Dear Committee,

Centralized Exchanges fall under the scope of the SEC

I am writing this because myself and many other Veterans and consumers have been deluded by Coinbase crypto currency exchange. I fear if this becomes bigger it may grow into a much more mainstream problem. Coinbase operates like a "bank" with the benefits of a "casino". I was fooled into thinking that a federally approved company like Coinbase with flawed web security would bare any liability for stolen funds.

The decision on June 14, 2018 claimed Ether was not "not a security". Hence, exchanges like Coinbase are not liable for any Ether or Bitcoin stolen. Although, they want this "asset" to become mainstream. How can something so volatile and easy to steal and without any form of insurance become a mainstream form of currency? The thought of that is scary and quite real. The statement made by Mr. Hinman made clear that he does not consider Ether to fall under SEC regulation if there is "no central enterprise involved" or "the digital asset is sold only to be used to purchase a good or service available through the network on which it was created". Ethereum is not a security because it is a decentralized digital block-chain ledger. Ether on the other hand is a cryptocurancy whose purpose aims at a becoming a medium of exchange globally. However, Ether is mostly sold as an investment with the prospect of value surge and mass adoption. Ether currently has no real use case in terms of commerce because it can only produce 15 transactions per second. Therefore, it is highly unlikely that Ether is being bought for anything other than its promise of potential and future scalability. Ether is primarily purchased by consumers for the purpose of investment. The rest of the Ether is used to compensate participant mining nodes for computations performed within the platform.

The SEC has also ironically given Coinbase; which, is a completely centralized exchange the benefits of "decentralization-deregulation". Coinbase is not decentralized in any way. Also, Ether and Bitcoin purchased on the centralized exchange are not used to purchase goods or services. Purchases on Coinbase are used as a means of investment or in order to buy other "Altcoins" from different exchanges. I find it interesting that the decision regarding Ether was made based on its potential rather than its current state and real use case. I believe the decision to not call Ether what it is; which is a security was made in a bias manner in order to not exacerbate the market. Assets purchased from centralized entities fall under the scope of the SEC. The current situation and decision has put these centralized exchanges in a position of power to act like "casino slots" without any oversight. If this becomes mainstream the liability loophole will become a monumental problem; and, the SEC will be to blame in the end.