

Thoughts on compliance

Was reading the following article: <https://hackernoon.com/why-everyone-missed-the-most-mind-blowing-feature-of-cryptocurrency-860c3f25f1fb> and thought the following quote is extremely relevant to our current situation:

*"Centralized enemies are easy to destroy with a "decapitation attack." Cut off the head of the snake and that's the end of anyone who would dare challenge the power of the state and its divine right to create coins.
That's what happened to [e-gold](#) in 2008, one of the first attempts to create an alternative currency. Launched in 1996, by 2004 it had over a million accounts and at its peak in 2008 it was processing over \$2 billion dollars worth of transactions.*

The US government attacked the four leaders of the system, bringing charges against them for money laundering and running an "unlicensed money transmitting" business in the case "UNITED STATES of America v. E-GOLD, LTD, et al." It destroyed the company by bankrupting the founders. Even with light sentences for the ring leaders, it was game over. Although the government didn't technically shut down e-gold, practically it was finished. "Unlicensed" is the key word in their attack.

The power to grant a license is monopoly power.

E-gold was free to apply for interstate money transmitting licenses.

It's just they were never going to get them.

And of course that put them out of business. It's a living, breathing Catch-22. And it works every time.

Kings and nation states know the real golden rule:

Control the money and you control the world."

With recent regulatory threats against Chai's business model, it's become about time we decided together what we think about regulations.

Seems like we have two irreconcilable options:

1. **Fully comply:** this is the stance we've been taking so far, hoping that separating the compliant entity Chai from the crypto entity Terraform will let us have the adoption cake and eat freedom too. Whether this will be effective is unclear, but what is obvious is that Terra itself, once it lists on Korean exchanges, will make it very hard for regulators to enforce capital controls on KRW. So regulators have an incentive to apply pressures to prevent such circumventive tools from gaining mainstream adoption. It stands to reason that there is a non-trivial possibility that regulators will attempt to stymie Terra's adoption by denying licensing to Chai. Can we get regulators to look the other way for long enough to get to 5-10 billion tx vol run rate in Chai? After that, perhaps all of this doesn't matter all that much.
2. **Find ways to get adoption without complying:** customer acquisition costs will be higher in this model, but the benefit is that once we reach a certain level of scale and decentralization, we become licensing and regulator resistant. Another benefit is that we have way more levers at our disposal to overcome customer switching costs;

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if we have no traditional banking overhead, screw it; we can offer savings accounts, 20% annual interest, margin trading platforms and pyramid schemes galore. Question here is, can we retain the Terra Alliance, or get a distribution channel of comparable size, under this model?

Making the above choice is not easy and there is no right answer. But in all honesty we will eventually need to move to 2; the success of Terra and Chai is eventually mutually exclusive, given that a necessary condition of the former is censorship resistance and censorship compliance a requirement of the latter. My hope up to now was that we could start with 1 and eventually evolve to 2, but see no clear path forward for that yet!