



# Libra Explained In Simple Terms

By Horizontal Systems

# Libra Explained In Simple Terms

For most of 2019, Facebook's Libra project dominated the headlines in the cryptocurrency world. While it may seem like just another project by a tech giant, Libra promises to have major implications at the global level.

This is the first time a technology company like Facebook has entered the financial sector. We're talking about a field that hasn't really evolved in the last 20 years, has had no real competition, and has been dominated by big banks for decades. Also, Facebook has the resources, know-how, and the political muscle to succeed. Understandably, the announcement of the Libra project by Facebook has left everyone worried.

# Introduction

Changes in the heavily regulated financial payments sector are long overdue. The immense tech boom that started over two decades ago has yet to affect financial institutions that power the base layer of financial payments. From a technical standpoint, sending someone a few dollars is similar to sending someone a text message and yet it's free to send a message but really expensive to send money.

## Transaction fees are not the only issue:

- Merchant fees for credit and debit payments are high.
- International money transfers cost seven percent on average and take several days.
- Service accessibility is limited in underdeveloped countries.
- Privacy is close to non-existent.
- There's a lack of competition due to stringent regulations.

Cumulatively, these issues result in a bad deal for the public. People have to keep using these services despite their poor value because there are no alternatives. Should the Libra project take off, existing service providers in the payments space are likely to go out of business or lose a significant share of the market within a few years. It'll be tough, if not impossible, for these players to function

on par with a powerful tech company like Facebook. For perspective, think about what happened to text messaging fees, postal mail services, and Nokia's dominance in the mobile phone market.

The aim of this guide is to provide an educated guess about the potential effect of the Libra project on the global payments ecosystem. Specifically, we aim to answer the following questions:

- What is the Libra project and why is it being built?
- What does Libra mean to the general public?
- How will Libra affect Bitcoin and the cryptocurrency ecosystem?
- What changes will Libra bring to traditional payment processors and banks?
- How will Libra change major currencies like USD, EUR, and GBP?

# Disclaimer



This guide is based off publicly available information about the Libra project before the official launch. As a project that's seeing massive resistance from all sides, Libra might undergo several changes by the time it goes live.

The information provided is opinion and by no means financial advice. Should there be any significant changes to the Libra project, this guide will be updated accordingly.

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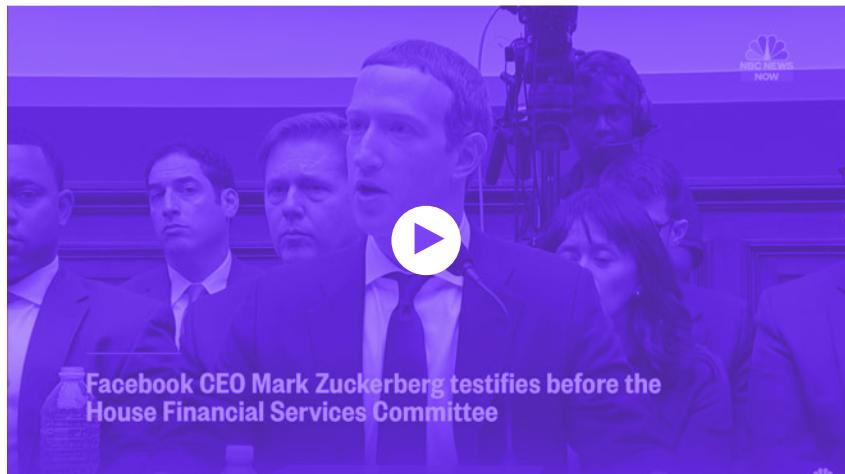
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# Why Libra? The Full Picture

Libra is poised to transform how people transact with each other, on a daily basis and across the globe.

Unsurprisingly, some of the biggest governments and financial sector moguls have been resisting it right from the start.





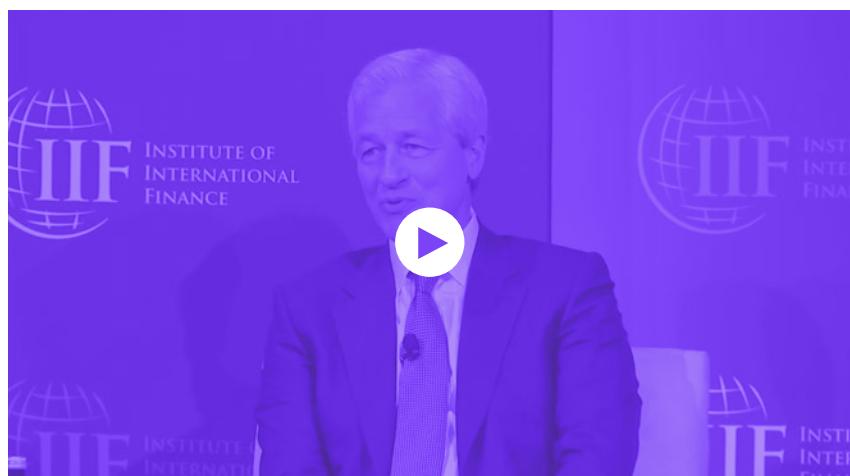
## Mark Zuckerberg Testifies Before House Financial Services Committee

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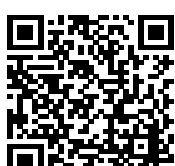
## Why Facebook's Libra Cryptocurrency Is In Trouble

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## Jamie Dimon (CEO of JP Morgan) on Facebook's Libra

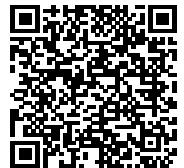
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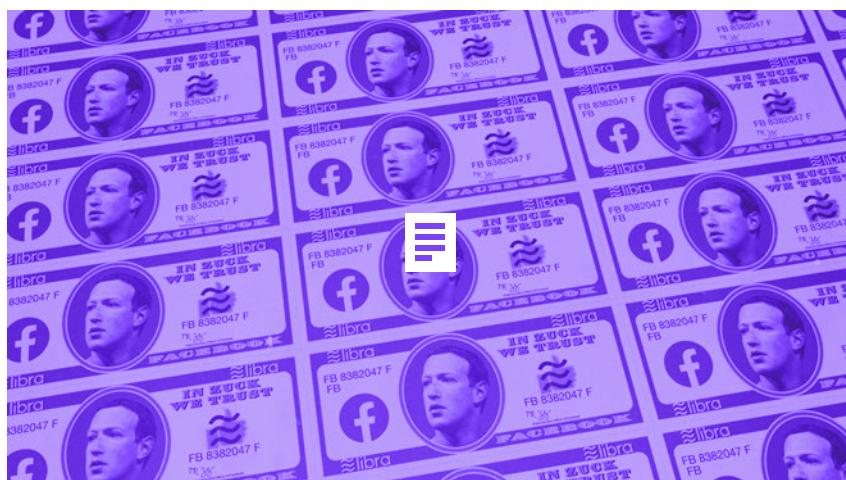
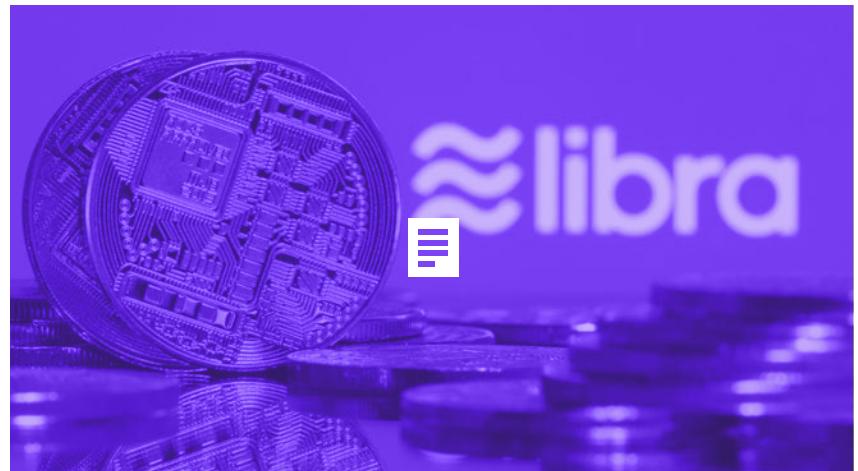
## Global Stablecoins Pose Monetary Sovereignty Risk - G7 Working Group

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France and Germany Agree to Block Facebook's Libra

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## Senators Pressure Visa and Mastercard Over Work on Facebook's Blockchain Project

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The fact that Libra is a Facebook venture and will target the financial sector is the main reason for resistance from established players and the lobby representing them.

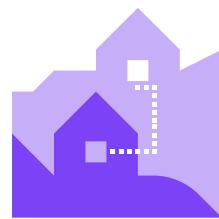
To further understand why Libra is causing such a storm, let's look at the challenges the project aims to address, as well as potential outcomes should the project pan out as expected.

## Libra Project: Goals



To provide much cheaper cross-border payments globally

To make sending money as easy as sending a text message

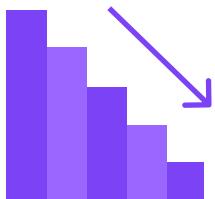


To arm merchants with cheaper and easier ways to accept payments

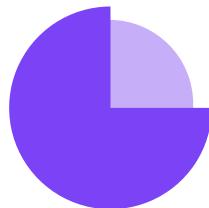
To give people and businesses access to cheaper loans

To ensure the unbanked population has access to financial services and ecommerce

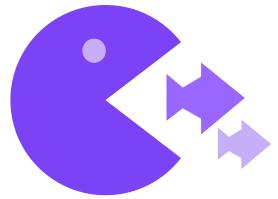
# Libra Project: Potential Outcomes



Companies in the cross-border payments sector are likely to go out of business.



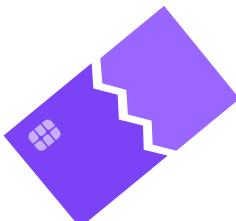
Credit card processors (i.e. Mastercard, Visa) are likely to lose market share.



Payment services like PayPal are likely to get their first serious competitor.



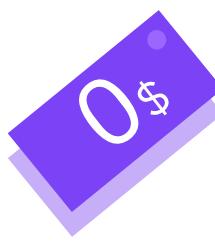
Bitcoin and other cryptocurrencies are likely to increase in price as Libra grows.



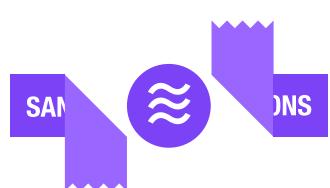
Reliance on personal banking services is likely to reduce globally.



Increased competition can lead to cheaper access to capital and loans worldwide.



Fiat currencies in economically backward nations are likely to become much weaker.



Similar cryptocurrencies from Amazon, Apple, Google etc. are likely to emerge.

The effectiveness of US financial sanctions could weaken.

# What's In It For Facebook

Part 01

Why Libra? The Full Picture

At this point, Facebook already controls four out of the six most popular online communities across the world. In doing so it reaches an audience of nearly 2.5 billion people.

A circular diagram divided into four segments, each representing a different platform and its user count. The segments are: Facebook (top right), Instagram (middle right), WhatsApp (bottom left), and Messenger (bottom right). The segments are colored in a gradient from light purple to dark blue. The text '21.3B' is placed above the Facebook segment, and 'Facebook' is written below it. The text '1.5B' is placed above the WhatsApp segment, and 'WhatsApp' is written below it. The text '800M' is placed above the Instagram segment, and 'Instagram' is written below it. The text '1.3B' is placed above the Messenger segment, and 'Messenger' is written below it.

**21.3B**  
Facebook

**1.5B**  
WhatsApp

**800M**  
Instagram

**1.3B**  
Messenger

Naturally, enabling frictionless transactions for users in these massive communities (Instagram, WhatsApp, Facebook Messenger, and Facebook) would increase ecommerce activity on each platform. This in turn would result in increased ad spending by millions of advertisers, leading to higher profits for Facebook.



If more commerce happens, then more small businesses will sell more on and off platform, and they'll want to buy more ads on the platform so it will be good for our ads business.

**David Marcus**

Facebook's VP of blockchain

So it's not really difficult to see why Facebook is looking to bypass traditional payment systems in favor of its own system. The latter is faster, has close to zero fees, and comes with simpler onboarding mechanisms. Moreover, a lot more people are likely to transact when it's as easy as sending someone a text message or clicking the Like button.



We focus on building services that are going to create value in people's lives, and we believe that if we do that, that we're eventually able to get some of the value downstream.

**Mark Zuckerberg**

Some argue that with Libra, Facebook will also gain access to its users' financial data and monetize it like it's already doing with their private non-financial data. While this is probable, at this point Facebook says otherwise.



Facebook will have access to the data used by Calibra, the wallet Facebook is building on the Libra Blockchain. (Calibra is just one of the products running on the blockchain.) That data will be stored separately and will not be shared with anyone.



Data will only be shared in specific instances in anonymized ways for research or user adoption measurement, for hunting down fraudsters or in response to requests from law enforcement.

In any case, you can't underestimate the effects of setting up seamless payment mechanisms on popular platforms like Facebook and WhatsApp. When you enable over two billion people to transact within the apps they use daily, expect a colossal impact!

# Libra Project Structure

Part 01

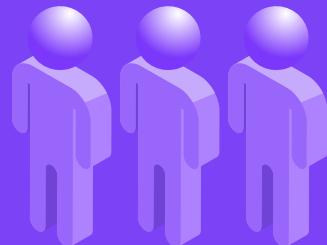
Why Libra? The Full Picture

The Libra project has three main elements:

- Libra Blockchain (Libra Network)
- Libra Association
- Libra Cryptocurrency

While a lot of people think Facebook owns the Libra project, that's not the case. Facebook is no doubt at the forefront of the project and is vital to its success, but it's the Libra Association that controls the Libra project. The association consists of several geographically distributed entities. We'll explore its role in a later section.

Libra Association

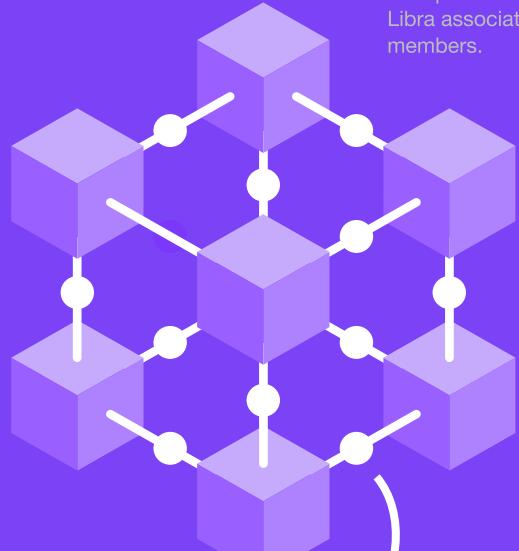


Swiss company



CONTROLS

Libra Blockchain



A network of servers/nodes powering Libra blockchain. Nodes are operated by Libra association members.

Libra Crypto



Libra coins are needed to do anything on blockchain

# The Libra Blockchain

Part 01

Why Libra? The Full Picture

The Libra Blockchain is the core infrastructure element of the project. It refers to the actual code and network of nodes (payment validator servers) powering the Libra blockchain. The blockchain's code is open to the public, allowing anyone to explore how the blockchain operates.

On public blockchains like Bitcoin, anyone can become a network node and start validating network transactions. But in the case of Libra, only Libra Association members can become network nodes; only a select few can validate transactions. Based on that perspective, many in the blockchain community don't consider the Libra Blockchain a true public blockchain.

(In a later section, we'll look at the issues with Libra's blockchain setup, but for now our goal is to understand how Libra operates and who controls it.)

In Libra's current state, any private user, public company, or developer may **unconditionally** set up an account and/or build apps and services that use Libra as the main value-transfer element. For example, some independent software developers may use the Libra Blockchain to build and host an autonomous lottery app or poker game that uses Libra coins as a means of value transfer between participants without the middlemen.

The documentation for interacting with the Libra Blockchain is already public and can be [found online](#).

At this point, the blockchain is available only in the testing mode i.e. you can get most of Libra's features but not real Libra coins.

# Libra Blockchain Highlights:

## 01.

The Libra blockchain supports anonymous transactions and accounts. It does not link accounts to a real-world identity. Also, users are free to create multiple accounts. Accounts controlled by the same user have no inherent link to each other, just like on a Bitcoin network. It'll be interesting to observe how open this system is for private developers who'll build apps that are privacy-focused or perhaps even illegal in some regions.

It goes without saying that the [Calibra Wallet](#) that Facebook is building on top of the Libra Blockchain will have some kind of identity verification. So, Facebook will maintain an internal database of Calibra wallet users by matching private Libra Blockchain identities to their public identities. Other public companies will probably have to do the same when building applications on the Libra Blockchain.

## 02.

By default, the Libra Blockchain allows the creation of non-custodial wallets to store Libra cryptocurrency. (A non-custodial wallet refers to a type of wallet where only the user has control of the funds.) But Facebook's [Calibra wallet](#) may not be of this type. Its creators could allow a user's funds to be frozen, to give the Calibra team the means to deal with illegal activity in the wallet.

## 03.

Libra coins are the native unit of currency on the Libra Blockchain. A minuscule amount of the Libra cryptocurrency will be sufficient to perform actions (such as sending Libra coins from one wallet to another) on the blockchain. The Libra Blockchain in its current state can process up to 1000 transactions per second.

## 04.

In contrast to public blockchains like Bitcoin and Ethereum, the Libra Blockchain is a “permissioned blockchain” where only certain entities (validator nodes) control the governance of the blockchain. Only members of the Libra Association members can run a network node on the Libra Blockchain. Also, the Libra Association is the only entity that decides who can join the association.

And, while the association aims to transition the Libra Blockchain to a permissionless state (i.e. not governed by any centralized entity) within five years, executing this task may turn out to be difficult, if not impossible.

## 05.

Transactions on the Libra Blockchain are final and cannot be reversed. So, it's theoretically possible for someone to build a non-custodial wallet on the Libra Blockchain, one where transactions are final, identities are semi-anonymous, and the user has full control over the funds.

## 06.

Developers can program autonomous services (smart contracts) that live on the blockchain and operate exactly as they were programmed. That's a rather big deal in the world of blockchains as this means that developers can go far beyond plain wallets that only send/receive Libra coins.

# The Libra Association

Part 01

Why Libra? The Full Picture

The Libra Association (based in Geneva, Switzerland) is an independent legal entity that owns and controls the Libra Blockchain. The association can:

- Change the operational rules of the blockchain
- Decide who can become a blockchain validator node
- Create/destroy Libra coins to control the number of coins in circulation
- Control the operational protocol of the Libra Reserve i.e. the fiat currencies and assets backing the Libra cryptocurrency

The Libra Association currently consists of 21 members where a two-third supermajority is required to make and enforce decisions. Each member of the association has an equal stance and gets one vote.



**Note:** In simpler terms, the Libra Association has full, unconditional control over how the Libra Blockchain operates. The rules governing the blockchain may change at any time at the sole discretion of the Libra Association.

This is quite different from how other public blockchains like Bitcoin and Ethereum operate; the rules relevant to those blockchains can't be changed or enforced by a single entity.

# Libra Association Members:



UBER

coinbase



FARFETCH



Union Square Ventures



BisonTrails

ANDREESSEN HOROWITZ

kiva

iliad



Rabbit Capital

THRIVE CAPITAL



ANCHORAGE



Women's World Banking

BREAKTHROUGH  
INITIATIVES

As you can conclude from the list above, even if it seems so, Facebook is not in control of the Libra project. And while this status quo makes it difficult for Facebook to push through its corporate agenda, the social media giant does have major advantages from a regulatory point of view. It also means that Facebook may be overvoted on certain matters. That's unlikely, but possible.

By the time Libra goes live the association is [expected to expand to 100 members](#)

Scan to play



# The Libra Cryptocurrency

Part 01

Why Libra? The Full Picture

The Libra cryptocurrency is a token in the Libra Blockchain. It's represented by three wavy lines resembling the Unicode character

decentralization of the assets. Being backed by real funds means that Libra won't be subject to the extreme price volatility that affects other cryptocurrencies.



 Libra cryptocurrency is essentially a stablecoin. The Libra Association has a reserve fund which backs the Libra cryptocurrency by cash (USD, EUR, SGD, etc.) and other liquid assets on a 1:1 basis. This fund is called the Libra Reserve.

The Reserve Fund assets will be held by a geographically distributed network of custodians with investment-grade credit rating to provide both security and

So-called authorized resellers will be the only entities authorized by the Libra Association to transact large amounts of fiat and Libra in and out of the Libra Reserve. The authorized resellers will always be able to sell Libra coins to the Reserve Fund at a price equal to the value of the basket, the Libra Reserve Fund acts as a "buyer of last resort."

The authorized resellers will collaborate with exchanges and other institutions that buy and sell cryptocurrencies to users, and will provide these entities with liquidity for users who wish to convert from fiat to Libra and back again.

Users will have the option to trade in their local currency for Libra and vice versa through third-party wallet apps, cryptocurrency exchanges, or even local resellers like convenience stores and grocery stores. The idea is that you can always cash in some Libra coins and keep a balance of Libra to spend at accepting merchants and online services.



The Libra Association is the only party that can create (mint) and destroy (burn) Libra coins. New Libra coins are minted only when authorized resellers have purchased those coins from the Libra Association with fiat currencies. Similarly, coins are burned only when authorized resellers sell Libra coins to the association in exchange for the underlying assets in the Libra Reserve.

It should be taken into account that the Libra Association can presumably make any change they want if there is sufficient agreement. So, if there is a majority consensus, the association can decide to change how the Libra Reserve operates and instantly mint more tokens.

# The Libra Effect

You'll find varying opinions on the nitty-gritty of introducing Libra as a cryptocurrency. But there seems to be a consensus on one core point: with the Libra initiative Facebook can pave the way for the global adoption of blockchain technology, and this development in turn

will change how people transact with each other and how money changes hands. Since Facebook currently reaches close to 30% of the entire world's population, such an outcome is highly probable.

[Most Popular Social Networks Worldwide as of October 2019](#)



[2 Million Monthly Advertisers on Instagram](#)



[WhatsApp Revenue and Usage Statistics](#)



[Facebook: 100 billion+ Messages Shared Every Day](#)



[Number of Monthly Active Instagram Users](#)



[Global Social Media Users Pass 3.5 Billion](#)



[Number of Daily Active WhatsApp Status Users](#)



[Survey: Facebook-Created Cryptocurrency Would Bring in New Investors, Increase Marketplace Usage](#)

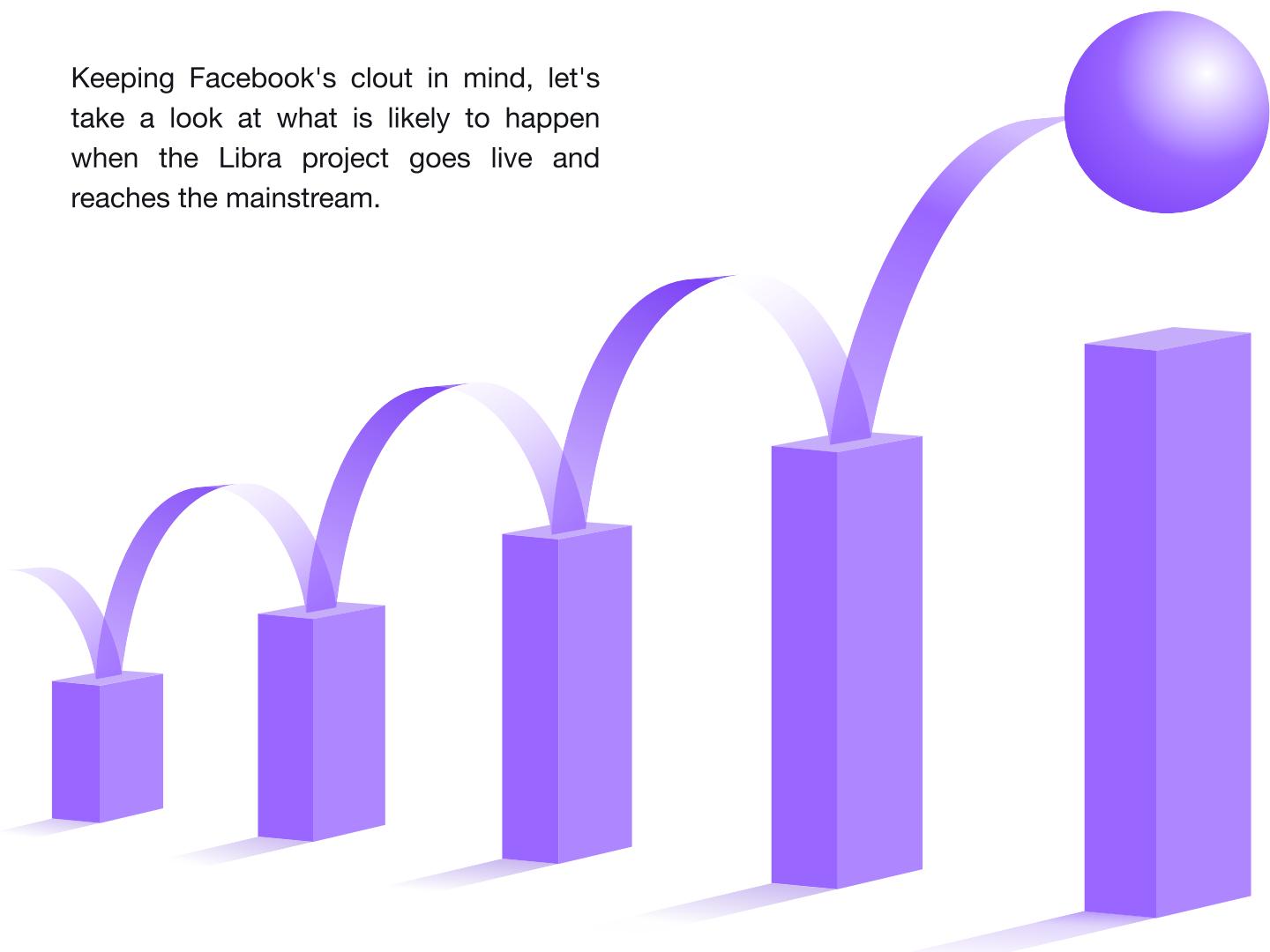


# Why Is Libra Likely To Succeed?

Part 02

The Libra Effect

Keeping Facebook's clout in mind, let's take a look at what is likely to happen when the Libra project goes live and reaches the mainstream.



Of course, we must point out that even without a native payment system there's already a significant amount of ecommerce happening on Facebook properties like [Instagram](#) and [Facebook Marketplace](#), especially at the local level.

[Facebook Marketplace Is Used in 70 Countries, by 800 Million People Monthly](#)



[What You Need to Know About Instagram's New Ecommerce Feature, Checkout](#)



Potentially, Libra cryptocurrency can be integrated into all Facebook properties such as WhatsApp, Instagram, Facebook Messenger, and Facebook Marketplace, not to mention other communities owned by Facebook. The huge number of users on these services alone can have a profound effect on the adoption of the Libra cryptocurrency worldwide.

Apart from Facebook, the Libra Association counts among its members global brands like Uber, Lyft, and Spotify, each of which reach over 100 million users at the present time.

[Spotify is First to 100 Million Paid Subscribers](#)



[Monthly number of Uber's active users worldwide from 2016 to 2019](#)



[Lyft by the Numbers: Users and Drivers Statistics](#)



Also, Facebook has an ambitious strategy for the Libra adoption process. It includes:

### **Exchanges & ATMs:**

Facebook plans to install ATM-like terminals for people to manage their Libra coins while out and about. These ATMs will provide a quick way to top up the balance on your Calibra wallet using fiat currency.

### **Cryptocurrency Exchanges:**

The Libra Association will have Libra listed on multiple regulated cryptocurrency exchanges throughout the world. These exchanges will provide the means to buy and sell Libra in bulk, directly from mobile apps.

### **Merchant Referral Programs:**

Wallets that attract and are able to retain users will get rewarded. For each processed transaction, merchants will also receive a percentage of the transaction back. Businesses that earn these incentives can keep them, or pass some or all of them along to users in the form of free Libra tokens or discounts on purchases.

So, should the Libra launch go as planned, chances are that it'll see massive exposure, not only on Facebook-owned platforms but also on platforms owned by other association members. And right from day one, Libra will have a significant advantage over traditional payment systems both in terms of usability and transaction fees.

# The Libra Effect On People

Part 02

The Libra Effect

So, it seems that we'll hear about Libra quite often moving forward. All signs indicate that Libra will become a new global payment system or even currency. Now that we are clear on that, let's look into how Libra can affect the lives of ordinary people worldwide apart from giving them an effortless option for financial transactions. (Of course, due to the disruptive nature of the Libra project, it might even bring a whole set of changes beyond what we envision.)

### **Financial Access For All:**

Facebook lists "financial access to the unbanked" as one of the main motives behind the Libra initiative. The unbanked segment often cites a lack of documentation as the main barrier to banking access. While access to a smartphone might be enough for transacting with Libra in some wallets, converting Libra coins to fiat and vice versa would still require identity checks. So, it's unclear how that's going to work out...

[World Bank: About 1.7 Billion Adults Remain Unbanked](#)



### **Solid Alternative to Local Currency:**

For anyone living in an economically weak nation with a [high inflation rate](#), hostile regime, or a [corrupt government](#), the Libra cryptocurrency provides a stabler alternative for keeping savings when compared with the local currency. Another benefit of using Libra in such cases is the inability of governments or banks to confiscate or freeze funds.

### **Cheaper Cross-Border Payments:**

According to a [World Bank report](#) the annual remittance flows to low- and middle-income countries over the last two years exceeded \$500 billion. The global average cost of sending \$200 was around seven percent in the first quarter of 2019, with banks being the most expensive, charging 11 percent on average.

As soon as Libra becomes available, sending someone a cross-border payment would be as simple as sending an SMS. Once people experience a cheaper and easier alternative for remittances they're likely to switch to that instead.

### **Cheaper Payment Processing Options:**

Most of the population in the developed and to a large extent in the developing world uses cashless payment methods when paying for goods and services. And when it comes to cashless payments, credit cards are one of the most popular payment options. But many people are unaware that merchants (sellers) have to pay a fee when accepting credit card payments. This credit card processing fee, also known as qualified merchant discount rate, is the fee a merchant pays per sale for payments processed via credit or debit cards.

The average cost of processing for U.S. businesses is between 2.87 percent and 4.35 percent per transaction. That's quite significant, especially for merchants running on lower margins.

[Cards Dominate Ecommerce Payments in West](#)



[Credit Card Penetration in Central and Eastern Europe](#)



[A Guide to  
Understanding Merchant  
Services and Payment  
Processing Fees](#)



[Credit Card Processing  
Fees and Rates  
Explained](#)



When Libra reaches a sizable population, merchants will be able to accept Libra payments with negligible fees, without the need for a special payment processing device. Having a Libra-capable wallet built by Facebook or some other entity should suffice. As a result, the processing fees, which currently end up with middlemen, will remain with merchants and buyers.

built by Facebook or some other entity should suffice. As a result, the processing fees, which currently end up with middlemen, will remain with merchants and buyers.



If all goes according to plan, eventually, shopping outlets will accept Libra as a form of payment. This option will allow merchants to save on merchant transaction fees, which can be as high as four percent.

# The Libra Effect On Bitcoin & Crypto

Part 02

The Libra Effect

At first sight, it may be unclear how Libra can affect Bitcoin and the cryptocurrency market in general. The key here is to look at Libra cryptocurrency as a bridge from fiat currencies to cryptocurrencies:

01.

Integration of Libra into Facebook-owned properties and other entities would result in an increase of Libra coins in circulation. The more people use Libra, the more coins are needed for the ecosystem to function. The demand potential from Facebook's 2.3 billion users is enormous.

02.

As more people in Facebook-owned apps and other networks adopt Libra in their day-to-day lives, expect it to be listed in all major crypto exchanges paired to fiat currencies (USD, EUR, etc.), cryptocurrencies like Bitcoin and Ethereum, and cryptocurrencies offered by major crypto exchanges (e.g. [Binance Coin](#) or [Huobi Token](#))

03.

This would enable Libra holders to easily exchange (liquidate) Libra to fiat or other cryptocurrencies like Bitcoin, Ethereum, and Binance Coin.

Taking into account the sheer number of users that will get exposed to Libra, the effect on Bitcoin and other cryptocurrencies promises to be enormous.

Libra may not be an ideal cryptocurrency running on a decentralized blockchain but with Facebook as its buddy, Libra will become THE BIGGEST bridge from fiat to crypto. The crypto space has not seen anything of that magnitude yet.





The biggest expansion for Bitcoin and Ethereum in terms of market share happened after the emergence of cryptocurrency-fiat exchanges. These exchanges introduced the first global bridge between fiat money and cryptocurrencies and by doing so, exposed the early adopters to the world of cryptocurrencies. Facebook's Libra project can be the next such bridge and it'll be MUCH, MUCH BIGGER than the current size of all crypto exchanges combined in terms of user base.

[Bloomberg: Facebook Could Be for Crypto What AOL Was for Internet Adoption](#)



[Crypto and FB's Libra Are Bridges to a Bitcoin World, Says Tim Draper](#)



[Number of Blockchain Wallet Users Worldwide](#)



So, with all that in mind, Bitcoin and other cryptocurrencies have much to gain from the Libra project.

Another positive here is that once Libra goes mainstream, tech giants like Amazon, Apple, and Google, will not be far behind in launching their own version of Libra. Other large merchants such as Alibaba, JD.com, eBay, Shopify, Rakuten, and Walmart will also follow suit. This domino effect will ultimately create even more bridges from fiat money to cryptocurrencies.

# The Libra Effect On USD, EUR, GBP & Other Fiat Currencies

Part 02

The Libra Effect

And last but not least, let's look at the effect Libra can have on global reserve currencies like USD, EUR, GBP, etc. and other (not so global) currencies.

The lack of trust in the local currency in poor states may push people to adopt Libra, an easier alternative. Over the long term, as the world shifts towards Libra, many local currencies may depreciate quite a bit due to diminished demand.

The demand for the global fiat currencies that make up the assets in the Libra Reserve should correlate with the demand for Libra coins. As more Libra coins get minted, the Libra Reserve will get an equivalent deposit in fiat currencies.

It should be noted that if the Libra Association changes its reserve funds protocol in favor of fiat currency "A" over the other currency "B", it's likely to impact the currency "B" negatively. Depending on the economic circumstances, the Libra Association may at some point decide not to use USD or

EUR as a backer currency or significantly increase/decrease the ratio of one currency in the Libra Reserve.

When compared with traditional banks, Libra is the safer option for preserving savings in turbulent times since it has the backing of a reserve fund (on a 1:1 basis). For comparison, banks are only required to have about 10% of the deposits on the accounts and for the most part insured only partially. Therefore, in the midst of crises, which are common in the developing world, banks are often left insolvent. This deprives a lot of people of their savings. Such a scenario is unlikely with Libra as the association always acts as a buyer of last resort and can buy all Libras in circulation using liquid assets in the Libra Reserve.

The currencies and assets which end up in the Libra Reserve are likely to benefit from Libra's global growth. The opposite is true for currencies which are not included in the reserve fund, unless they're backed by gold or pegged to one of the global currencies.

# Can The Libra Be Stopped?

Part 02

The Libra Effect

Once Libra goes live and starts reaching millions, there is bound to be some level of fraud, hacking, and other illegal activity on the platform. These issues will probably attract a lot of criticism from the media, Libra's competitors, and even governments.

The question we need to answer is whether the Libra Association can consistently resist regulatory pressure on all levels. Its ability (or inability) to do this will have a direct impact on the extent of censorship resistance and privacy users can expect from the platform.

Before we can answer that question, let's look at truly public cryptocurrency like Bitcoin and see what factors make Bitcoin and the underlying blockchain "censorship resistant" and "unstoppable".



On the Bitcoin blockchain, anyone can become a network node and start validating transactions. For as long as there is at least one node online the Bitcoin network will continue to function. There's no effective way to censor someone from participating in the Bitcoin blockchain. Moreover, any

individual can set up a node and by doing so further decentralize the network.



The Bitcoin blockchain is unconditionally open and borderless, enabling anyone to participate on equal terms with everyone else. No single entity can change the consensus rules on the blockchain. There's no kill switch or centralized "responsible" entity for a network like that.

Now, when it comes to the Libra Blockchain, only the entities approved by the Libra Association are able to act like a validator node. As a result, each association member is required to have some kind of server architecture to host the Libra Blockchain. Should all of those members shut down the servers, the blockchain will stop working and Libra coin transfers will halt.

The other issue with the Libra Blockchain is that the Libra Association itself may change the rules of the blockchain consensus protocol. The association has unconditional control over the blockchain including the means to censor users and their funds. Such capability might not be a part of the blockchain yet, but should the association desire to have such means it can acquire them easily.

Libra aims to transition to a Bitcoin-like "permissionless" blockchain over the next five years, but it's not clear how they plan to achieve that. Meanwhile, Libra's survival as cryptocurrency hinges on the ability of the Libra Association members to keep the blockchain running on their servers and the association's resistance to external pressure in this interconnected world. So, long story short, Libra is neither a decentralized blockchain nor a censorship-resistant one.

# A Quick Recap of Libra

There's little doubt that should Facebook's Libra initiative reach a global audience it'll have an effect on the way people access financial systems and transact with each other. Facebook sees Libra eventually turning into a common mode of payment for regular people, with grocery stores and shopping outlets accepting payments in Libra over the world.

While Facebook plays a limited role in Libra's governance, it's crucial to the project's success. Given that Facebook is a heavily scrutinized company, the limited role in governance does have its advantages from a regulatory point of view. The main business incentive for Facebook within the scope of the Libra project is to grow ecommerce and ad spending on its platform.

Corporations and banks, which have been entrenched in the payments and remittances sectors for decades (taking cuts on every transaction), are likely to suffer as a result of Libra's entry into the market. As banal as it may sound, the corporations in these sectors simply do not have the means to challenge a "tech

first" company with a global reach like Facebook, let alone the entire Libra Association which counts other powerful technology unicorns as its members.

[Binance's CZ: Like It or Not, Facebook's Libra Coin Is Poised for Mass Adoption](#)



Libra is far from an ideal decentralized cryptocurrency, especially in the eyes of those who have been in the crypto ecosystem for some time. However, Facebook's push to expose its large audience to Libra will bring more people into this ecosystem anyway. This move will provide millions of people in poor nations with high inflation rates a reliable alternative to store their savings. And the easy transition to Libra is sure to be a satisfying bonus.

# About Horizontal Systems

This guide was brought to you by  
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Driven by libertarian principles, Horizontal Systems builds financial applications for those seeking ultimate privacy and unconditional control over their assets while investing in cryptocurrencies.

Founded by a group of free-minded software engineers, Horizontal Systems develops applications which are independent of any entity to function (decentralized) and unblockable (censorship-resistant).



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