

Title: Urgent: SEC has proposed a new Amendment where it seeks to classify even DEX as ATS (alternative trading system for securities). This could be a big barrier for DeFi as we know it, as no DEX can comply with these regulations. Hester Pierce is dissenting to it.

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SEC has just published a rushed Amendment seeking to classify non-exchanges and even communication services as ATS (alternate trading system for securities). By this amendment, they are seeking to usurp and widen their mandate from regulated exchanges to other platforms that do not fit the criteria of regulated securities exchange.

SEC Chair Gensler has supported these amendments and has said that these regulations will "[cover platforms for all kinds of asset classes that bring together buyers and sellers](<https://www.sec.gov/news/statement/gensler-ats-20220126>)".

They have given just 30 days period to provide comments against this. The SEC is likely to use these Amendment to go after DeFi protocols. They are changing the definition of exchanges from Order-Based regime (typical order book exchanges like NYSE) to Trading-Interest-Based" Regime - the latter will cover everything from AMM DEX to liquidity pool based trading protocols.

If these amendments become law, decentralised AMM and money markets would have to obtain licenses from the SEC, which is close to impossible given the decentralized nature of these DEX and crypto protocols.

Under this proposal even a blockchain explorer could come under ATS, as it is a communication platform that can be used to directly trade via smart contract calls. The implications of this are serious for the entire crypto industry, and include scenarios where someone who has developed a block explorer could be sued by the SEC for running an unregistered exchange. Getting registration as a securities exchange is no joke, it would take millions of dollars, that a regular AMM developer or a blockchain project are unlikely to be able to compete. There is a reason there are only a handful of exchanges like NYSE/Nasdaq etc.

Here is a call to action on the new Amendments: <https://lexnode.substack.com/p/urgent-considerations-of-impact-on>

The original proposed amendment: <https://www.sec.gov/rules/proposed/2022/34-94062.pdf>

SEC's Hester Pierce's dissent: [<https://www.sec.gov/news/statement/peirce-ats-20220126>](<https://www.se.c.gov/news/statement/peirce-ats-20220126>)