



Benjamin M. Lawsky  
Superintendent of Financial Services  
New York Department of Financial Services  
One State Street  
New York, NY 10004  
October 21, 2014

**Re DFS-29-14-00015-P**

Dear Superintendent Lawsky and General Counsel Syracuse,

We greatly appreciate that your office has recognized the need for engagement with the digital currency community and has actively sought its input on the regulation. It is with this in mind that we offer the following comments on DFS-29-14-00015-P, "Regulation of the conduct of virtual currency businesses" from the special perspective our organisation can bring to the table.

The regulation that is being proposed by your office, while well intentioned, raises significant barriers to entry into the digital currency space for many organisations which may profit from the technological advantages of digital currency technology. This includes small and medium enterprises ("SMEs") as well as startups, especially if they are not primarily concerned with financial services and/or consciously developed as social businesses. (In the sense popularized by Nobel Peace Laureate Prof. Muhammad Yunus)

**Dogecoin - The Friendly Digital Currency**

Dogecoin is an open source digital currency based on the Bitcoin codebase and developed by an independent team of volunteers. It has quickly established itself as a friendly and community-centric payment network with a focus on internet microtransactions, internet tipping of individuals, non-profit and charitable endeavors as well as sports sponsorship.

Amongst many other projects, the Dogecoin community has donated more than \$30,000 to a well-building project in Kenya, facilitated by the international philanthropic organisation, charity: water (<http://www.charitywater.org>), as well as thousands of dollars each to charities and donation drives for service animals, the education of disadvantaged children in the Philippines, victims of natural catastrophes such as Typhoon Haiyan, and tragedies such as the I-5 bus accident in California on April 10, 2014.

The community has contributed, in part, to the campaign of the Jamaican Bobsled team and that of Shiva Keshavan, the first Indian athlete to compete in an Olympic luge competition, raising more than \$30,000 in funds to allow them to attend the 2014 Sochi Winter Olympics. It has sponsored, in full, the Phil Parsons Racing team and their driver, Josh Wise, for multiple races in the NASCAR Sprint Cup Series as well as Erebus Academy driver, Jack Le Brocq, for one race in the Australian Formula 3 Championship series.

In addition, a microlending project proposal facilitated through Dogecoin was recently awarded the jury grand prize in the Youth Citizen Entrepreneurship Competition organized by the German Foundation for Entrepreneurship (Stiftung Entrepreneurship) and the Goi Peace Foundation with the support of the United Nations Educational, Scientific and Cultural Organization (“UNESCO”).

### **The Dogecoin Foundation**

The Dogecoin Foundation, Inc., (“Dogecoin Foundation”) is an international non-profit organisation created for and by the members of the worldwide Dogecoin community. It is incorporated under the Colorado Revised Nonprofit Corporation Act and has its registered office in Fort Collins, Colorado, in the United States of America.

The purpose of the Dogecoin Foundation is to facilitate the continuing prosperity of Dogecoin through promotional and charitable endeavors while also fostering the spirit of Dogecoin by supporting and expanding an international community which values international friendship, camaraderie, collaboration and playful discovery, empowering people all over the world.

In order to ensure the fulfillment of our mission, we see trustability and reliability as a core asset and fully support the move towards a strong, transparent and authoritative regulation of digital currencies. However, we suggest that the currently proposed regulation overreaches and significantly cripples the potential of a young and promising industry based on a technology, the full potential of which extends far beyond the financial sphere.

### **Digital Currencies - A Broader Perspective is Necessary**

The perspective that the New York Department of Financial Services (“NYDFS”) has taken is chiefly informed by the regulation of classical banking services and financial institutions and seeks to apply those to a newly emerging technology. We believe that this view suffers from a number of shortcomings which, if they remain unaddressed, may hamper innovation and encumber the creation of new (social) ventures based on global trustless public ledger technology (“the blockchain”) irrespective of their actual products and services. The Dogecoin Foundation is one social venture that may be uniquely impacted by New York’s bit license

The Dogecoin Foundation has seen many charitable grassroots efforts such as the Doge4Water campaign which have resulted in significant social good and would not have been possible with traditional payment networks (such as MasterCard, VISA or PayPal) due to higher transaction costs. The regulations, if implemented, would unduly endanger such projects. Specifically, they would establish requirements for compliance which go far beyond those generally found in the space of cash-based fundraising or electronic money regulation for non-profits and business alike, without recognizing that the immutable transaction record of the blockchain, while pseudonymous, already provides strong traceability of transferred funds, thereby creating a record that can, in cases of fraud, be analysed.

It is unreasonable to demand that organisers of fundraisers and donation drives apply for a license to collect small amounts of money from individuals or businesses through the solicitation of donations, especially in cases where many of the donations amount to as little as fractions of one cent and are sent from all over the world. Despite the small value of individual donations, in aggregate, they *can* make a difference and tipping-style microtransactions and microdonations, as are common on the Dogecoin Subreddit on Reddit.com, may serve to demonstrate that such an approach may constitute a complement to clicktivism, substantially benefiting non-profit organisations and social causes by not just increasing awareness of them, but by donating miniscule amounts to them at the same time and without the transaction costs traditionally incurred.

We acknowledge that the chief application of digital currencies -- payment networks -- is highly regulated for classical payment systems in order to protect consumers as well as investors. However, the much broader applicability of digital currencies, coupled with their extensive potential for social innovation, in our opinion, justifies the introduction of *de minimis* exceptions to the regulation for small services or services which are in their early stages and cannot yet reasonably be expected to accommodate the extensive compliance requirements as proposed. A service with recognized potential for social good,

such as the award-winning Dogecoin-based microlending service mentioned previously, will eventually have to obtain a full license and accreditation as a bank, much like Muhammad Yunus' Grameen Bank, cannot possibly operate under regulations as extensive as those proposed and the risks that it faces bear no proportion to the compliance measures required.

We suggest that the development of onramp regulations/*de minimis* exceptions is a viable tool to provide room for innovation with compliance and licensing requirements following a risk-based and contextual approach which scales with the scope of the venture in question, avoiding the necessity of applying one-size-fits-all regulation.

### **Conclusion**

The Dogecoin Foundation believes that regulation is key to unlocking the full potential of digital currency and we welcome your efforts to establish comprehensive regulatory governance and compliance procedures for digital currencies. However, seeing as the NYDFS' regulations are closely watched by federal, state and foreign regulators and will likely guide their efforts, we feel that the current draft should be reconsidered and that future regulation would benefit from further reflecting on the novel nature of digital currencies and their positive social potential.

We would be more than happy to collaborate further with NYDFS to make sure that this positive potential can be harnessed by non-profits and social businesses located in New York as well as those wishing to solicit donations and business from citizens of the state.

Respectfully submitted,

A handwritten signature in black ink on a light yellow background. The signature reads "Jens Wiechers" in a cursive script. The first name "Jens" is written in a larger, more prominent style, and "Wiechers" is written below it in a similar but slightly smaller cursive.

Jens Wiechers  
Chairman of the Board,  
Dogecoin Foundation, Inc.