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Crackdown by regulators aims to protect investors entering a more digital world

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NEW YORK, UNITED STATES, September 2, 2021 /EINPresswire.com/ -- Crackdown by regulators aims to protect investors entering a more digital world

A US Government crackdown on unregulated digital exchanges and stablecoins has long been on the cards, according to broker dealer and pioneering secondary market ATS operator Rialto Markets.

But rather than trying to kill off this emerging sector, Rialto Markets' Head of Market Structure Lee E Saba expects and welcomes an official drive to create a regulated investment environment:

"The 'digital genie' was out of the bottle so, rather than stifling innovation and emerging demand - which might encourage a shadow or 'dark' trading arena - the authorities should now seek to put pragmatic legislation and sensible oversight in place."

Saba's comment follows on from: US financial commissioners asking for more Congressional powers to regulate the 'crypto-universe'; new digital/crypto provisions tacked onto US infrastructure bills; plus news of all-new legislation being drawn up to regulate the nascent industry - all in one week.

But Saba – also co-chair for the FIX Trading Community global industry standards organisation – added: "The authorities seem to appreciate some form of cryptocurrency is inevitable and is reviewing 'stablecoins' - digital currencies pegged to stable reserve assets like the US dollar or gold, thereby avoiding the volatility of unpegged cryptocurrencies like Bitcoin.

"Stablecoins are already a serious market sector; the top five USD players (Tether, USDC, BinanceUSD, Paxos, and TrueUSD) have a combined market cap of over $102 billion (source: coinmarketcap.com).

"Theoretically, a stablecoin can be used right across the financial framework – crypto or traditional – with users confident that they can convert it back to a real dollar or reuse that stablecoin to pay for other goods and services.

“But, as the financial authorities have realized, assets underpinning a stablecoin are not clear cut. Some of these can mix US Treasuries, Commercial Paper, Certificates of Deposit, Municipal Bonds, and Corporate Bonds, for instance, as well as dollars and gold.

“Not that there is anything wrong with those particular assets, but it does show how a stablecoin may be supported currently by a raft of assets that really needs defining and regulating.

SEC Chairman Gary Gensler has said: “Make no mistake - it doesn’t matter whether it’s a stock token, a stable value token backed by securities, or any other virtual product that provides synthetic exposure to underlying securities.

“These platforms – whether in the decentralized or centralized finance space – are implicated by the securities laws and must work within our securities regime.”

And Rialto Markets’ CEO Shari Noonan commented: “Chairman Gensler is saying that if the SEC deems stablecoins, are backed by non-dollar assets then they must register and comply with all US securities laws.

“These are the rules our experienced Wall Street trained management team know well, but outsiders tamper with at their peril, bringing down official scrutiny and regulation we now see being exercised.

“It will mean that any future trading of these new securities must happen on a regulated execution venue – an Alternative Trading System (ATS) such as our own Rialto Markets secondary MarketBoard or an exchange.

“This gives regulated ATSs and exchanges an increasingly important role within the digital asset landscape, that what regulators consider to be securities will be steered onto approved execution venues.”

Noonan also highlighted that stablecoins was a lead topic in a new crypto bill going before Congress, seeking to give the US Federal Reserve approval of and authority over any dollar backed stablecoin.

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