

April 18, 2022

Submitted via email to: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

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

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 (Release No. 34-94062; File No. S7-02-22) (the “**Release**”)

Dear Ms. Countryman:

This letter is submitted by Circle Internet Financial, LLC, a private company limited by shares incorporated in Ireland (referred to herein as “**Circle**,” “**we**,” “**us**,” or “**our**”) to the notice of proposed rule of the Securities and Exchange Commission (the “**Commission**”) to amend the interpretation of the statutory definition of “exchange” in Rule 3b-16 of the Securities Exchange Act of 1934 (the “**Exchange Act**”) and to make certain other amendments to Regulation ATS and Regulation SCI under the Exchange Act. We address those aspects of the SEC’s proposed amendments to Rule 3b-16 that would revise certain terms used in the statutory definition of an “exchange” under Section 3(a)(1) of the Securities Exchange Act of 1934 (“**Exchange Act**”). We have concerns about the proposed changes to the statutory definition of an “exchange” under Section 3(a)(1) of the Exchange Act and regulation of the newly defined “communication protocol systems” given the implications of the rulemaking for continued innovation in the digital asset markets.

### **About Circle and the Digital Asset Markets**

Circle is a global financial technology firm that provides internet-native payments and treasury infrastructure. We have developed foundational technology centered on payments and banking in the age of digital assets and the internet.

Circle developed and commercialized the core market infrastructure for a U.S. dollar-backed stablecoin, USD Coin (“**USDC**”), and today serves as the issuer of USDC. A stablecoin enables the holder to control how to send, spend, save and secure its money. With over \$50 billion of USDC outstanding and an ability for transmission on multiple blockchains, USDC is the second largest stablecoin measured by market cap globally. USDC has been integrated as a settlement option in leading merchant and credit card networks, supports cross-border remittances, and is deployed as a payment option by e-commerce platforms. Additionally, Circle advances the frictionless exchange of financial value through its transaction and treasury services developed and administered to aid businesses and financial institutions globally to take advantage of a digital assets and blockchain powered global financial system. In connection with Circle’s provision of services surrounding USDC, we have obtained licenses to operate as a money transmitter or its equivalent in the states where such licenses are required, as well as in the District of Columbia and Puerto Rico. In addition, we have obtained a BitLicense from the NYDFS

and are registered as “Money Services Business” with the Financial Crimes Enforcement Network (FinCEN).

Separately, among other things, USDC is often used for trading on centralized and decentralized digital asset exchanges and can be invested in Circle Yield, an interest-earning product we offer to corporate treasurers and other accredited investors as a fully collateralized, fixed-term yield-generating cash alternative to bank deposits and government securities. We generate yield by lending the invested USDC to borrowers that are active traders in digital asset trading markets and seek access to USDC to serve as a trading pair for multiple digital assets.

Through USDC and its market leading transaction and treasury products and services, Circle finds itself at the forefront of digital asset market-enabled innovation in the transmission of value and payment systems. As the issuer of USDC, Circle supports its broad adoption to enable U.S. dollars to exist in digital form on the internet. Our services, built around application program interfaces and technology and software solutions, serve customers as they increasingly access digital asset markets. As a result, we have unique insight into digital asset markets and how innovators in decentralized finance (“**DeFi**”) replicate traditional financial services through the introduction of protocols that enable, for example, alternative forms of trading of digital assets or generating yield. Traditional capital formation through today’s banking system, including the borrowing and lending of money, is expensive, inefficient, and exclusive. Lending money to banks for most individuals yields near-zero interest returns. At today’s inflation rate, individual depositors are losing approximately 7% of their wealth every year.

Digital dollars can increase global prosperity and economic freedom. New forms of digital asset capital market activities offer a less expensive, more prosperous, faster, and more inclusive alternative. The opportunity to develop safe programmable money and software-intermediated lending and borrowing markets presents unique financial inclusion and wealth-generating opportunities. Managed well, DeFi can lower the barriers to financial access well beyond the well-heeled investors that make the most from Wall Street, while creating safe, always-on pathways for money to work for people, rather than people working for their money. While Circle is not currently engaged in DeFi activities, DeFi activity using USDC is conducted by third parties. We continue to explore ways to bring the benefits of DeFi to customers in a regulated and compliant way with, for example, permissioned pools, know your customer screenings, and identity standards, among other measures. We will continue to support digital dollars on the internet and the development of digital asset market innovation, including responsible DeFi protocols.

### **Benefit of Public Comment**

We wish to emphasize that with a public comment period of just thirty days after publication of the proposed rulemaking in the Federal Register on March 18, 2022, our comments are submitted mainly to underscore to the Commission the importance of the proposed rulemaking to participants in the digital asset markets, such as Circle, and suggest that the Commission would benefit from a rulemaking process that accommodated a more thorough examination of the proposal by digital asset market participants. We echo the concerns expressed by Commissioner Hester M. Peirce over the limited time accorded to the public to analyze and comment on the 650 page, 220 comment proposal, particularly as the proposal would affect

trading venues beyond the fixed-income securities market, particularly the digital assets markets that deal in instruments that are treated as securities under the federal securities laws.

We understand that conditions in the fixed income securities markets have evolved substantially from the days of inter-dealer voice-brokerage to a marketplace dominated by disparate trading venues that employ computer and communications technology to facilitate high volumes of trading in a manner that builds on historical trading practices. We applaud the investor protection and fair and orderly market policy goals underpinning the proposals and observe that the Commission has advanced what appears to us as a bespoke regulatory solution tailored to the realities of such markets. In this respect, it is clear from the detailed and lengthy recitation of market developments set forth in the Release that the Commission has already benefited from extensive comment from fixed-income securities market participants in developing the proposed rules that address its policy goals. However, we believe that with the short time period set for public comment, the Commission will be underserved and will not benefit from fully informed comments submitted by digital asset market participants who may be impacted by the proposed rulemaking.

As set forth in public comments received to date, valid concerns have been expressed about the vague language, undefined terms, and potential broad reach of the proposals, which would require national securities exchange registration or operation as an alternative trading system by an enterprise which brings together parties expressing “trading interest” in securities and “makes available” certain methods under which buyers and sellers can interact and agree to the terms of a trade, including newly defined communication protocol systems. We agree with the concerns expressed, particularly as the regulatory concepts that advance market regulation of fixed-income securities markets may give rise to ambiguities and uncertainties with respect to the rules’ application to digital asset markets predominated by distributed ledger technology and increasingly DeFi solutions.

As Commissioner Pierce has urged, the Commission should think through the full implications of its proposals, particularly with respect to digital asset markets, and should welcome more extensive public comment from such market participants prior to implementing new regulation in this space. In our opinion, providing ample time for interested parties to study the proposals and present insights on the details and benefits of digital assets for the Commission’s consideration is the only way to accomplish this. This would also allow the industry to advise on the potential financial and operational burdens that this proposal might have on DeFi protocols, which is not currently considered by the Commission.

Circle, like many of its fellow digital asset market participants, has a keen interest in the development of a transparent and well-regulated digital assets market that facilitates capital formation, maintains fair, orderly and efficient transactions, and protects consumers. The fixed-income securities market has achieved this with the current proposals and we believe it is incumbent on the Commission to aim for a similar outcome for digital asset markets. In fact, in view of the unique architecture of digital asset markets, we suggest that the Commission would benefit the most from a wide-ranging concept release focused on digital asset markets and how best to achieve its policy goals in light of the unique architecture of such markets. The Commission should also consider hosting industry roundtables where the Commission can

articulate its policy goals and experts, policy makers, and industry participants can collaborate on the development of a regulatory perimeter appropriate for digital asset markets.

We are thankful for the opportunity to provide our comments concerning this important rule proposal and trust the Commission and its staff will view them as a reflection of genuine concern over a rulemaking process that we believe would benefit the Commission if extended and also expanded with a concept release and roundtable as suggested above.

We are available to meet and discuss these matters with the SEC and to respond to any questions.

Sincerely,



Dante Disparte  
Chief Strategy Officer and Head of Global Policy  
Circle Internet Financial, LLC