

Facebook Inc

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Tales from the Crypto: Digital currencies could find a home in remittances market

With Christmas around the corner, some unimaginative presents this year are likely to be in the form of paper money or a cheque, however, in the coming years, cryptocurrency could become the default method of gifting money to friends and family.

The global remittances market, where money is often transferred to someone in another country, could be an immediate growth market for the use of cryptocurrencies, analysts at ING predict, which could have the effect of pushing down transaction fees and allowing more frequent and cheaper transactions.

The convenience and other qualities offered by cryptocurrency in sending money between countries could be a boon for emerging economies.

One possible casualty from the potential rise of a private or public digital currency could be the US dollar if it loses its dominance of the remittances market, which is worth around US\$700bn and growing at an annual rate of around 1.5%.

Ukraine, a heavily 'dollarised' economy where remittances account for 11.8% of its gross domestic product (GDP), could be a potential beneficiary, said ING, as digital currencies would allow Ukrainian workers abroad an alternative way to send money home, compressing transfer costs.

"If digital currencies are accepted by retailers at point-of-sale and on e-commerce platforms, this could in theory diminish dollar demand."

Bitcoin becomes best performing asset in recent history

Although still a volatile asset, Bitcoin's reputation has been boosted after new data revealed the original cryptocurrency is the best performing asset of the last five years.

In the five years to the end of October, Bitcoin delivered a cumulative return of 3,233%, blowing past the second-best performing asset, developed market equities, which delivered returns of 78%.

However, Bitcoin's success may serve as a warning sign, according to investment platform Interactive Investor's crypto analyst Gary McFarlane, who put the crypto's performance down to the fact that "none of the problems that led to the financial crisis have been successfully addressed".

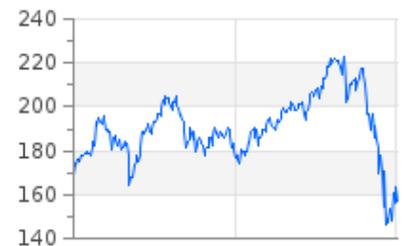
The rise of Bitcoin, he argued was because "unconventional monetary policy - which we can loosely describe as printing money for the banks - has stored up yet more problems as seen in the emergence of negative interest rates in some markets".

Loose central bank policy combined with social unrest and growing distrust of financial institutions, says McFarlane,

Price: 165.95

Market Cap: \$473.03 billion

1 Year Share Price Graph



April 2019 September 2019 March 2020

Share Information

Code: FB

Listing: NASDAQ

52 week	High	Low
	224.2	137.11

Sector: Online business & e-commerce

Website: www.facebook.com

Company Synopsis:

When it comes to social networking, it's wise to put your best face forward. Facebook, the social networking juggernaut, lets users share information, post photos and videos, play games, and otherwise connect with one another through online profiles.

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"further enhances Bitcoin's appeal as a safe haven of sorts" while also providing an "alternative store-of-value bridging currency in the most distressed economies".

While Bitcoin's price was difficult to predict month-on-month, the analyst cited Facebook Inc's (NASDAQ:FB) Libra initiative and China's recent pivot towards blockchain technology, the system behind Bitcoin, as factors that "may put a floor under the price at the moment".

Be careful your crypto isn't buried with you

On a slightly more morbid note, legal experts have warned of problems around inheritance when a person dies and leaves cryptocurrency in their will.

Several senior British judges and lawyers made an official statement that crypto assets are classed as 'tradable property' under English and Welsh law, while also defining smart contracts (self-executive agreements written into the code of a blockchain network) as legally enforceable.

Tim Snaith, a partner at law firm Winckworth Sherwood, says that while such a classification "may be a step forward", the law is still a long way behind and could give rise to issues when a person dies holding digital assets.

"For many assets (for example bank accounts), there are established systems and processes in place to assist in these circumstances. In the case of digital assets, however, these systems are only just being designed or thought about, so a lot of care is needed," Snaith said.

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