

September 19, 2018

Fair Political Practices Commission
1102 Q St #3000,
Sacramento, CA 94249

RE: Item 42 - Cryptocurrency

Dear Chair Germond and Commissioners,

On behalf of California Common Cause and our members, I write to urge the Commission to maintain the *status quo* of disallowing cryptocurrency campaign contributions (Staff Option 1), at least until the risks of this emerging technology are better studied and understood, and appropriate regulatory guardrails can be put in place. There is no pressing need to allow individuals to contribute to campaigns using cryptocurrency since nearly every cryptocurrency investor has traditional currency or may exchange their cryptocurrency prior to donating; however, as Commission staff ably notes in the briefing memo, allowing this technology may, by its very design, hamper the Commission's ability to trace donor funds and ensure state campaign finance laws are respected.

Because the benefits are small and the risks potentially high, we believe the best action is either to let stand existing guidance or to codify in regulations the Commission's prior advice barring cryptocurrency contributions.

Option 2, allowing cryptocurrency to be used on the same basis as cash (so, contributions under \$100 would be permitted), is the next best option but, we think, worse than an outright ban. Cash, at least, must physically change hands, which offers some check against abuse. The digital nature of cryptocurrency makes international transactions easier to pull off, potentially putting our elections at greater risk of illegal foreign interference. Especially in an atmosphere where the public's trust in the integrity of our elections has already been challenged by the alleged actions of foreign actors, we do not think this is a wise course of action.

Were the Commission to want to proceed now down the path of permitting crypto-contributions -- which we do not recommend -- the Commission should first thoroughly explore issues around traceability; randomized and targeted crypto-donation auditing; potential Commission discrimination between currencies based on auditability; and the timing of donation cash-outs. This could be done in 2019 (a non-election year) at a public hearing where the Commission might convene and question a panel of technical experts on the subject. The Commission's

existing guidance against using cryptocurrency should remain in force until it has concluded this study period and decided on a course of action.

Thank you for the Commission's attention to this important topic. If you have any questions, please contact me at NHeidorn@commoncause.org or (916) 520-4070.

Sincerely,



Nicolas Heidorn
Policy and Legal Director
California Common Cause