

AUGUST 30, 2018

DELIVERD VIA ELECTRONIC SUBMISSION: shareholderproposals@sec.gov

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: No-Action Relief Request for the Shakti Coin

Dear Sir/Madam:

The Swiss Shakti Foundation (the “Shakti Foundation” or “Foundation”) is a public benefit foundation to be incorporated in the Canton of Zug, Switzerland¹. The Foundation’s purpose is to increase primary school attendance globally using an innovative blockchain protocol, Proof-of-Effort (“PoE”). The Foundation’s stated purpose is to grant a Shakti Coin (token) for each verified day a parent ensures their schoolchild attends school. The coin will be granted to the parent’s digital Shakti wallet. Based on the Foundation’s operating model described herein, the undersigned SXE Network Operations LLC (the “Network LLC”)² on behalf the Foundation respectfully requests that the Division of Corporation Finance (the “Division”) advise us that it will not recommend any Securities and Exchange Commission (the “SEC” or the “Commission”) enforcement action against the Foundation for offering and delivering Shakti Coins without registration of the Shakti Coins as securities under Section 5 of the Securities Act of 1933, 15 U.S.C. § 77a et seq. (the “Securities Act”), and Section 12(g) of the Securities Exchange Act of 1934, 15 U.S.C. § 78a et seq. (the “Exchange Act”).

¹ The Foundation anticipates that incorporation is imminent and undertakes to notify the SEC once it is complete.

² The Foundation has delegated the authority to SXE Network Operations LLC (the “Network LLC”), a corporation incorporated pursuant to the laws of the State of Wyoming, all services necessary to ensure global compliance with all regulations, territory-by-territory, pertaining to any and all financial matters that may arise as a result of the Foundation’s world-wide activities.

I. Facts

A. Mission of the Shakti Foundation

The mission of the Shakti Foundation is poverty alleviation by addressing school participation deficits globally. In India, for example, secondary school attendance stands at only 69 percent.³ The Foundation's solution for this global problem is to incentivize parents to bring their schoolchildren to school, integrating established sharing economy with a blockchain-based solution.

Conditional-cash transfers ("CCTs"), transfers of value conditioned upon beneficiaries' investment in schoolchild education and health, are a tested and proven method for improving child outcomes.⁴ Empirical research has shown that CCTs have been successful with Indian schoolchildren specifically.⁵

The Shakti Foundation hopes to build on the success of CCTs through a technological advancement for the transfer of value – the blockchain⁶. The blockchain facilitates the nearly costless and instantaneous transmission of value across borders, with full transparency in validating that a schoolchild actually attends school. Key to this PoE protocol are the validators who physically validate the daily attendance of schoolchildren at school at multiple points in the

³ *Why the world's biggest school system is failing its pupils*, THE ECONOMIST (June 8, 2017), available at <https://www.economist.com/asia/2017/06/08/why-the-worlds-biggest-school-system-is-failing-its-pupils>.

⁴ See generally WORLD BANK, *CONDITIONAL CASH TRANSFERS* (2009), available at https://siteresources.worldbank.org/INTCCT/Resources/5757608-1234228web_noembargo.pdf.

⁵ James Berry, *Child Control in Education Decisions: An Evaluation of Targeted Incentives to Learn in India*, 50 HUM. RESOURCE J. 4 (2015), available at http://studentsocialsu.Additinallypport.org/files/s3rd/files/berry_child_control_april_2013.pdf.

⁶ The Shakti foundation is a newly created entity yet to be registered. It has no direct experience with poverty alleviation or the promotion of education or educational programs. However, its members have observed that the problem continues to be severe and have a devastating effect on world economies. In light of the magnitude of the global challenges humanity faces the Foundation believes that many NGOs already involved in and experienced in this space will assist the Shakti Foundation because of Shakti's ambitious program to incentivize education on a global level.

process⁷. If all validators certify that a schoolchild attended school, then the child's parent will receive one Shakti Coin.

B. The Shakti Coin

There is no pre-mined Shakti Coins and there is no ICO. Parents receive Shakti Coins based on their Proof-of-Effort. They cannot be purchased in the first instance. The parents' ability to mine the coin in the first instance only arises after the students' attendance at school is validated by trusted parties such as teachers, school authorities, bus drivers, etc. who also participate in the Shakti Network. Once the coin is mined in the first instance, parents will be able to use Shakti Coins as a medium of exchange with participating vendors, or potentially transfer them within their community. The vision is that once sufficient Shakti Coins are in circulation, the Shakti Coins will become accepted as a form of payment with merchants and it will retain value for the holders because of the work parents had to do (unit of work) to get their schoolchildren into school. Once the Shakti Network goes live, it is the Foundation's expectation that the Shakti Coins will naturally evolve into an accepted form of payment through the network of participants increasing the utility of the coin as an incentive for the participating families to send their schoolchildren to school.

The Foundation has pronounced and memorandumized a value of the Shakti Coin to be fixed at US \$5.00 because this is an amount sufficient to provide two square meals a day per schoolchild, for 95% of the world's schoolchildren, with a little extra to purchase materials such as textbooks and school supplies.

Shakti Network will maintain that fixed value, because:

1. It is protocol layer token (coin).
2. It is *native* to Shakti Network.

⁷ Validators will be members of the community who are involved in the child's school day, such as; bus drivers, teachers, principals, and administrative staff.

3. the transaction is stored on a public ledger.
4. the Shakti ledger will not reach consensus when C2B transaction takes place - if the declared value departs from the US\$5.00 fixed mark. For example, the coin can only be transferred on a decentralized ledger from user 1 to user 2 at the pronounced and memorandumized value of US\$5.00.
5. the Shakti PoE ecosystem is a shared communal economy, with an in-built incentive for community governance, which unifies the populace while penalizing the price manipulators at the root level.

Furthermore, the Foundation intends to work with teams of volunteers to build a global community of NGOs who will assist them to reinforce the belief system that a fixed value coin is desirable to pull the marginal communities into the fold of global economic participation. Shakti Coins are fungible with each other, but there is no limit on the number of coins that can be created⁸. The coins are created according to a mathematical algorithm based on real parents with real schoolchildren, collectively making an effort to attend a school which must be evidenced by various participants in the school system.

The PoE protocol has been fully developed. As of the date of this letter, the Shakti Network is running on a test network comprising 22 servers in five continents. We foresee that the open source developer community will get involved and continue to perfect the ecosystem and further many aspects of the protocols.

C. Secondary Market Trading Within the Community of Schoolchildren

The Foundation envisions that the public at large will have a motivation beyond profit to adopt and use Shakti Coins. They will witness the benefits of children going to school and see the

⁸ Although the Foundation does not intend to function as a central authority, it does intend to market the coin at a fixed value of US\$5.00 and encourage school participation in the program with this accepted value in mind. The coin must have value sufficient to purchase meals and school supplies as intended, but should not increase beyond this need in order to prevent the coin from being used to purchase vices such as tobacco and alcohol products. The coin is intended to be used to assist families in educating their schoolchildren and for no other purpose. The stability of value is essential to achieve this goal.

efforts of the parents to get them there. The Foundation hopes that community members will be motivated to purchase Shakti coins from parents as a way of supporting children's education both in their own country and in foreign countries. It is further envisaged that merchants and traders in their respective communities will readily accept Shakti Coins as a means of payment, because it meets their primary goal of supporting their business and the larger goal of improving their community.

The Foundation working with grass roots communities and NGOs, will consistently and systematically communicate that the Shakti Coin has a fixed value of US\$5.00 to encourage both parents and the merchant community to trade Shakti Coin at that fixed value. As the adoption of the Shakti as a means of currency broadens it will become a more valuable and powerful incentive for parents to send their children to school.

Therefore, the Shakti Coin - a protocol layer coin with codified blockchain technology together with this consistent messaging will keep the value constant and avoid speculation and nefarious exchange practices such as "spoofing" and "trade washing". In short, there should be no incentive or opportunity to manipulate the value down or up.

D. The Software License⁹

The Shakti blockchain will be supported and maintained by node operators – who in turn will receive access to the Shakti Network and the ability to mine for transaction fees. The Foundation envisages two levels of node operators: "Power and Regular".

The Power node operators are a selected group of experienced node operators, who will be incentivized to join the Shakti Network and popularize it. Power node operators will pay an

⁹ We are including information on the Network LLC software licenses because this is the only instance where the LLC exchanges a product for money. It is not an investment – it is fixed a fee charged to support the Shakti Network.

annual software license fee and be required to locate their server in a data center¹⁰ distributed according to a four-tier system ranging in price from \$199 to \$999. Locating the server in a data center will give the power node operators enhanced geographic stability on the network for which power miners gain early access. The power node licenses are limited in number and are distributed based on suitability. It is anticipated that they will act as “influencers” and encourage general participation in the Shakti Network. The network will continually expand to accommodate regular node operators as they sign on to the technology. Regular node operators will pay an annual software license fee of \$49.95 to operate and maintain the Shakti blockchain ledger.

The software license fees paid by node operators to Network LLC give the regular node operators access to the Shakti Network. The fees will be applied to the administrative cost incurred by the Shakti Network for compliance due process, to sponsor educational initiatives, to publish guidelines with respect to various regulatory issues arising for Shakti wallet holders (such as cross border transactional tax issues) and to provide 24 X 7 software maintenance & support services to the node operators.

The fees are charged solely for the purposes of covering the above listed expenses. The Network LLC does not intend on increasing the license fees and if the fees are increased it will be for the sole purpose of covering increased costs incurred with respect to the expenses.

To bring appropriate trust and confidence to the crypto community the Network LLC:

1. has appointed **Lanphier LLP** (www.cpafirmco.com), an independent third-party full-service CPA firm to collect the software license fees in an autonomous process, and to manage, review and remit payments to the service providers.
2. Network LLC has directed **Lanphier LLP** to retain a second independent CPA firm to provide, at minimum, annual audits of the financial statements of Network LLC. This will enhance the oversight of Network LLC.

¹⁰ The four tier pricing correspondences to the four tiers of services offered by data centres.

3. and exclusively appointed **Lysis Financial Ltd** (www.lysisfinancial.com), a global compliance provider. The Lysis management team, consisting of approximately half a dozen professionals, have more than two hundred years of combined experience in defining frameworks, shaping, designing, implementing operational models and monitoring transaction for global financial institutions.

The Lysis Team would provide Shakti ecosystem the following Strategy & Framework for Client On-Boarding (COB).

- Know Your Customers (KYC)
- Anti-Money Laundering (AML)
- Counter Terrorist Financing (CTF)
- General Data Protection Regulation (GDPR)
- Consumer Laws
- Combating cyber-attacks by encrypting user data at source
- Implement an autonomous wallet due diligence (CDD) as a means of combating any financial crimes against humanity
- And any other relevant compliance requirements.

All node operators will earn a small fraction of Shakti¹¹ as verification fees for each Shakti Coin mined by a parent and verified by them, which fee will be automatically transferred to the node operator's wallet¹². Each node operator can only buy one license which cannot be sold or otherwise transferred to a third party¹³. There is no limit to the number of regular node operators who can join the network. The difference between a regular node operator and power node operators is primarily the location of their servers. Power node operators must locate their servers in a data center while regular node operators can locate their servers anywhere but a data center.

In addition to the verification fee, all node operators are eligible to earn a "Genesis Bonus Bounty" in the early stages of the network. The Genesis Bonus Bounty is akin to a commission that is paid for onboarding participants (parents, validators, merchants) onto the network. At the outset, in order to encourage community building, all node operators will be required to on board at least 84 participants – with at least 10% of the participants coming from the merchant community before they can access the transaction fees earned in their wallets or unlock the Bonus Bounty. As the community grows this requirement will become redundant and will be phased out.

¹¹ The precise amount is determined as follows:

The minimum mining fee is set at 500 Toshi (USD = 0.025; SXE = 0.005).

The transaction processing cost, Y, is calculated using the following equation:

- $Y = \text{SXE} \cdot 0.005$, when $\text{SXE} \leq 2$; (USD = 2.5 Cents for any purchase that cost less than or equal to US \$10.00)

For a transaction amount of more than SXE 2, the transaction processing cost, Y, is calculated using the following equation.

- $Y = k \cdot \text{Log}_2(\text{SXE})$, when $\text{SXE} > 2$
 - All values are measured in SXE.
 - The function is continuous. The coefficient, k, regulates the growth rate uniformly.
 - Y is the value of processing payment cost. The node operator who initiates a transaction to be included within the block earns five percent (5%) of the transaction processing fees, when there is a consensus.
 - Eighty Five percent (85%) of the allocated transaction processing fee is paid to node operators, as the first authority, to validate the transaction on the SXE Network.
 - The remaining 10% of the transaction processing fee is paid to the SXE Network Operations LLC to enforce global compliance and deliver other operational services.

¹² The payment system to all participants – whether a Shakti Coin mined or a micro payment to the validators or node operators – is completely automated and is an autonomous process derived from the PoE protocol which is a self-propagating system that lives on the Shakti Network.

¹³ The purpose of limiting one licence per natural person (either incorporate or not) is to prevent mining dominance and ensure the platform remains widely accessible and evenly distributed.

II. Law and Analysis

This letter requests no-action relief from the Commission with respect to whether the Shakti Coin constitutes a “security” under the United States securities laws, as that term is defined in Section 2(a)(1) of the Securities Act and section 3(a)(10) of the Exchange Act. For the reasons set forth in this section, we are of the opinion that a Shakti Coin, when distributed in the manner described above to parents, would not constitute a security and therefore be exempt from the registration requirements of both statutes.

Section 2(a)(1) of the Securities Act, 15 U.S.C. §77b(a)(1), provides that a security is:

note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, **investment contract . . .**

(emphasis added.) Section 3(a)(10) of the Exchange Act, 15 U.S.C. § 78c(a)(10), similarly provides that a security is:

any note, stock, treasury stock, security future, security-based swap, bond, debenture, . . . **investment contract . . .**

(emphasis added.) These two definitions are “virtually identical,” *Reves v. Ernst & Young*, 494 U.S. 56, 61 n.1 (1990) (citing *United Housing Foundation, Inc. v. Forman*, 421 U. S. 837, 847 n. 12 (1975)), and for the purposes of this request, are treated as such.

In July 2017, the Commission analyzed a question of first instance under these statutes: whether blockchain-based digital assets¹⁴ could be a security. In the Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO, Exchange Act Release No.

¹⁴ Unless otherwise indicated, the terms digital asset, tokens, and coins are used interchangeably.

81207 (July 25, 2017) [hereinafter DAO Report], the Commission found that the DAO Tokens at issue were securities because they satisfied the four-part test for “investment contracts” announced by *SEC v. W.J. Howey Co.*, 328 U.S. 293, 301 (1946). That is, investors in the DAO Tokens (1) invested money (2) in a common enterprise (3) with a reasonable expectation of profits (4) derived from the managerial effort of others. It is our position that the Shakti coin is distinguishable from the DAO Tokens with respect to all four parts of the *Howey* test and therefore are not securities.

A. Issuance of the Shakti Coins to Parents – DAO Analysis

1. *Investment of Money*

A token sale typically requires purchasers to deliver a government currency or another digital asset such as bitcoin or ether in order to receive tokens in exchange. However, the Shakti Coin issuance is not a token sale. For a parent to receive a Shakti Coin, there is no investment of any form of money. The Foundation is not conducting a sale, a Simple Agreement for Future Tokens, or any other scheme to raise funds to finance the development of the Shakti Network. In this key respect, the Shakti Coin is unlike any other token issuance that exists today. Further, it is unlike an offering of a traditional security where money is paid, in order to receive shares. At the issuance level, Shakti Coins are earned only based on PoE. It is a reward system to incentivize certain social behaviors.

2. *Common enterprise*

There are two prevailing tests for whether a common enterprise exists. The majority of courts apply the “horizontal” commonality test. Under this approach, a common enterprise exists where multiple investors pool assets and share together in the profits and risks of the enterprise. The horizontal commonality test finds a common enterprise where there is “pooling of assets

from multiple investors so that all share in the profits and risks of the enterprise” equally.¹⁵ In the case of the Shakti coin – there is no pooling of assets as the parents invest no asset and there is no intended profit. Furthermore, every actor is acting on their own not in any concerted way.

A minority of courts apply the “vertical” commonality test. Vertical commonality generally focuses on whether the investor’s returns are correlated to the returns or effort of those offering the investment, such that their collective fortunes rise and fall together.¹⁶ In the context of cryptocurrencies, this inquiry necessitates a close analysis of the token issuer, including its motivations, effort, and potential returns from the project. Vertical commonality can be more easily found with certain cryptocurrencies supported by a centralized development team or community, particularly when developers hold on to tokens during an ICO or are otherwise incentivized to hold them after the ICO in anticipation of an increase in their price. Vertical commonality comes in two types: narrow and broad. Narrow vertical commonality imputes a common enterprise only where the fortunes of the investors are bound up with the actual fortunes of the promoter or issuer of the security.¹⁷ Broad vertical commonality holds that a common enterprise exists where the fortunes of the investors are bound up with the mere effort of the promoter or issuer.¹⁸ Because there is no profit or risks shared by the holders of the coins or the issuer there is no commonality – neither horizontal or vertical.

3. *Expectation of profit*

The Foundation makes no guarantees as to the value of the Shakti Coin. It is clear the value of the Shakti Coin derives from its proliferation and acceptance in the commercial market place because of parents’ effort in ensuring their schoolchildren attend school. The Foundation envisages that the public at large will purchase Shakti Coins from parents for the pronounced value and the coin will also be proliferated by families sending remittances in the form of Shakti

¹⁵ *SEC v. SG Ltd.*, 265 F.3d 42, 49-50 (1st Cir. 2001); *see also Revak v. SEC Realty Corp.*, 18 F.3d 81, 87 (2d Cir. 1994); *Curran v. Merrill Lynch*, 622 F.2d 216 (6th Cir. 1980).

¹⁶ Shook, Jonathan E. “The Common Enterprise Test: Getting Horizontal or Going Vertical in *Wals v. Fox Hills Development Corp.*” *Tulsa Law Review*, vol. 30, issue 4, Summer 1995, p.733.

¹⁷ *Ibid*, p. 734.

¹⁸ *Ibid*.

Coin to family and friends. As the currency diffuses from the original recipients, it is the vision of the Foundation that merchants and traders in the recipients' communities and their respective countries will begin to accept the Shakti Coin as a medium of exchange, eventually allowing the Shakti Coin to become a standard for purchasing goods and services, issuing credit, savings, etc. Although it is the desire of the Foundation that the Shakti Coin will obtain and store a stable value, there is no promise or expectation of profit, in fact the success of the program depends the community's enforcement of a value fixed at US\$5.00.

The Shakti Project was specifically designed so that the value of Shakti Coin becomes stable and not subject to wild swings in value that may invite pump and dump speculation. Shakti Coin can only become a widely circulated means of payment if it retains a stable value relative to major fiat currencies such as the US Dollar. This feature distinguishes the Shakti Coin from any cryptocurrency that has come under the review of the SEC.

4. From the effort of others

Since *Howey*, lower courts have interpolated “significance” into this prong. E.g., *SEC v. Glenn W. Turner Enters., Inc.*, 474 F.2d 476, 482-43 (9th Cir. 1973) (not be “undeniably significant [efforts], ... essential managerial efforts which affect the failure or success of the enterprise.”) The Commission seems to have adopted this view as well, *see* DAO Report at 12; Cease and Desist Order, In the Matter of Munchee Inc., Securities Act Release No. 10445 (Dec. 11, 2017) at 9.¹⁹

The Foundation's only involvement with the Shakti Coin is to pronounce the value of the Shakti Coin to be US\$5.00. The Foundation will not direct any effort towards increasing or decreasing the value of the Shakti Coin. The propagation of the Shakti Coin into common use will be carried out by node operators, parents and community participants and, even at this level, the effort is to encourage and increase the adoption and utility of the Shakti Coin (as a means of incentivizing school attendance) and not to increase the coin's monetary value.

¹⁹ Available at <https://www.sec.gov/litigation/admin/2017/33-10445.pdf>

Recipients have neither invested money nor are they dependent on the effort of the Foundation. In fact, the recipient parent must provide the effort to ensure their schoolchildren attend school to receive Shakti Coin. Therefore, receiving Shakti Coin primarily results from the parents' effort assisted by their community and not the effort of the Shakti Coin issuer. The value of Shakti Coin will not be determined by the efforts of the Foundation, because it is fixed within the self-propagating protocol.

III. Conclusion

We are of the opinion the issuance of the Shakti Coins as described in this letter, does not constitute a security and therefore would not constitute the unregistered offering and sale of securities.

Parents mine the coin by ensuring their schoolchildren attend school. Those seeking to validate transactions of the coin as verifiers do so by paying a nominal software license fee which includes maintenance and support services. The fee is standard and does not rise and fall with the market. The license cannot be resold or otherwise transferred to a third-party. A natural person may only purchase one license which must be renewed annually. Those buying into the ecosystem are not speculating, as the price of Shakti Coin is fixed because it is enforced technologically.

For all these reasons and based on the substance of the letter, we respectfully request the Division's confirmation that if the operations occur substantially as described in the letter and the summary attached as Appendix "A", the Division will not recommend to the Commission that it take any enforcement action.

Thank you in advance for your time and consideration. We would be happy to provide you with any additional information and answer any questions that you may have regarding the Shakti Coin. If we can be of any further assistance in this matter, please do not hesitate to contact me at: keith@shaktifdn.org.

Respectfully submitted,



Mr. Keith Vogt

Managing Director

SXE Network Operations LLC

keith@shaktifdn.org

cc:

- Professor Rolf Weber - Swiss Counsel for the **Shakti Foundation**
- Mr. Florian Jörg - Swiss Counsel for the **Shakti Foundation**
- Mr. Mathew Kaufman - US General Counsel for **SXE Network Operations LLC**
- Mr. Thomas Goldstein - US General Counsel for **SXE Network Operations LLC**
- Ms. Brittany S. Lanphier - US Chartered Professional Accountant, Managing Partner, overseeing the financial affairs of **SXE Network Operations LLC**
- Mr. Nick Hawke - Financial Compliance Provider, overseeing **SXE Network Operations LLC's** global compliance.

Enc.

1. Appendix A: In-built Construction of Shakti Coin
2. Appendix B: Glossary

Appendix A

In-built Construction of Shakti Coin

Description

ICO:	No Initial Coin Offerings (ICO)
Pre-mined:	None are pre-mined.
Fixed Value:	Fixed Price Coin – US \$5.00. The price is set by the Swiss Shakti Foundation (the issuer) at the <i>pronounced and memorandumized</i> value.
Technology:	Open Public Blockchain.
Trust:	Confederated Consensus. Participants are known on the blockchain, all transactions occur in real time, cryptographically secured, verifiable, transparent and instantaneous.
Added Trust by Third-party Service Providers.	Lanphier LLP, an independent third-party full-service CPA firm is retained to collect software licence fees in an autonomous process, and to manage, review and remit payments to the Shakti Network service providers.
Open Network:	Public, Permissionless, Confederated, Decentralized and Distributed Network.

Protocol: Coins are mined using a newly developed, unique protocol, known as Proof-of-Effort (PoE).

KYC: KYC baked into the coin offerings protocol, i.e., no coins can ever be mined without the independent verification of recipient identity and human presence.

Enhanced Compliance by Lysis Financial An independent third-party full-service global compliance service provider is appointed to shape, design, implement and monitor transaction autonomously.

Consumptive Purpose Coin:

- Shakti Coin is designed to be used exclusively as a medium of exchange.
- It is not limited to a specific venture.
- The holders do not possess additional rights.
- Newly minted coins are not controlled by a central entity.

In-built P2P Ratings: Wallet-to-Wallet in-built ratings will apprise merchants trade position when one needs to exchange the Shakti Coins for goods and services.

This feature and function will avert and foster a self-correcting mechanism within the Shakti ecosystem and allow a natural organic stable market to establish.

Miners: An in-built scarcity within the protocol. That is, only parents with schoolchildren able to evidence their participation at school can mine Shakti Coins.

Proximity Based
Mining:

Mining optimized to reach consensus locally.

Node Operators
Motivation:

Node operators are incentivized to validate transaction on the network for a fee and it is paid autonomously with micropayments.

On-Chain:

Shakti Coins that are mined cannot be stripped from the Network or Platform, i.e., all transactions are confirmed and validated in real-time and on-chain.

- This limits the use of buying and selling on the platform – i.e., peer-to-peer participation takes in real-time on the platform.
- Fixed coin price removes speculative nature of the coin.
- This *disincentivizes* the third-party market speculation.
- Privacy is protected by adopting privacy-preserving technologies like end-to-end encryption for your data.

Public
Awareness:

- Shakti Foundation will provide real-time bulletin board reporting.
- The bulletin board is created to facilitate and educate the populace, to provide a source of reference for the ecosystem system to mature organically, to weather the activities of speculative secondary market manipulators credibility.

- Foundation’s consistent messaging through the bulletin board that Shakti Coin is a fixed value coin will protect secondary market retail participants.
- The bulletin board can be accessed by the populace with internet access to see the transaction volume and gauge the global participation and the adoption rate.
- The Foundation will never be involved in any purchase or sale with the P2P participants or negotiations, except in circumstance where it uses the Shakti Coin as a consumer on the platform.
- The Foundation will not charge a fee or receive any compensation for creating or maintaining the bulletin board system.

Discourage
Manipulators:

- When a merchant receives a payment from a Shakti wallet holder, they must re-affirm and declare they have credited the consumer with a value of US \$5 before the exchange can be completed.
- This verification takes place before the blockchain consensus is recorded immutably on the open Shakti ledger.

Shakti Participants
are Protected from
Bad Actors.

- There is no opportunity to wash trade Shakti Coins. Because, wallet holders are *known* to the platform provider and there is no way to access Shakti Coin without being a participant within the Network.
- There is no opportunity to spoof, i.e., deceptive bid or offer with an intent to cancel it before execution, because the value of Shakti Coin is fixed – thus there is no price movement.

- There is also no opportunity for layering, i.e., when a trader enters a relatively large order to buy or to sell without ever intending to follow through on the order. This is because Shakti Network is a confederated platform where consensus takes place upon verification of the transaction before it is recorded on the Blockchain.
- One can confidently state that the Shakti Network will not be an attractive place for bot, high-frequency algorithmic trading and any other emerging technology assisted trade strategies that are designed to punish retail unsophisticated entrants.

Appendix B

GLOSSARY

Term	Definition
Shakti	Sanskrit for “empowerment.” The primordial cosmic energy and boundless potential all beings are born with
SXE	Currency symbol for the Shakti Coin.
Verifiers and Node Operators	Used interchangeably herein and are persons who pay a nominal software license fee to have an opportunity to earn micropayments of Shakti by maintaining the Shakti blockchain ledger.
Validators	On one hand are persons that validate the physical existence of a schoolchild for on-boarding into the Shakti ecosystem, and on the other hand, are persons and institutions who physically validate the daily attendance of schoolchildren at school.
Miners	Parents who ensure their schoolchildren attend school, upon which, when validated, the parents will receive one Shakti Coin per day per schoolchild.
Coin	Used interchangeably herein with “token” and refers to the cryptocurrency known as Shakti or Shakti Coin.
Software License Fees	Fee paid by node operators will be used to go live with the Shakti network.