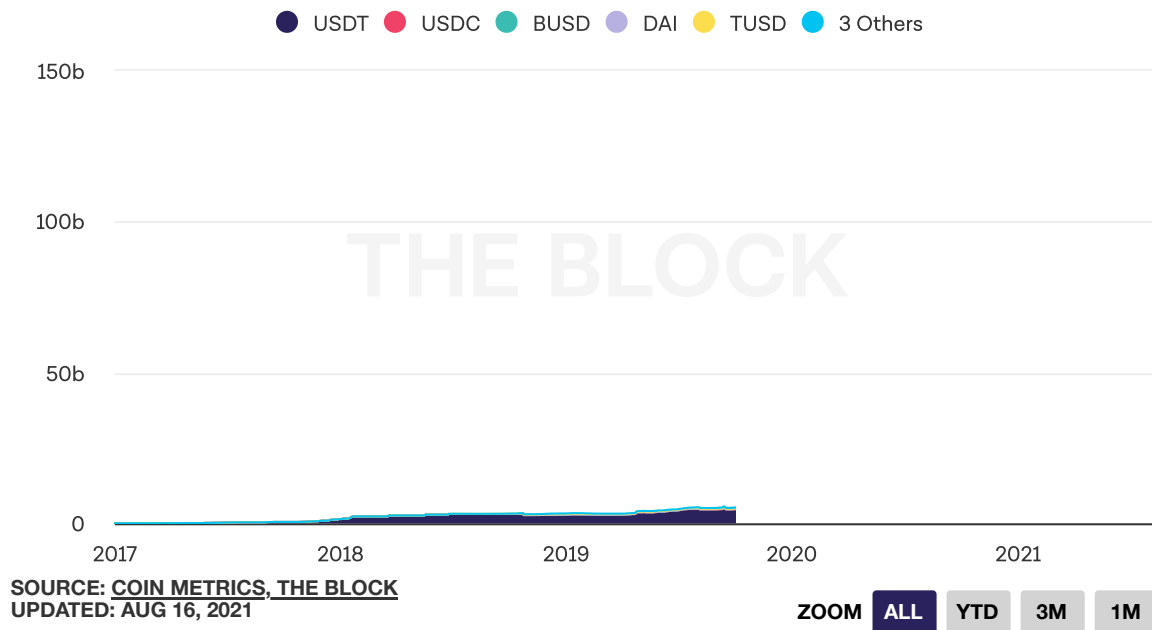


Chart embedded from [The Block Crypto Data](#).

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