

How cryptocurrencies can replace other pay options

June 18 2019, by Glenn Chapman



Facebook is hoping its new Libra digital money will be more stable than other cryptocurrencies, which have seen brutally volatile swings

Cryptocurrencies live in a volatile, roller-coaster world, which [Facebook is seeking to change](#) with its new Libra digital money.

The new digital currency will be overseen by a nonprofit association and backed with real assets to serve as a reliable, stable form of globally accepted money that lives essentially on smartphones.

How do cryptocurrencies work?

To use currencies like Libra, people will need to install software referred to as a digital wallet.

Several digital wallets are available, but one called Calibra is being built by a Facebook subsidiary for Apple- and Android-powered smartphones and integrated with the social network's Messenger and WhatsApp [mobile services](#).

This system "lets everyone store their money securely in their phone," Calibra vice president of product Kevin Weil told AFP.

A digital wallet chosen by the user is linked to bank accounts or [credit cards](#) for transfers or online transactions.

"The same way you can pick any browser to go on the internet, you can pick any [digital wallet](#)," Weil said.

What are the advantages?

Libra was released as an open ecosystem, so any business or service may accept it for payments. Financial institutions could also offer credit or loans in Libra.



Under Facebook's plan, a digital wallet could store its new Libra cryptocurrency and allow transfers and payments through its messaging application WhatsApp

"Imagine storing your life savings in your house; it is safer to take it with you on the go on your phone," Weil said.

Calibra, for example, could be used to send money to friends or [family members](#) in another country, or shop at stores online or in the [real world](#) the same way they might use Apple Pay or Google Pay.

More than a billion people already use WhatsApp and Messenger to communicate, so providing a way to send money makes sense.

"Over time, as the Libra ecosystem grows and Libra is built into

products and services, there will be more things you can just do with Libra," Weil said.

How is cash converted to crypto?

People without access to banks could go to a currency exchange or merchant to convert cash into Libra.

Once on a smartphone, Libra could be sent text-message style, with recipients having the option to save it in their own wallets for future use or convert it to their local currency.



Attendees confer during the Crypto Funding Summit, which helps investors understand cryptocurrency, at the Convention Center in Los Angeles, California

on January 24, 2018

"We make it easy to go back and forth to local currency," Weil said.

"If you are unbanked, you will have locations like money exchanges that operate with Libra."

Currency exchange fees would be market-driven, but likely less than remittance fees charged by businesses that wire funds.

Calibra has built-in fraud and password recovery protections, and there is a "know-your-customer" process that requires people to initially provide some form of government identification.

"This is people's [money](#); we feel a huge responsibility to keep it safe," Weil said.

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