

Addleman in Law360: New SEC Dealer Rule Leaves Crypto Pros Feeling In The Dark

February 12, 2024 Kit Addleman

PRACTICES Bitcoin Mining Companies, Investment Management

Haynes Boone Partner [Kit Addleman](#) was quoted in a *Law360* article discussing a newly finalized rule from the U.S. Securities and Exchange Commission requiring certain traders to register with the agency as dealers will set near-unworkable compliance hurdles for some crypto firms.

"I think one of the biggest problems with the rule is it doesn't make clear exactly what is covered and what isn't," Addleman told *Law360*. "It's extremely vague and has a lot of things that are going to have to be hammered out in the operation."

Even if a firm determines that it should register, it's not clear how it might go about complying, Addleman said. Registering as a dealer would trigger a whole host of other requirements, including registering with the Financial Industry Regulatory Authority, getting Securities Investor Protection Corp. insurance, engaging in Bank Secrecy Act reporting and complying with all other rules applicable to dealers. Many of those rules come with requirements that in the past have not clearly applied to crypto entities.

Addleman explained that attorneys will have to try to overlay compliance policies on platforms or individuals that they may not be currently equipped to execute.

"Not all of those rules, both FINRA rules and SEC rules, fit the structure in terms of what information is gathered, how it's kept, how it's stored, who the parties are, all those kinds of pieces," she said.

She added that her practice will likely work with compliance and consulting firms to come up with solutions.

Further, it's not clear what bar firms have to clear to make the agency comfortable licensing them, Addleman said. She compared the process to the road to approval for a bitcoin exchange-traded fund, which took years and a court win to gain the green light.

"I fear that the same thing is going to happen in the context of trying to apply as a dealer," Addleman said. "There is going to be a problem with whether the SEC will ever say that the firm has given them the right information or enough information in a context where this has never happened before. So we know that the process is going to be slow."

To read the full article in *Law360*, click [here](#).