

Title: The SEC didn't approve Single Stock ETFs - it is literally a crime to say they did. The SEC is just constructed to be weak & slow in comparison to "self-regulatory organizations" (SROs). See for yourself.

Author: disoriented_llama

Created 2022-07-15 01:17:40 UTC

Permalink: /r/TheGloryHodl/comments/vzbveg/the_sec_didnt_approve_single_stock_etfs_it_is/

Url: /r/Superstonk/comments/vzajj6/the_sec_didnt_approve_single_stock_etfs_it_is/

Linked Post Content:

The SEC didn't approve those single stock ETFs. Don't take my word for it, just look at the second page of the [Prospectus](<https://www.axsinvestments.com/download/575/axs-single-stock-etfs/6515/prospectus-18.pdf>) for the inverse Tesla ETF (TSLQ) ([Here is the source page](<https://www.axsinvestments.com/TSLA-bear-etf/>) if you don't want to download the PDF from a link here):

>Neither the U.S. Securities and Exchange Commission nor the Commodity Futures Trading Commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Similarly, look at [Commissioner Crenshaw's statement](<https://www.sec.gov/news/statement/crenshaw-single-stock-etfs-20220711>) on these ridiculous products:

>Speaking generally, many complex products do not qualify for listing under exchanges' generic listing rules. Rather, depending on the product, the listing exchange may be required to adopt a specific listing rule for the relevant product, which requires Commission approval. This process gives the Commission and the public an opportunity to evaluate, among other things, the product and its likely impact on investors and the markets. ... In contrast, products qualifying as "exchange-traded funds" under Commission Rule 6c-11 automatically qualify for listing under exchanges' generic listing rules—without a corresponding opportunity for public notice and comment—despite the fact that leveraged and inverse products qualifying under that rule may present many of the same risks to investors and the markets. In other words, because of the operation of Rule 6c-11, these single-stock ETF products can come to market without any specific Commission vote or approval, and without public notice and comment.

As Crenshaw says in her statement, it is disappointing that the SEC has not used their rulemaking authority to fix this problem, but it is worth pointing out that the SEC has actually done a lot recently. They've been so busy and *moving so quickly to implement significant change* that it is getting a lot of pushback from the financial industry. Just check out this [pissy article](<https://www.sifma.org/resources/news/the-secs-current-far-ranging-aggressive-rulemaking-agenda-will-raise-regulatory-uncertainty-and-risks-unintended-negative-consequences/>) from a pro-Wall Street organization:

>As of last fall, the SEC had 54 separate items on its rulemaking agenda, according to the Office of Information and Regulatory Affairs' (OIRA). This represents "one of the most ambitious agendas in the SEC's 87-year history," according to Bloomberg.

>

>...

>

>The volume and velocity of SEC rulemaking are especially concerning given that many of the proposed rules include sweeping changes that could require significant shifts in industry operations and practices.

>

>...

>

>Companies might be forced to wait to offer new products, invest in infrastructure, and generally be more cautious about their investment and hiring decisions.

Boo-friggin-hoo. You know what the world doesn't need more of right now? New, increasingly outlandish ways of wrapping up Wall Street's gambling debts as "investments". I want to invest in a company, not a Honey-baked-ham-flavored-company-alternative. Even this sub recently got in a serious huff about another Order the SEC recently implemented, although that anger was misplaced because the [actual

content of the order is good for retail investors](https://www.reddit.com/r/Superstonk/comments/vyj6up/hester_did_not_get_what_she_wanted_this_is_a_good/?utm_source=share&utm_medium=web2x&context=3) (despite what the memes say).

The reason why these ludicrous products are coming out now is because some Wall Street lawyer out there got super creative in reading a rule that was made *in 2019, under Chairman Jay Clayton's leadership.* Crenshaw's statement is professional, but doesn't pull punches on this issue:

>In 2019, the Commission adopted Rule 6c-11 under the Investment Company Act of 1940. In combination with changes to the listing standards at stock exchanges, that rule created a framework that allowed exchange-traded funds (ETFs) meeting certain criteria to come directly to market without first obtaining permission... from the SEC.

>

>**Nowhere in Rule 6c-11 is there a discussion of single-stock ETFs; there is no indication that the rule contemplated such products. However, single-stock ETFs are nonetheless coming to market under the auspices of that rule.**

We might seriously benefit from going through all the rule changes under that Jay Clayton & looking to see what changed, because his "achievements" are all basically just gutting protections for retail investors in favor of Wall Street.

The rulemaking process at the SEC is incredibly slow. That's how government works, and in general that's *how it should work.* Rule changes like those that were happening under Clayton have been incredibly destructive. That's what happens under a system of regulatory capture. If government moved even faster, allowing the damage he did to be addressed more quickly, then he could have done even more damage during *his* tenure and we'd be even worse off. Apparently the current SEC agenda is one of the most ambitious in history, which makes sense if they're trying to undo the damage of regulatory capture *and* trying to actually gain some ground in that fight.

Yes, I still think the SEC should do even more, but our blood pressure would benefit a lot from taking a broader view of what's happening.

If major players in the market today are gonna go up in flames while the world's attention shifts toward DeFi, how much do these single stock ETFs even matter? The future is in DeFi anyway, and when these greedy turds find themselves under pressure it isn't like they'll come out squeaky clean. Will these financial products make the difference for them going to jail or being prosecuted? No, I can't imagine they would make much difference one way or the other.

The SEC is focusing on fixing the rules that Wall Street goons broke, and on increasing transparency. Things aren't going as fast as I would like, but the SEC was intentionally built to be slow and weak. I would love to see more support for the SEC (and the IRS) to enable them to go after the most difficult and most complex issues. Barring that, I want them to focus their feeble, limited, old-man energy on transparency and enforcement rules that can actually do some good in the long-term view. Since the SEC *can't bring criminal charges against anyone*, it is important to understand that whatever crimes they *do* uncover can only be forwarded to the FBI and/or the DOJ for prosecution.

I don't get the blanket SEC hate right now. This is what it looks like when the SEC is actually doing their jobs. The SEC *can't* bring criminal charges and they can't move quickly by design. If you want somebody to do more to actually police the markets (like I do) then you need to look at the FBI and the DOJ. Catching criminals isn't the SEC's job. It doesn't make sense to blame the SEC for the criminal justice system's failings.

If you want the SEC to be *able to do more,* your anger should be directed at the politicians who constantly fight against your interests. This most recent good rule change came literally 9 days after it was announced that Mark Uyeda became a Commissioner after the resignation of [Commissioner Elad Roisman](<https://www.sec.gov/news/public-statement/peirce-roisman-staff-report-2021-10-18>) (the guy who joined Hester Peirce in undermining the content of the SEC report & generally supporting ridiculous stuff like PFOF). Fingers crossed that this is the beginning of an even more aggressive SEC.

****TLDR****

The SEC didn't approve that single stock ETF nonsense, and one of the two anti-retail Commissioners has just been replaced. A pro-transparency rule change happened almost immediately after that. "The SEC" isn't one monolithic body, at least one Commissioner changes every year (sometimes more), and this updated batch is already setting records for pro-transparency changes. If you want them to do more: Great! Me too. The only way they will be able to do that is if they're given the power. Until then, blame the perceived lack of law enforcement action on *law enforcement agencies*, like the FBI and the DOJ. The SEC doesn't even have the power to bring criminal charges, so there's no point in being pissed at them for failing to do the FBI's and/or the DOJ's job.