

24 April 2020

## LIBRA CHANGES DRESS: THE NEW OUTFIT MAY PLEASE FINANCIAL AUTHORITIES

Last week Libra got back on the spotlight: a “Libra 2.0” white paper was out. Almost one year after the first version came out, the Facebook-led project was updated to give a new appearance to the digital currency, one that regulators may be less skeptical about.



At the same time, the Swiss Financial Market Supervisory Authority (FINMA) received the application from the Geneva-based Libra Association for a payment system license.

At AtonRâ, we analysed the stablecoin from different angles since the first announcement of the project in June 2019. Though positive on the potential of the endeavour, we stressed out that technical capabilities, regulatory objections, and economic acceptance would have killed the project. Only if substantial modifications had been made, Libra could have started the walk towards its stated goal: “a simple global payment system and financial infrastructure that empowers billions of people”.

And after months, during which a downpour of critics came from every corner of the world and several partners dropped out of the Libra Association, a reviewed white paper has been published to correct the trajectory of what can be a game changer. Its key developments include the following four points:

1. Offer of single currency stable coins (in addition to the initial multi-currency coin);
2. Establishment of a strong compliance framework to improve the safety of the Libra payment system;
3. Waiving the future transition to a permission less system;
4. Design of strong safeguards for the Libra Reserve.

The Libra network now plans to expand its offer in fully-stricken LibraUSD, LibraEUR, LibraGBP, and LibraSGD, with an increasing number in the future without hampering the security and integrity of the network. Furthermore, strong standards are currently worked out to prevent illicit activities and dispel regulatory concerns (Anti-Money Laundering, Terrorism financing, etc.).

The plan of transitioning from a permissioned to a permissionless network is foregone. Few institutions will thus handle the transaction system, which will remain in the hands of Libra Association members. The whole system will be corroborated by a strict risk management of the Reserve, which will be made up of assets featuring “very short-term maturity, low credit risk, and high liquidity”, while maintaining a capital buffer.

The project is getting more concrete and Calibra (the digital wallet subsidiary of Facebook) plans to hire 50 people in Ireland by the end of 2020. New prominent members have joined the Libra Association recently: Shopify and Heifer International. FINMA, the Swiss Financial Market Supervisory Authority has been in regular contact with foreign supervisory entities since the inception of the project. Its license approval would serve as a determinant catalyst for the project.

Libra is just another confirmation that the digital payments era is overtaking the old cash-based paradigm. Meanwhile, central bank digital currencies (CBDCs) are the public endeavour to keep up with the shift to e-money. Both private and public institutions are on the run to replace current old-fashioned payments means, and that confirms our view that we are on track for the third phase for Mobile Payments: increasing mass adoption.

## ■ Fintech



Click [here](#) to discover our theme

## ■ Mobile Payments



Click [here](#) to discover our theme

## DISCLAIMER

**About AtonRâ Partners:** AtonRâ Partners is an asset management company, founded in 2004 with head office in Geneva, incorporated under Swiss law, duly approved by the Swiss Financial Market Supervisory Authority (FINMA) under the Swiss Collective Investment Schemes Act. AtonRâ Partners is a conviction-driven asset manager combining industrial and scientific research with financial analysis. AtonRâ Partners focuses on long-term trends powerful enough to be turned into thematic equity portfolios.

This report has been produced by the organizational unit responsible for investment research (Research unit) of AtonRâ Partners and sent to you by the company sales representatives. As an internationally active company, AtonRâ Partners SA may be subject to a number of provisions in drawing up and distributing its investment research documents. These regulations include the Directives on the Independence of Financial Research issued by the Swiss Bankers Association. Although AtonRâ Partners SA believes that the information provided in this document is based on reliable sources, it cannot assume responsibility for the quality, correctness, timeliness or completeness of the information contained in this report. The information contained in these publications is exclusively intended for a client base consisting of professionals or qualified investors. It is sent to you by way of information and cannot be divulged to a third party without the prior consent of AtonRâ Partners. While all reasonable effort has been made to ensure that the information contained is not untrue or misleading at the time of publication, no representation is made as to its accuracy or completeness and it should not be relied upon as such. Past performance is not indicative or a guarantee of future results. Investment losses may occur, and investors could lose some or all of their investment. Any indices cited herein are provided only as examples of general market performance and no index is directly comparable to the past or future performance of the Certificate. It should not be assumed that the Certificate will invest in any specific securities that comprise any index, nor should it be understood to mean that there is a correlation between the Certificate's returns and any index returns. Any material provided to you is intended only for discussion purposes and is not intended as an offer or solicitation with respect to the purchase or sale of any security and should not be relied upon by you in evaluating the merits of investing in any securities. The products described in this document may not be directly or indirectly offered or sold in the United States of America or by U.S. Persons.