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April 19, 2023

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

File Number: S7-02-22

*RE: Amendments to Exchange Act Rule 3b-16 Regarding the Definition of "Exchange"; Regulation
ATS for ATSs That Trade U.S. Government Securities, NMS Stocks, and Other Securities; Regulation
SCI for ATSs That Trade U.S. Treasury Securities and Agency Securities*

Dear Ms. Countryman,

I, Jason Teng, am commenting the proposed amendments as an individual. Gentex Corporation does not sponsor nor has any affiliation to the following comments. Company and job title are provided merely as credential.

I appreciate the opportunity provided by the Securities and Exchange Commissions (SEC) on reopening the comment submission. This is crucial in providing fair and leveled field. General public individuals are not paid to spend time to review those lengthy yet extremely important SEC documents. The time spend here reviewing and commenting are our previous and limited personal time where could have been time with our dear families and beloved ones. It is important for SEC to recognize that the value of comments submitted by each individual entity are equal to each firm, brokage, clearing house, bank, and US Senator.

I fully support the motion to impose full regulation on Government Securities ATS and Non-Government Securities ATS. This includes but not limit to repo, reverse-repo, treasury bonds, treasury bills, treasury notes, Mortgage Back Securities (MBS), Commercial MBS (CMBS), security swaps, credit swaps, and derivatives of MBS or CMBS (CDO). The size, bid/ask price, and transection tape should be fully disclosed to public in real-time as exemplmed in Level II stock market data. All large transections should be subjected to 13D and 13F filing rules. A bi-weekly data should be composed and made available to public as exemplmed in Fail-To-Deliver data by SEC ^[1] to capture any amendment or adjustment after settling of the trade.

[1] <https://www.sec.gov/data/foiadocsfailsdatahtm>

Alternative Trading System (ATS), also known as dark pool^[2], should be further regulated to provide fair and efficient market. The concept and the existence of ATS is completely against the idea of fair market trading. Any form of close door bidding is completely rigged and does not contribute to price discovery.

Requiring submission of Form ATS-G is absolutely necessary and shall be enforced to all current and future ATS. The missed portion in this proposal is that all filing shall be done in T+2 timeframe and be published on SEC website for public review within two weeks of submission date.

The effect of ATS exemption has long been undermined by ATS entities themselves via untruthful comments^{[3][4][5]} flooding the SEC rule proposals. However, in my understanding, ATS is the single most powerful system existed in the current security market. ATS is incubating security market systematic risk that has the potential to post national security risks.

The creation of money has always and solely from borrowing. The source can be tracked from individual applying for personal mortgage all the way to the Federal Reserve (the Fed) servicing repo and reverse-repo, selling of Treasury Securities, and purchasing (C)MBS. The power of fiat currency is indirectly affected through those exempted ATS transections on top of those said money creation tools. The consequence of allowing unregulated ATS to even interface with those of the core US Dollar creation tool is enormous in a negative and unsustainable way.

In the fairness and transparency perspective, the Fed has the capability to directly inject money into the market via the current ATS. This has greatly affected the stock market. Retail individual currently has absolutely no way of knowing on how much of capital has been injected via those Government Securities ATS. We can only hope to see the after fact delayed in weeks though the Fed balance sheet. It is extremely important to have full disclosure on the transaction of those record high daily repo and reverse-repo, as well as all other traded in Government Securities ATS.

[2] <https://www.investor.gov/introduction-investing/investing-basics/glossary/alternative-trading-systems-atss>

[3] <https://www.sec.gov/comments/s7-02-22/s70222-20129928-296183.pdf>

[4] <https://www.sec.gov/comments/s7-02-22/s70222-20125314-284766.pdf>

[5] <https://www.sec.gov/comments/s7-02-22/s70222-20124034-280156.pdf>

I fully support the motion to redefine the definition of Exchange. The key mentioning of “ATSs that existed then were used by market participants as functional equivalents of exchanges...” is a very deep topic that should be focused more.

The above mentioning is precisely a practice of internalization. This practice absolutely has suppressed price discovery of all traded securities. When a stock bid/ask never reaches to lit exchange such as NYSE or NASDAQ, the trade itself essentially does not exist since street-name ownership record has never exchanged. The retail buyer of within such type of ATS host are essentially paying cash while not getting the promised asset. Worst of all, the asset itself permanently lose value by not exposing true demand to public knowledge in lit exchange.

The security market operates in “market economy” which is also the core system of the United State of America^[6]. The definition of market economy is such that “an economic system where two forces, known as supply and demand, direct the production of goods and services...”^[7]. This not a complicated concept. The critical criteria are to have both supply and demand be equally disclosed and exposed. Allowing internalization is completely against the idea of free market and market economy. It is in my understanding that internalization can only do harm to the stock market.

Since of the internalization, the concept of pooling has been forced to ATSs clients, the retail investors. This is another level of ill-intentioned practice where the stock ownership never exchanged. Essentially, the broker dealer is generating an IOU book keeping system for its clients, and the total amount of supposed clients stock ownership are not guaranteed to match with the broker dealer’s ownership recorded in Cede Co. This practice is called Naked Shorting; This practice is enabled via Fail to Deliver (FTD); This practice is described by Wall Street professional as Collateral Rehypothection^{[8][9]}. While Cede Co. (DTCC) is the legal owner of all the street name registered stock, the book keeping of each ATS operation is further diluting the ownership of the stock with internalization. It is in my understanding that collateral rehypothection is completely undermining the value of each underlining stock as well as a total disrespect to the original stock issuer. The end result yields illegal suppression of stock value that eventually enables ATS operator to control the stock price by routing partial of the trade to lit exchange only when the movement is in favor of such ATS operator. In short, internalization should be completely disallowed by removing the exempt ATSs from the definition of exchange.

[6] <https://www.uscis.gov/sites/default/files/document/questions-and-answers/100q.txt>

[7] <https://education.nationalgeographic.org/resource/market-economies/>

[8] <https://www.federalreserve.gov/econres/notes/feds-notes/ins-and-outs-of-collateral-re-use-20181221.html>

[9] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2136785

In observation of the street name registered stock ownership not exchanging after a cash purchase transaction, it is important to also point out the following. When a retail investor has completely lost the trust with broker dealer who operates ATS to suppress the holding stock value. Such retail investor shall have the right to request for direct registration of stock certificate, which is also known as DRS. The DRS request are often delayed and not processed up to months since request date. This is a very serious and ill-intended misconduct by ATS operator. The street name registered stock shall be settled within T+2 and be ready for DRS. It is a reasonable believe that when DRS are delayed, the broker dealer simply is short on the promised stock quantity due to internalization and is failing to deliver (FTD) to its client.

Any counter argument or comments on the Naked Short, FTD, and Collateral Rehypotheccation shall be responded by a subpoena to broker dealer's total clients holding counts against the Cede Co's record. This is what retail individual are expecting from SEC when working on a report^[10] or investigation. SEC being a government entity, it should have the power to issue such subpoena and provide the record in reference footnote.

The proposal has spent great amount of time discussing electronic communication protocols and trading platform that enables matching of buyer and seller. This topic is intended for further discussion on crypto securities; however, it also has recursively enlightened the internalization occurred within ATS, which absolutely did not perform to what was promised nor intended. ATS does not bring together buyers and seller. In fact, ATS fragmentize the buyer and seller to cause an illusion of lack of demand when ATS operator has a net short position or vice versa.

Continuing into the proposal comments, I fully support to all amendment to Rule 3b-16 as proposed. I agree that communication protocol system (CPS) is functioning as market places that is essentially an exchange. Further, a cryptographical encrypted (crpto) None Fungible Token (NFT) trading system should also be included.

Most of the previous opposing comment are asking for clarification on CPS, and SEC is kind enough to spell it out as crypto. The reopening for comments has more focus on the crypto trading space. I will provide my comment assuming SEC is capable of understanding all crypto mechanism and benefits. After all, the current chairman Gary Gensler has lectured a crypto class in MIT^[11]. I will base all of my comment from the fact presented in the course taught by Mr. Gensler.

[10] <https://www.sec.gov/files/staff-report-equity-options-market-struction-conditions-early-2021.pdf>

[11] <https://ocw.mit.edu/courses/15-s12-blockchain-and-money-fall-2018/resources/>

The crypto space includes layers of token, coin, smart contract, and NFT. In my opinion, all activities involved of crypto should be classified and included as “exchange”. In fact, it is a straight better exchange mechanism where transparency can be expected unlike the ATS as commented above. As a matter of an additional fact, NFT by its nature prevents all Naked Short, FTD, and Collateral Rehypothecation.

The crypto space has also enabled the practice of decentralized finance (DeFi). DeFi in fact not only can comply to the existing federal securities laws but also it does not allow criminal activities such as Naked Short, FTD, and Collateral Rehypothecation. The implementation of DeFi by its natural mechanism will prohibit majority of the current observed criminal activity that the current federal securities laws attempted to regulate.

However, there is one additional regulation that should be included for all crypto space. That is the white paper shall be examine to hold to its claim. This is especially important when a token or coin attempts to peg with Government Securities. As the original proposal discussed. Government Securities ATS shall be further regulated to ensure a stable functioning of US Dollar and Treasury Securities. The trading of stable coin backed by Treasury Securities such of USDT and USDC must be closely monitored.

The core issue of our current market exchange is that none of the securities has been backed by real asset. This is a fact observable in retail stock holding within broker dealer account, lit market FTD data, market maker naked shorting of stocks, and rehypothecation based on collateral from Government Securities. Those all can be reiterated on USDT and USDC. I believe a strong regulation is necessary on those Government Securities related tokens to ensure true one-to-one reserved asset.

The NFT can and shall be traded on DeFi where asset ownership can be guaranteed. The inclusion of NFT as “exchange” shall be deemed as the stepping stone to replace the legacy stock exchange where theft crime is being allowed. Using of NFT to represent stock certificate issuance shall be included and regulated using current federal securities laws.

I, Jason Teng, would be pleased to provide further information and response directly to SEC when necessary or reached by the Commission office.

Sincerely,

Jason Teng

A handwritten signature in black ink, appearing to read 'Jason Teng', written in a cursive style.

Cc:

Gary Gensler, Chair