

Is SEC 'referee' Gensler set to blow the whistle on un-regulated sporting NFTs?

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NEW YORK , NEW YORK, UNITED STATES , October 13, 2021

/EINPresswire.com/ -- Is SEC 'referee' Gensler set to blow the whistle on un-regulated sporting NFTs?

Digital videos of key sporting moments have become hot property, with some on the National Basketball Association's (NBA) Top Shot website selling for hundreds of thousands of dollars.

But [Rialto Markets'](#) Head of Market Structure Lee Saba worries about investor protection, and questions how long these and other sporting NFTs (Non-Fungible Tokens) can evade regulation by the US Government's Securities Exchange Commission, and the need to trade on a properly approved and regulated alternative trading system (ATS).

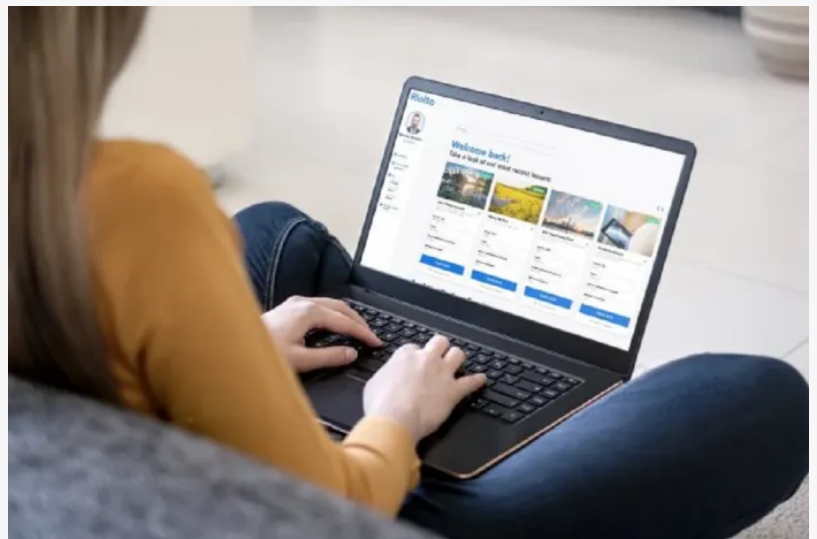
“

Once registered properly, NFTs must then trade on a registered ATS because regulations exist to protect investors against scamming, mistreatment, and overcharging.”

Rialto Markets - Lee Saba

Saba – also co-chair for the global financial industry standards organisation FIX Trading Community – asks: “How is the consumer protected here? What if the system goes down and the asset is lost? What redress is there? “September's insider trading scandal at OpenSea – claimed to be the world's largest NFTs marketplace – highlights a need to police a sector spreading across many sports,

including auto racing, baseball, soccer and football, as well as other sectors such as digital art. “The Top Shot blockchain-based platform has one of the highest profiles. Created by the NBA, National Basketball Players' Association and Dapper Labs, it allows fans to buy, sell and trade video highlights described as 'digital collectibles'.



Caption: NFT's need to trade on a properly approved and regulated alternative trading system (ATS).

"An asset might list at \$1,000 on their own trading platform and sell for more than \$1,500 moments later, but if the NBA then says it will never reproduce another asset quite like it, this can drive the value through the roof to then sell for far more, minus commissions, fees, etc.

"No surprise then that all NFTs have generated \$2.5 billion in the first six months of the year. Other sports and genres are watching closely – the NFL has just signed a deal with Dapper Labs.

"But the US Government's referee – the SEC's new Chairman, Gary Gensler and his team - will surely be measuring NFTs against the Howey Test (the 1946 Supreme Court case that determines whether something is a security).

"Rialto Markets' believes the SEC will have to act and legislate that NFTs must be traded on a regulated alternative trading system (ATS), which contrasts sharply with the freewheeling unregulated world of NFTs.

"Having taken two years to achieve FINRA (Financial Industry Regulatory Authority) recognition and SEC-qualification for our ATS platform, Rialto Markets has seen first-hand how essential it is to protect the investor and deliver long term confidence in these exciting new markets.

"We further suggest a mechanism and strong compliance rules, like that applied by the 2012 Jobs Act and private company crowdfunding through Reg CF and Reg A+.

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"But Mr Gensler surely has this on his SEC radar, having already described the cryptocurrency market as the Wild West of our financial system and desperately needing rules so, expect regulations on NFTs with tough penalties for failure - Mr Gensler has already shown he will levy millions or billions in fines to match profits made by those dealing outside the legislative framework.

"Others must see this happening and we have already had many inquiries from parties interested in 'white labelling' our approved ATS platform, in expectation that the SEC will act soon against NFTs.

"While Rialto Markets recognises the new type of market structure offered by blockchain technology, we are also pragmatic about how it must be implemented."



Lee Saba - Rialto Markets Head of Market Structure

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For more information on Rialto Markets or interviews with company principals, please contact: steve.philp@worlddigitalfoundation.com or +44 7973 159065

About Rialto Markets

Rialto Markets is a FINRA Registered Broker Dealer (Rialto Primary) operating an SEC Recognized Alternative Trading System (Rialto Secondary) for private securities including those issued as a Digital Asset Security. Rialto Primary supports companies issuing equity and debt securities through Reg A+, Reg CF, and Reg D exemptions. Rialto Markets is registered in all 50 states including those requiring a broker dealer to issue Reg A+ securities. To find out more, please visit <https://rialtomarkets.com>

Note to editors: short form biographies of Rialto Markets senior partners

Shari Noonan (CEO) has extensive experience in building and scaling operations and product development with Deutsche Bank, Goldman Sachs, and Instinet and was instrumental in the electronification of the equities market. Shari was involved in deal flow analysis and governance activities in strategic acquisitions in her role as COO of Global Equity Trading and COO of Global Electronic Trading at Deutsche Bank and while in Trading Management at Goldman Sachs. Shari received a BS in Accounting from Marquette University and an MBA from Columbia University.

Joel Steinmetz (COO) has led developments in building trading platforms and algorithmic systems, as well as new businesses while at Citi, Citadel, Instinet and Liquidnet. He was also involved in numerous transactions in capital markets at Citi and Instinet, and has performed deal flow analysis, structuring, and strategic integration. His experience spans the universe of business strategy, data analysis, and technology.

Lee Saba (Head of Market Structure) was previously MD and Principal at Wellington Management, heading multi-asset electronic trading and connectivity infrastructure. Lee led and contributed to industry standards on many concepts including FIX post-trade for equities, futures and FX, execution venue normalization, risk mitigation symbology and electronic trading risk controls. He headed the IT FinTech Working Group and is an advocate of the investor hub for blockchain and digital assets research. Lee also co-chairs the global FIX Trading Community (<https://www.fixtrading.org>) and is a steering committee member for Northeastern University's D'Amore-McKim School of Business FinTech Initiative.

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