

## **Subject: File No. S7-04-23**

### **From: Eric Davis**

Thank you for the opportunity to provide comment on the proposed amendments to the definition of "exchange" under the Securities Exchange Act of 1934. I am concerned the expanded definition and guidance covers activities and platforms beyond what should reasonably be considered an exchange. Specifically, the analysis that "each person operating through a common enterprise could be viewed as participating in the operation of an exchange" is overly broad. Taken literally, this could mean every individual user of a decentralized smart contract protocol is participating as an exchange. However, regular users of blockchain protocols should not automatically be deemed operators of an exchange simply because transactions are peer-to-peer. I suggest that DeFi platforms such as Uniswap are not exchange platforms. Rather, they are decentralized software that anybody is able to run. I propose that a better way to classify decentralized exchanges (DEXs) is as a data exchanger. Before assuming all digital assets traded on a DEX are securities, it is best to assume that each individual is merely publishing data to a blockchain. This decentralized exchange of data is no different from the way the internet currently works. Is Facebook Marketplace or Ebay now considered a financial exchange subject to the same rules, simply because they exchange data? Online marketplaces like ebay trade data representing physical and digital goods, and are not regulated as a financial exchange. Tokenized real-world-assets or virtual assets on a blockchain, being traded on a DEX, are conceptually no different. I suggest the definition be narrowly tailored to centralized entities and platforms providing exchange-like services, where regulation is far more feasible and appropriate. Activities, relationships and capabilities analysis should focus on the actual functions of platforms, not just technical structure. The intent should be providing flexible but reasonable oversight for centralized crypto trading platforms without sweeping in parties not actually operating exchanges. Clarification is needed that ordinary users of decentralized protocols do not automatically constitute exchanges. A more moderate, nuanced approach to amending the exchange definition would enable regulatory oversight where appropriate without undermining innovation. I hope the SEC strongly considers these concerns and feedback as it aims to strike the right regulatory balance. Thank you for the opportunity to provide input on this important issue. Eric Davis