

Dogecoin: Here's our take on the opportunities and risks for online brokerage apps

Article



Dogecoin is in the headlines thanks to Elon Musk's highly anticipated "Saturday Night Live" hosting gig over the weekend, which was followed by the cryptocurrency losing a third of its

price. Launched in 2013, Dogecoin is a crypto based on an internet meme of a Japanese dog and started as a joke parody of Bitcoin. Like its cryptocurrency peers, Dogecoin can be used as a form of [payment](#), although its prevailing use case has been as a tradeable asset on platforms like Robinhood and eToro.

Dogecoin's boom is marred with confusion among financial analysts, while investors just find it funny. The recent surge in retail cryptocurrency [adoption](#) combined with [celebrity](#) backing, most prominently from Musk, has sparked record demand for the joke crypto. But despite its rising adoption, financial analysts [struggle](#) to make heads or tails of the whole affair, as Dogecoin has very limited uses, even by cryptocurrency standards. The crypto lacks market infrastructure with no institutional Dogecoin custodians or brokers, and it sees no meaningful developer activity, [per](#) a Galaxy Digital Research report. By contrast, more than [300](#) new developers per month join Ethereum projects. Thus, Dogecoin's popularity likely owes to internet users' love of memes and nihilistic enjoyment of perplexing the markets. In fact, more than [44%](#) of crypto holders in the US and UK say they own cryptocurrencies just for fun, the second most-cited reason after using them as growth investments.

Dogecoin's popularity presents strong user acquisition opportunities for trading apps, but they'll need adequate consumer protections in place or risk regulators' ire.

- **Stock-focused trading apps and crypto exchanges alike aim to tap into the surging demand.** At the time of writing, Dogecoin was the [fourth-largest](#) cryptocurrency by market cap at \$67.40 billion. While Robinhood and eToro have a head start in offering the meme asset, [Gemini](#) added it last week, and [Revolut](#) is rumored to be planning a launch soon.
- **Dogecoin support may enhance their value proposition, but fintechs should be wary of exposing inexperienced investors to such a risky asset.** Trading apps like Robinhood are already in regulators' crosshairs over the [GameStop](#) debacle in January, with SEC chairman Gary Gensler [sharing](#) last week plans to better protect consumers from gamified interfaces and the dangers of wrongdoers using social media to hype stocks. Now fintechs that offer or plan to add Dogecoin trading will face additional oversight, with Gensler adding a few days later that [more](#) investor protections are needed in the cryptocurrency market. Fintech apps that offer Dogecoin trading should therefore ensure they add appropriate customer support and financial education on the inherent risks—such as high price volatility—of investing in Dogecoin to meet growing regulatory scrutiny.

Reasons that Mobile Phone Users in Great Britain and the US Own Cryptocurrency, March 2021

% of respondents

As a growth investment



Just for fun



To experiment with new types of currencies



As a store of value



To support the development of blockchain technology



To hedge against traditional asset crashes



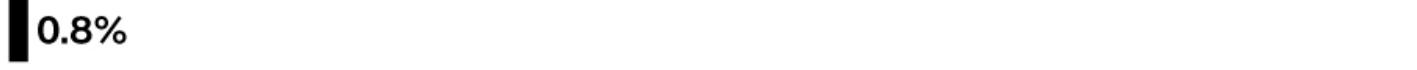
To avoid government regulation



Other



None of the above



Source: Measure Protocol, March 26, 2021

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