September 25, 2018

Brent Fields, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Subject: SR-CboeBZX-2018-040

To Whom It May Concern,

Paradigm shifts have become more frequent and more upsetting to the perceived norm directly proportional to the rate of change in technology. Sears is just the latest example of an organization that either ignored or could not keep up with a paradigm shift.

Cryptocurrency – as it is commonly called – represents such a paradigm shift in the way wealth will be stored, accumulated, and exchanged. The technology behind it also presents organizations a new and more readily accessed method of conducting business and recording transactions.

The SEC has declared that Bitcoin is not a security. Yet Bitcoin is a capital asset and is treated as such by the IRS. Bitcoin – then – is more likely a commodity than currency or any other capital asset. The SEC has approved numerous securities based upon a number of different commodities.

The SEC is still concerned with three aspects of this commodity: liquidity, security, and market manipulation. The first and last are tied together. With fewer holders, more specifically, a few large holders, price movement can be easily controlled by those few large holders. Even more so if those large holders operate in unison. We have seen suspected movements of those kind with some of them causing large price movement without execution of the large holder's order.

This order and cancel before execution can be controlled by the exchanges. Since the order stream is immediately viewable, smaller holders will place orders based on the order stream alone. Meanwhile, the large holder that place the order cancels prior to execution and profits on the market movement. Such large orders must be held from public eye until execution occurs. This one constraint on exchanges will end the most manipulative of practices seen in the cryptocurrency markets.

Liquidity is also enhanced by the increase in investors as result of a regulated security. According to a study by the Bank for International Settlements: "These results suggest that cryptocurrency markets rely on regulated financial institutions to operate and that these markets are segmented across jurisdictions, bringing cryptocurrencies within reach of national regulation. […] Because they rely on regulated financial institutions to within the reach of national regulation." The study also concluded that markets also react positively to news about possible new legal frameworks designed to accommodate cryptocurrencies.

Security has been problematic since the inception of Bitcoin. Online attacks from Mt. Gox to the recent Zaif hack should be of concern and any institution taking responsibility for possession of cryptocurrency has to accompany security measures with insurance. The only way a cryptocurrency record is secure is if it is stored no a device with no connection to a network. This hard or physical storage – while the best solution for the individual holder – is more than cumbersome on an institutional level. The holdings have to be insured to protect the investor.

I sincerely hope these to suggestions to address the SECs concerns are considered fully. Thank you for your attention.

Sincerely,

Michael G Di Marco
[redacted]