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Invested in America

June 30, 2025

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Requests for Exemptive Relief from the Federal Securities Laws for Tokenized Equities and Other Digital Assets

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association ("SIFMA")[1] members welcome and appreciate the work the Securities and Exchange Commission ("SEC") is conducting through its Crypto Task Force, led by Commissioner Peirce, to "provide clarity on the application of the federal securities laws to the crypto asset market and to recommend practical policy measures that aim to foster innovation and protect investors."[2] As we have noted, we share the goal of providing greater clarity to market participants engaged in digital assets activities through frameworks that balance responsible innovation and investor protection. It is critical that the SEC continue to pursue its threefold mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation when making policy decisions related to the treatment of digital assets that are securities.

SIFMA members have been reading with significant concern recent reports indicating that certain digital asset firms have submitted requests for immediate no-action or exemptive relief from requirements under the federal securities laws to allow such firms to offer investors the ability to purchase and trade tokenized equities or other digital forms of traditional securities

[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

[2] See (https://www.sec.gov/about/crypto-task-force).

through the firms' platforms.[3] Some of these articles have even suggested that the requested relief would effectively allow such firms to offer customer trading in these products outside of the regulatory structure established by the federal securities laws and from which many critical investor protections flow. For the reasons discussed below, the SEC should reject such requests to make significant changes to the regulatory structure for the securities markets under the federal securities laws through immediate no-action or exemptive relief in lieu of a more substantive notice and comment process.

Executive Summary

As SIFMA noted in its most recent submission to the SEC's Crypto Task Force, structural changes discussed in response to the Crypto Task Force's request for information ("RFI"),[4] such as the listing and trading of new instruments that are considered to be securities, are too important to be addressed via requests for immediate no-action or exemptive relief.[5] The SEC should therefore reject such requests. These types of significant structural changes should be considered and made through an open and transparent process which allows for public notice and comment, oversight, and broad industry engagement to help the Commission and the public to fully understand the policy implications of such changes.[6]

Discussion

In response to the RFI, SIFMA and others have highlighted many important investor protections that are provided under the federal securities laws and the need for these protections to be retained when considering new forms of technology.[7] These include the protections that flow from trading through registered broker-dealers on registered platforms such as national securities exchanges or alternative trading systems ("ATSs"), such as the statutory requirement for broker-dealers to become members of the Financial Industry Regulatory Authority

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[3] See, e.g., (https://www.reuters.com/business/coinbase-seeking-us-sec-approval-offer-blockchain-based-stocks-2025-06-17/).

[4] As outlined in the statement by Commissioner Hester Peirce "There Must be Some Way Out of Here" (February 21, 2025) (https://www.sec.gov/newsroom/speeches-statements/peirce-statement-rfi-022125).

[5] SIFMA and SIFMA AMG response to SEC Crypto Task Force (June 11, 2025) at pp. 9-11 (https://www.sec.gov/files/ctf-written-input-sifma-061125.pdf) (noting that "[c]hanges to market structure through new models for the issuance and trading of securities and other SEC regulated products are too important to be addressed purely through no action processes or exemptive orders").

[6] SIFMA recognizes the value of the no-action process but notes that the SEC has not historically used the process to effect significant policy changes. SIFMA notes, for example, that there is precedent for the SEC to solicit comment on proposed exemptive relief orders. See, e.g., Notice of Proposed Conditional Exemptive Order Granting a Conditional Exemption from the Information Review Requirement of Amended Rule 15c2-11(a)(1)(i) and the Recordkeeping Requirement of Amended Rule 15c2-11(d)(1)(i)(A) under the Securities Exchange Act of 1934 for Certain Publications or Submissions of Broker-Dealer Quotations on an Expert Market, Release No. 34-90769 (Dec. 22, 2020), 86 FR 2311 (Jan. 12, 2021).

[7] SIFMA and SIFMA AMG Comment Letter, supra n. 3.

("FINRA") and be subject to its rules,[8] and SEC rules requiring broker-dealers to protect customer assets.[9] Self-regulatory organizations ("SROs") (i.e., the national securities exchanges and FINRA) under the federal securities laws are charged with serving as the front-line regulators for broker-dealers and they establish many important rules of fair conduct for broker-dealer interactions with investors. These rules, such as FINRA's requirement that broker-dealers provide best execution for customer orders and its prohibition on trading ahead of customer orders, are designed to protect and ensure fair treatment of investors in the securities marketplace. Moreover, because of this regulatory structure, exchanges with a very limited exception are not allowed to own and operate broker-dealers.[10]

Facilitating transactions in equity securities outside of this construct raises fundamental questions as to how investors would be protected and more generally whether the SEC would have the authority to oversee unregistered entities offering tokenized equity trading to investors. Even if the entity were required to register as a broker-dealer, there is the question of whether it would also be required to be a member of FINRA; the lack of such a requirement would mean that investor protections under FINRA rules would not automatically extend to such entities. These are critical policy questions that should be publicly debated through an open and transparent process.

Additional policy questions raised by SIFMA and others in response to the RFI include the application of Regulation National Market System ("Regulation NMS") to the trading of tokenized NMS securities. In our response, we urged the SEC to apply the same requirements that exist today for traditional NMS securities to the trading of tokenized NMS securities. These include the consolidated data dissemination requirements in Regulation NMS, which provide significant public benefits to investors and the market by requiring national best bid and offer and last sale information regarding all NMS securities to be publicly available in real time. Because of this transparency, the U.S. equity markets are the envy of the world and a primary reason why so many companies seek to raise capital in the U.S. Allowing certain entities to operate platforms outside of this framework raises significant policy questions and regulatory arbitrage concerns that should be debated publicly, including whether non-consolidated trading activity could harm investors trading on such platforms by allowing them to execute at worse prices than they otherwise would and whether such trading activity could lead to fragmented and inaccessible pools of liquidity, harming issuers and overall capital formation.[11]

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[8] See Securities Exchange Act of 1934 ("Exchange Act") Section 15(b)(8).

[9] See, e.g., Exchange Act Rule 15c3-3.

[10] Exchanges may own routing brokers to comply with Rule 611 (the Order Protection Rule) under Regulation NMS.

[11] Rather than increasing overall investor choice, these significant changes could lead to decreased liquidity in the traditional stock market by fracturing liquidity into distinct pools not readily accessible by all parties. The SEC could evaluate the desirability and likelihood of these or other outcomes via its typical notice and comment process.

Similarly, the SEC should consider the other policy implications of allowing trading of NMS securities outside of this Regulation NMS framework. These include the possibility that material pricing changes could occur in an NMS stock outside of the consolidated tape, the potential inability of institutional investors (e.g., retirement plans) to access liquidity in certain tokenized equity pools, and the impact of tokenized equity trading on the industry-wide efforts and coordination to provide for 23x5 trading. Policy issues such as these should be publicly evaluated through a notice and comment process.

Another policy question raised by responders to the Crypto Task Force's RFI is how the current Know Your Customer ("KYC") and Anti-Money Laundering ("AML") requirements might apply outside of the traditional regulatory framework, including whether firms would be able to operate without being subject to the same strict KYC/AML requirements to which broker-dealers are subject. As the SEC is aware, many of these requirements were adopted after the September 11, 2001, terror attacks and are designed to prevent financial crimes like money laundering and terrorist financing. Allowing firms to operate without being subject to the same strict KYC/AML requirements could undermine the policy purposes of these requirements and create new opportunities for regulatory arbitrage.

SIFMA therefore urges the SEC to reject the firms' requests for no action or exemptive relief and instead provide for robust public process that allows for meaningful public feedback before it makes any decisions regarding the introduction of new trading and issuance models, as well as other issues that might arise in connection with the SEC's consideration of policy actions in response to the RFI. These policy questions are simply too important to be addressed purely through immediate no-action or exemptive requests, and such requests should be rejected.

Sincerely,

Kenneth E. Bentsen Jr.
President & CEO

Cc:
Hon. Paul S. Atkins, Chairman
Hon. Caroline A. Crenshaw, Commissioner
Hon. Hester M. Peirce, Commissioner
Hon. Mark T. Uyeda, Commissioner