March 17, 2026

By electronic submission

Commissioner Hester M. Peirce and Members of the SEC Crypto Task Force
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-0213

Re: RFI Response to SEC RFI "And Then Some" and Linked FAQ

Commissioner Peirce and the Crypto Task Force:

The Securities Industry and Financial Markets Association[1] ("SIFMA") appreciates the opportunity to submit this letter as response to the request for information ("RFI") issued by Commissioner Hester M. Peirce entitled "*And Then Some*" requesting feedback from stakeholders on specific questions as related to national securities exchanges ("NSEs") and alternative trading systems ("ATSs").

Executive Summary

We are supportive of innovation in the securities markets and believe that innovation is best advanced through proper rulemaking that protects investors. As the Commission considers ways to open equity markets to new participants and products – whether as discussed in this specific RFI or as part of a broader review of existing rulesets – it is important to analyze not just individual changes but also the cumulative effect of all proposed changes.

The focus for any regulatory reforms must remain on protecting investors and maintaining market integrity. The starting assumption should be that established Regulations ATS and National Market System ("NMS") should continue to apply in full to all otherwise applicable securities, including tokenized securities and the intermediaries that transact with them, regardless of the technology used. This

---

[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.

approach was reflected in the March 5, 2026, joint statement by federal bank regulatory agencies on the capital treatment for tokenized securities, which underscored the importance of treating securities in both "traditional" and tokenized forms in a like manner.[2] As the Commission evaluates potential market reforms, we encourage it to engage in thoughtful analyses and processes, recognizing that the continued strength of U.S. equity markets and the durability of new technologies and products is dependent on, not hindered by, clear and durable regulatory requirements.

Regarding this RFI, SIFMA is generally concerned that the questions imply a potential lowering of standards to facilitate operations of a small subset of new entrants (*e.g.,,* crypto ATSs) or a specific type of new trading model (*e.g.,,* pair trades combining a security and non-security crypto asset). If the Commission has identified specific areas of concern with Regulations ATS and / or NMS that would require evaluation, they should be addressed through dedicated concept releases or notice and comment processes focused on these specific issues (we would note that Rule 611 and potentially other pieces of Regulation NMS are already being reviewed by the Commission).

This letter details our recommendations and concerns with the questions raised in the RFI, as well as precedents of middle-ground solutions that accommodated innovation in the securities markets while preserving regulatory protections for investors. In summary, we highlight:

- **Innovation and Regulatory Precedents** – Regulation ATS was developed to give market participants the freedom to innovate without being constrained by full exchange regulation, while still providing enough regulatory oversight to protect investors and maintain orderly markets. Additionally, the algo developer rule was an early example of a technology agnostic approach to integrating fintech participants into the market ecosystem, whereby the activity is regulated (and requires registration), regardless of whether a human or an algorithm performs the activity.

- **Price Discovery and Transparency** – U.S. equity markets have been structured to provide critical pre- and post-trade transparency. Any relief provided to platforms that intermediate trading via alternative models to relieve the burdens of reporting price (and other transaction) information should be thoroughly evaluated so as not to impact the price discovery process that serves investors so well today. Institutional participation in emerging markets for tokenized securities will depend in part on whether those markets operate under regulatory standards comparable to those that apply to existing exchanges and ATSs.

- **Registration Considerations** – Consistent registration requirements for any on-chain securities trading platforms are essential for their integration into established quote / price dissemination infrastructure.

- **Volatility Mechanisms** – The development of on-chain trading models should include market volatility mechanisms. Failure to harmonize circuit breakers for traditional and on-chain markets could result in a situation where trading is halted on traditional exchanges while panic selling continues in decentralized markets.

---

[2] Agencies Clarify the Capital Treatment of Tokenized Securities | OCC

- **Disclosures, Reporting, & Records Retention** – Platforms within the regulatory perimeter that fall within the definition of an ATS and intermediate the trading of tokenized securities must deliver a level of disclosure and information consistent with those disclosures and information provided for traditional ATSs. Volume disclosures are an important part of ensuring there is transparency into the operations of these venues.

- **Risk Management & Business Continuity** – The experiences of recent market shocks in the crypto sector highlight the importance of resiliency and business continuity planning ("BCP") type controls, such as Reg SCI, for key market centers. They ensure market centers have reserve capacity to handle surges in market activity, sufficient business continuity planning to handle outages and sufficient levels of cybersecurity.

- **Developers & the Regulatory Environment** – The role of software developers in digital asset markets must be clearly distinguished from the activities that require registration as a broker-dealer, ATS or exchange. There is an important inflection point at which a company that may have solely engaged in the development of a technology or software could transition to performing regulated activities *e.g.,,* trading, handling customer orders, or performing other regulated securities functions on behalf of others. If and when that inflection point is reached, the entity would be engaged in the intermediation activities and would therefore have to assume the responsibilities of a regulated market participant.

Market Structure Reforms Must Be Evaluated Holistically

In a January 29, 2026, speech, Chairman Atkins discussed the importance of the future of finance being built in America, "under rules that protect investors, support innovation, and cement America's leadership in the global financial system." We are supportive of innovation, SIFMA and its members are working to apply blockchain technology to deliver efficiencies and develop new products and services, and we support continuing to review regulations as the market landscape evolves. We strongly agree that advancing innovation should be done under proper rules that protect investors. After all, the market's ability to absorb and adapt to changes without harming investors or diminishing the strength of our markets – and the durability of new technologies and products in general – depends upon thoughtful analyses and processes.

There are three major changes coming to equity market structure and markets: 24/7 trading, Rule 611+ review, and implementation of the tokenization of equities. Each of these changes alone would have a significant impact on markets. Layering on these changes, the industry is poised to implement residual changes from the last SEC leadership, including Rule 610 on access fee caps and Rule 612 on tick sizes. The industry must assess how these pieces fit together with the new changes.

Today, firms and investors trade multiple asset classes: equities, options, futures, cryptoassets, predictive outcomes and more. Markets will have new products to trade with tokenization, including new derivations of existing securities (for example, new expirations for select options), new issuance and trading models, and the development of event and prediction markets. This is met with new ways to trade given 24/7 trading, potential changes to Rule 611 and other parts of Regulation NMS, round lots,

fractional shares, and new technologies (AI, blockchain). As investor behaviors and markets rapidly evolve, investor education remains at the forefront for firms. Market participants must continue to ensure investors understand what it means to trade in different ways than they may be used to and what they are buying with each new product.

The scale and significance of all pending changes being considered hold the potential to dramatically restructure markets and the overarching market structure framework. Market structure involves many moving, interconnected pieces. If you move or change one piece, other parts could move as well. It is, therefore, important to analyze not just individual changes but also the cumulative effect of all proposed changes. As we have discussed during other periods of change in equity markets, evaluating each change in isolation may not fully capture their combined effect on liquidity, price discovery, and market stability. Further, economic analyses done individually cannot provide an accurate assessment of potential market impacts, as the "all else being equal" in a standard analysis does not hold when markets are undergoing multiple changes in the same time period.

The market ecosystem includes a diverse suite of participants with different roles, all working together to deliver the best experience to a broad range of investor types. And let's remember, the equity markets are the deepest, most liquid, and most efficient markets in the world, providing a high-quality experience to all investors, institutional and retail. Market structure currently does and needs to continue to support and protect all types of individuals and firms. Changes to the ecosystem must be assessed together – not just individually – to maintain the efficient functioning of equity markets. Changes to ways to trade, new products traded, and new participants must be thoughtfully woven into the market ecosystem. With the incorporation of any change(s), investors will continue to expect the price transparency and high execution quality consistent with the investing experience they are used to. It is the responsibility of all market participants, including regulators, to ensure we deliver.

Assessing proposed changes to market structure and identifying potential unintended consequences from any single change – let alone multiple, simultaneous changes – is complex and technical. This is why the processes around developing and then implementing changes are important. This entails publishing a Notice of Proposed Rulemaking – including the purpose of the rule, an economic analysis, and the expected costs and benefits – and opening a public comment period.

Equity markets participants have knowledge to share, and that knowledge is accumulated through experience running equity markets and market structure. Emerging participants also have knowledge and perspectives to share as we look to the future of markets. The comment process is the venue to share this knowledge and provide input on any potential changes under consideration, from both existing and emerging participants. A robust notice and public comment process provides a structured forum for the collection and review of industry input from a broad range of participants, allowing firms with varying viewpoints to weigh in on actual proposals rather than opining at a high level. This type of thoughtful, written analysis submitted in response to Notices of Proposed Rulemakings will add specific details that supplement the feedback the Commission gathers through other means, including question lists, public roundtables, and conferences. Thoughtful analyses and processes can cement the durability of any change or new product.

The U.S. capital markets are the envy of the world, and we want them to remain so. As such it is important that:

- Given the interconnectedness of our capital markets, the impact of the three major and various other changes coming to equity markets must be analyzed collectively.
- Any review of proposed changes to specific existing regulations must first involve a tailored analysis – following proper procedures and processes, including public comment periods – before looking at proposed changes to other interconnected areas of market structure.
- When reviewing potential changes, the focus must remain on protecting investors and maintaining market integrity.

As Director Selway commented in a January 22, 2026, speech, "We aim to do no harm to our existing, well-functioning marketplace."

Prior Examples of Integrating New Technologies into the Market Ecosystem

Over the decades, equity markets have continuously adopted innovations, whether it be new technologies, products, or ways to trade. However, adoption took place only after thoroughly analyzing the potential impact on markets, including knock-on effects or unintended consequences. As shown in the examples below, the key determinant to adoption was in ensuring that any potential benefits did not come at the expense of investors or effective market structure. The Commission has historically integrated new technologies into the securities markets through deliberate rulemaking that preserves core investor protections while allowing innovation to develop. Maintaining that approach will help ensure that new trading models evolve in a manner that supports fair, orderly, and efficient markets.

Regulation ATS, adopted in 1998, is a good example. It was developed to give market participants the freedom to innovate without being constrained by full exchange regulation, while still providing enough regulatory oversight to protect investors and maintain orderly markets. The goal was to integrate the rising number of electronic trading platforms into the national market system without forcing them to become full exchanges. Reg ATS provided a middle-ground solution – stronger regulation than broker-dealer rules, but not the full burden of exchange registration. If the ATS met certain conditions, i.e. volume thresholds, it could remain a broker-dealer but had to comply with new obligations on filing Form ATS, recordkeeping and reporting, transparency, fair access (for large ATSs), and more. If an ATS wanted to operate on a broader market-wide scale, it would have to register as a full exchange.

A more recent example was the proposed algo developer rule, which illuminates the SEC's early approach to integrating the providers of novel technology solutions into the market ecosystem. Fintech firms had created software that ran portfolio optimization or other algorithmic investment tools, noting that the products were "just technology" or they were "just the developers" of the software. The SEC took the position that while developers themselves did not need to be regulated, the firms offering such algorithmic investment tools to their clients were effectively providing investment advice[3]. As such, the firm needed a licensed representative to sell or support the product and RIA registration if the firm was in the business

---

[3] See https://www.sec.gov/investment/im-guidance-2017-02.pdf

of providing advice through the algorithm. The SEC reasoned that fintech firms should not be able to avoid adviser regulations simply by embedding advice in software. This reflected the SEC's early stance that technology does not eliminate regulatory obligations, a technology agnostic approach. The activity is regulated, regardless of whether a human or an algorithm performs the activity, and the person and/or firm needs to comply with licensing, registration, and other applicable requirements.

As these case studies demonstrate, over the decades, new technologies have not been used as a rationale for why firms cannot comply with existing regulations. Rather, when the activity is within the regulatory perimeter, a regulated entity either takes responsibility for the technology, technologies evolve to adapt to the regulatory structure, or firms must explain why no solution can be found. Integration of on-chain trading models into established regulatory frameworks will allow both emerging and incumbent market participants to innovate and evolve, potentially enhancing the robustness and diversity of an already strong ecosystem.

The Rules of the Road Protect Investors and Build / Maintain Sustainable Markets

Regarding this request for information specifically, a general concern is that the questions imply a potential lowering of standards to facilitate a small subset of new entrants (*e.g.,* platforms that fall within the definition of an ATS and facilitate the trading of tokenized securities), or a specific type of trading (*e.g.,* security and non-security crypto asset pair trades). First, any review of ATS operations and regulations and NMS market structure more broadly should be analyzed in conjunction with the other changes coming to markets discussed above. These issues are interconnected in their potential impact on equity market structure and the role of broker-dealers, exchanges, ATSs, and new entrants to markets in crypto/digital asset trading platforms. If the Commission has identified specific areas of concern with Regulation ATS that would require evaluation, these should be addressed through a dedicated concept release or a notice and comment process focused on these specific issues.

Further, should the Commission identify the need to propose a formal review of Regulation ATS, the review should remain tailored to that regulation, not inclusive of multiple concerns spanning across all market structure. This is particularly relevant given that many of the issues in this RFI are directly connected with an ongoing Commission review of Rule 611 and associated Regulation NMS changes. The Commission has already held two roundtables on this topic, has an open comment file, and the Trading & Markets Division has been diligently analyzing the impact of potential changes to Rule 611 and other aspects of Regulation NMS on markets.

If undertaking a review of issues spanning Regulations ATS and NMS, we strongly believe that the Commission should start with the assumption that established ATS and NMS regulations should apply to tokenized securities and the intermediaries that transact with them. Then, to the extent that the Commission identifies specific challenges identified in applying these frameworks to tokenized securities or crypto asset / tokenized security trading pairs, those challenges should be addressed through targeted rulemaking – similar to the rulemakings performed in connection with the case studies discussed above – not by generally exempting platforms acting as intermediaries for the trading of tokenized securities or a specific type of trading from these rules. This is critical to ensure that such rulemaking does not undermine regulatory consistency or create parallel, fragmented markets for the same or economically

similar underlying securities. We note that SIFMA submitted a rule-mapping document in December 2025[4], which outlines the exchange and ATS rules which would need to apply to tokenized securities. This document was designed to assist a regulatory review of applying existing regulatory structures to tokenized securities.

Institutional participation depends on regulatory equivalence. Achieving resilient, liquid, and competitive U.S. markets for tokenized securities will require that, where applicable, new venues and products operate under regulatory standards and registration requirements equivalent to those applicable to existing exchanges and ATSs, including transparency, surveillance, controls, and enforceable accountability. Without this equivalence, activity is likely to concentrate in less-regulated environments, undermining investor protection and market integrity.

Consistency in Taxonomy & its Markets Implications

In our prior letters, SIFMA has stressed the importance of developing consistent taxonomies for defining and classifying digital assets. This is critical for both the broad categories of digital assets (*e.g.,* digital securities, digital cash, and digital commodities, among others) as well as distinguishing specific design features of digital securities where they have regulatory and operational implications (*e.g.,* natively issued tokenized securities versus wrapped tokens versus security entitlement tokens). As such, we were encouraged to see the SEC's January 28, 2026 "Statement on Tokenized Securities" jointly issued by the Divisions of Corporation Finance, Investment Management, and Trading and Markets. We generally agree with the contours of this taxonomy. As the SEC approaches the issues in this RFI, it is critical to align its approaches with its own taxonomy. The references to "crypto assets" in the RFI should clearly distinguish between different types of non-security digital assets where appropriate. For example, trading pairs involving securities and payment stablecoins regulated under the GENIUS Act (a form of regulated digital cash) would need to be distinguished from those involving algorithmic crypto assets (which would likely be regulated as digital commodities in the future). Similarly, the treatment of digital securities should distinguish between different models of securities in digital form where appropriate (*e.g.,* native tokenized securities vs. wrapped tokenized securities).

The Commission should also be mindful of how specific tokenization models can have implications for market structure. In particular, certain models of wrapped tokenized securities can break down the current assumption that there is a single security in a single jurisdiction's market available to the same investor (*i.e.*, in contrast to ADRs and other products which are based on an underlying security but are divided by jurisdictions). The potential multiplicity of wrapped tokenized securities based on a common underlying asset (which is itself already traded) has a range of implications for market fragmentation, which SIFMA discussed in greater depth in our December 16, 2025, letter to the Crypto Task Force.[5]

SEC – CFTC Coordination

---

[4] See SIFMA Letter (Dec. 22, 2025), https://www.sec.gov/files/ctf-written-input-reg-map-chart-showing-application-fed-securities-laws-tokenized-securities-122225.pdf

[5] See SIFMA letter (Dec. 16, 2025) https://www.sec.gov/files/cft-written-sifma-digital-assets-12-16-2025.pdf

Additionally, the development of frameworks for the oversight of trading platforms at the intersection of SEC-regulated securities products and non-security products overseen by the CFTC should also be informed by the ongoing initiative to develop harmonized approaches between the two agencies as they build new regulatory frameworks for digital assets. As discussed at the January 29, 2026 joint event with SEC Chairman Atkins and CFTC Chairman Selig, coordination in developing oversight for markets and platforms which bring together the two agencies' jurisdictions will be critical in delivering consistent regulatory outcomes. Rulemaking in this area, such as around pair trading of SEC and CFTC regulated assets, should proceed at a measured pace guided by this broader process between the two agencies, which is only in the beginning stage.

Responses to "And Then Some" RFI

Many of the questions in this RFI raise general inquiries around Regulations ATS and NMS. We reiterate that any proposed changes to these regulations more broadly should be addressed through dedicated notice-and-comment processes focused on these issues, not as extensions of an RFI exploring crypto/digital security market issues. Requests for information are useful for identifying issues, but changes to core market structure rules should be developed through formal rulemaking that allows market participants to evaluate specific proposals and their economic impact.

As such, the comments below are intended to offer focused considerations on the application of established regulatory frameworks to ATSs broadly and pair trading of security and non-security crypto assets, so that the equivalent levels of transparency and oversight of any new market infrastructure can be maintained.

Existing Equity Markets Regulations

(This includes responses to questions 1-3 and 12-13)

The RFI frames its review of Regulations ATS and NMS by asking, "How can the Commission revise Regulation NMS and Regulation ATS to better protect investors?" We fully support the focus on protecting investors and believe the existing regulatory framework provides the foundation – fair access and anti-discrimination rules, pre- and post-trade transparency, supervision and anti-manipulation requirements, and more – to protect investors and maintain fair, efficient, and orderly markets.

We remain concerned that while the Commission is seeking information to open areas of innovation, this appears to be a one-way street for currently non-registered firms. The core definition (Rule 300(a)) of an ATS is any system that provides a marketplace for bringing together purchasers and sellers of securities or otherwise performs with respect to securities the functions commonly performed by a stock exchange. A regulated ATS cannot trade cryptocurrencies unless the crypto asset being traded is a security under U.S. federal securities laws. Registered firms would appreciate the opportunity to innovate as well.

Price Discovery and Transparency

<u>Critical to Markets Today</u>

U.S. equity markets have been structured to provide critical pre- and post-trade transparency. Reg ATS was developed in part to provide a stable foundation for the markets – ECNs, crossing networks – that had become central to price discovery. Any relief provided to platforms to relieve the burdens of reporting price (and other transaction) information should be thoroughly evaluated so as not impact the overall price discovery process.

Price discovery and transparency across common assets, regardless of the format in which the assets are traded, create the foundation of fairness, efficiency, and trust underlying securities markets, directly shaping execution quality, portfolio performance, and investor protections. The availability and consistency of data to all market participants also enable a market feature necessary to keep security prices aligned with their fair value, price arbitrage. Arbitrage eliminates price gaps across venues, converging prices to a single, unified value consistent with all available information. Arbitrage also assists with market fragmentation, collapsing price gaps and preventing persistent price differences. Consolidated market data plays a central role in supporting best execution, market surveillance, and investor protection. Any new trading model should be evaluated in light of its ability to participate in these existing reporting frameworks.

There are several open questions related to the inclusion of pricing provided by DeFi trading platforms into existing markets structures.[6] A key consideration is how pair trades which include non-USD denominated crypto (*e.g.,*, bitcoin) assets would occur. Reg NMS applies only to securities participating in the U.S. National Market System. All U.S. national securities exchanges, other trading venues, and post-trade infrastructure firms quote, trade, clear, and settle equities in USD. Reg NMS is built around consolidated USD quotes to form the NBBO[7] and for SIP dissemination. A non-USD denominated equity pair cannot function within the NMS framework as: Rule 611 (trade through rule, as it stands today) compares USD equity prices across venues; the sub penny rule defines minimum price increments in dollars and cents; and SIP feeds disseminate prices in USD. Furthermore, any incorporation of pair trading combining both securities and non-security crypto assets would need to address how they comply with NMS post-trade reporting obligations, a critical component of our equity markets.

The existing market data and reporting framework was developed to ensure that all market participants have access to consistent and reliable information about trading activity. To the extent new trading models are introduced, it will be important to ensure that they can operate within that framework or that any necessary modifications are evaluated carefully through rulemaking.

Integrating New Products & Participants into a Unified Market

Integrated markets with consistent pricing across digital and "traditional" versions of a security is critical and needs to be supported through assimilation into centralized market data infrastructure and

---

[6] We use the term "DeFi trading platforms" in this letter to refer to the "front-end" systems that, as a business, intermediate user access to "automated market maker" ("AMM") and other trading protocols that involve the trading of tokenized securities through the use of smart contract code deployed to a blockchain network, as well as to the AMM code itself when it is, as a practical matter, controlled by a single entity or a group of entities working in concert.

[7] National Best Bid and Offer: Best bid is the highest price a buyer is willing to pay across all U.S. trading venues. The best offer (or best ask) is the lowest price a seller is willing to accept across all U.S. trading venues. Together, the NBBO represents the best available prices in the U.S. national market system at a given moment.

participation in post-trade price transparency. If the platform is an NMS exchange, they should report the best-available quotations and all executions into the SIPs to add to the consolidated quotes. If the platform is an equity ATS, they should be subject to fair access requirements as applied to ATSs today through volume thresholds and report trades to the TRFs.

Any expansion of quote transmission infrastructure to new operating models must ensure that they have adequate controls to prevent disruptions to broader market data infrastructure. From a technical perspective, it is necessary to consider how DeFi platforms that intermediate the trading of tokenized securities report trades. In contrast to NMS exchanges which stream quotes and trades, which can easily be integrated to establish market-wide prices, DeFi trading platforms have a more complex model of establishing and disseminating prices. While there is substantial variability among DeFi trading platforms, their combination of query-based prices supported by smart-contracts and combined with references to on-chain oracles is very different from traditional exchange pricing, raising questions on how they would effectively be integrated into consolidated market data. Finally, pricing established by DeFi trading platforms can vary on different blockchain networks based on the liquidity positions within automated market makers (AMM) protocols deployed to those networks. Clarity must be established as to how prices will be reported in these cases.

Fragmented liquidity in tokenized securities across multiple on-chain venues, networks, and token forms would materially impair broker-dealers' ability to evaluate execution quality and demonstrate compliance with best execution obligations. Integrated, reliable quote and trade reporting comparable to established market infrastructure should therefore be treated as a prerequisite for institutional participation in tokenized securities markets. Other considerations such as the speed of the network, which depending on the technology involved, may be significantly slower than traditional compute technology,[8] needs to be addressed. To ensure efficiency and fairness, prints to the tape for trades in NMS securities (regardless of form) must be in near real time and not delayed by multiple seconds or minutes.

The inclusion of trades reported by or from DeFi trading platforms also raises questions on how disruptions in the technological systems supporting these DeFi platforms would be addressed and could impact broader market pricing, such as in the event of oracle failures or disruptions in maximal extractable value (MEV) operations. As the block confirmation process means transactions execute in groups, periodically, instead of sequentially transaction by transaction, there may be a material lag between the time an order is submitted and an execution is received (with the possibility that the execution doesn't happen at all if it is not picked up for confirmation by validators). Other technical issues include those associated with MEV (such as network congestion during priority gas auctions (PGAs) and associated price slowdowns and quote staleness) as well as their potential vulnerability of these systems to manipulation or extractive behaviors (*e.g.,* "sandwich attacks"). We also question the extent to which MEV-based trading models are consistent with the expectations of existing trading venues in terms of their obligations to clients (*e.g.,,* the block confirmation process enables transaction re-ordering for those

---

[8] *E.g.,,* Ethereum's block time is 12 seconds and, its time to block finality is approximately 15 minutes, (see https://ethereum.org/roadmap/single-slot-finality). While "layer 2" chains, which rely upon a base chain for their finality, often have faster block times, their reliance upon the base chain for finality impose the same time considerations.

willing to "tip" validators). As outlined in our December 16, 2025 letter to the Commission, operating models that incorporate MEV activity are predicated on very different assumptions regarding the obligations of the trading platforms. While we recognize there are a diversity of on-chain trading models, ones which provide an opportunity to "sandwich" user trades are effectively facilitating front-running and inconsistent with the core protections of U.S. securities market regulations.

Further, opening the SIPs to unregulated entities could create an opportunity for large scale tape painting[9], a form of market manipulation under the Exchange Act. For example, an unregulated platform could disseminate "quotes" that are not designed to trade, but to influence market data feeds. The SEC would need to establish procedures for suspending integration of quotes from suspect platforms if market conditions warrant.

Registration Considerations

Consistent registration requirements for any on-chain securities trading platforms are essential for their integration into established market data dissemination infrastructure, as many platforms require a certain registration status for their participants. Only Plan Participants of the CTA/CQ Plan (Tape A & B) and the UTP Plan (Tape C) can report directly to the SIPs, and these participants are registered national securities exchanges. Similarly, only FINRA members may report trades to the FINRA TRF, and FINRA membership is limited to registered broker-dealers. If the operator of a DeFi platform is not regulated as a broker, exchange, or ATS, it would be effectively not possible for that entity to integrate with established pricing and trade reporting infrastructure. If DeFi trading of tokenized securities is deemed "off-exchange" and reported via TRF, questions arise such as whether there should be a new participant code, or a new trade modifier to identify these trades. Tokenized securities generally settle atomically (*e.g.,*, cash settlement) although standard settlement (*e.g.,*, T+1 regular way settlement) is possible, necessitating further modifiers to appropriately capture these details.[10] [11]

These gaps highlight a broader issue. When a person or entity offers or distributes tokenized securities through a non-regulated interface, there must be a clear standard for determining when dealer registration is required. While in the analog world the question of determining when securities activity requires dealer registration or exchange registration requirements have been addressed (*e.g.,* questions of when the distribution of securities through phone calls or advertisements triggers regulated activity), there remains uncertainty for on-chain models. Regulatory clarity will be needed to establish when certain on-chain activities involving tokenized securities require registration as an exchange, broker-dealer, or

---

[9] Tape painting involves buying and selling a security without genuine economic intent, creating a false appearance of market activity or demand, fitting within the Exchange Act's anti-manipulation framework. For example, Section 9(a)(1) prohibits transactions that create "actual or apparent active trading" in a security for the purpose of inducing others to trade.

[10] While in Field 1 of the trade report, the UTP and CTA plans accommodate modifiers to identify non-standard transactions (*e.g.,*, "C" for cash/same-day settlement, "@" or a space for regular way (T+1) settlement), under current SEC and FINRA rules, there is no current mechanism to report automated same-day settlement real-time (*e.g.,*, cash) quotations to the CTA or UTP plans.

[11] The question of settlement times for tokenized securities is a complex one which SIFMA has treated in greater depth in prior letters and which requires greater exploration. While certain forms of on-chain trading seen in the non-security crypto markets are currently based on atomic settlement (*e.g.,* given the trustless nature of DeFi settlement, anything other than atomic settlement is usually not practicable); this is not necessarily the case for other models, where intraday batch settlement may preserve netting efficiencies (*e.g,* as explored in the Regulated Settlement Network PoC).

ATS, consistent with approaches taken for established securities markets. Firms that currently operate within the existing regulatory framework should not be placed at a competitive disadvantage relative to new entrants operating under different standards. Clear and consistent application of existing rules will help reduce uncertainty for both existing market participants and new entrants seeking to develop compliant trading models.

Without clear standards tying dealer registration to the functional distribution and trading of tokenized securities, platforms can selectively avoid not just best execution, but an entire ecosystem of protections[12] that underpin investor confidence and market integrity in traditional securities markets. Maintaining consistent regulatory standards across trading venues supports investor confidence, which remains a critical component of well-functioning capital markets. Beyond best execution, dealer registration also anchors core protections such as anti-fraud and market-manipulation controls, fair and non-misleading disclosures, suitability and best-interest standards, and rules governing solicitation, pricing, and conflicts of interest. It further ensures customer asset protection, custody and segregation, capital and supervision requirements, trade reporting and surveillance, AML/KYC compliance, and reliable handling of settlement, corporate actions, and customer complaints protections that could otherwise be avoided through non-regulated digital interfaces.

Finally, it is important to reject the notion that these issues may be solved by having FINRA connect directly to a blockchain. Tokenized securities may exist across multiple venues in multiple jurisdictions, and many tokenizers may operate across independent blockchain networks. The regulatory framework must therefore focus on the foundational requirement that entities performing activities that require registration as an ATS, exchange or broker-dealer, such as trading, order handling, or reporting functions, meet established registration standards when performing such activities, so that DeFi markets can integrate reliably with the broader market structure.

Fungibility of Tokenized Securities & Calculation of ATS NMS Thresholds

There could be additional complexity in the calculation of volume thresholds if tokenization of securities results in multiple tokens trading based on a single underlying security. It will be necessary to determine how this calculation would be carried out under different scenarios, which can arise from different models of tokenization impacting fungibility of tokenized securities with each other and with the underlying. As discussed in SIFMA's December letter to the Crypto Task Force, it is possible for wrapped tokenized securities to be structured such that they are fungible with each other and with the underlying. On the other hand, models exist where tokenized securities are not readily fungible with NMS stocks (such as where trading requires an "exchange-specific version of a token" that would need to be converted before it can be traded on another venue). This may require calculating what the thresholds should be on a token-by-token basis rather than aggregated with the average daily share volume for the entire class of NMS stock.

---

[12] *vis.* SIFMA's discussion of the obligations of wallet providers who are facilitating tokenized securities transactions in our January 15 and February 27 letters to the SEC. See https://www.sec.gov/files/sifma-follow-wallet-letter-022726.pdf (Feb 27, 2026) and https://www.sec.gov/files/sifma-letter-wallet-provider-regulation-011526.pdf (Jan 15, 2026).

Facility of an Exchange

While the determination of whether an on-chain trading platform that is operated by an NSE and functions as an ATS should be considered a facility of such exchange is inherently a fact specific exercise, the Commission and the courts have previously provided guidance on these determinations, applicable in this context as well. Nothing in Regulation ATS prohibits NSEs from owning and operating ATSs to compete in the market with other ATSs. We walk through some case studies of the reverse, where an exchange owns an ATS as an affiliate and it does not meet requirements to become a facility. For example, in 2021, exchange operator Cboe Global Markets acquired BIDS Trading, the operator of BIDS ATS. BIDS Trading remains a wholly owned subsidiary of Cboe Global Markets, making it an affiliate. To avoid being considered a "facility" of the exchange, as per SEC rules, BIDS ATS is required to operate independently from the exchange, including being operated separately, not be integrated with any of the Cboe U.S. exchanges, and not use exchange premises, property, or reporting infrastructure. These limitations create guardrails to differentiate the regulatory regimes under which each entity operates.

The Commission and the courts have consistently upheld a broad but clear interpretation of the definition of a "facility" of an "exchange" as set forth in the Exchange Act of 1934, which includes trading facilities that link, integrate, or permit routing orders for execution. An overly narrow facility interpretation would create ambiguity and a roadmap to move traditionally exchange-related functionality outside the exchange, undermining consistent market expectations about what is subject to SRO rules and SEC review. For example, in 2020, the New York Stock Exchange (NYSE) filed a proposal seeking to offer wireless services through an exchange affiliate, making the argument that those services were not facilities of the exchange.[13] The Commission rejected this argument noting that the proposed services fell squarely within the statutory definition. When NYSE challenged the Commission's holding, the Court unanimously rejected NYSE's arguments and underscored that the services which were offered by ICE Data Services as a corporate affiliate on the NYSE fell squarely within the definition of a facility of the exchange. Indicating broad market understanding of the clarity and import of the definition of "facility," the SEC received broad amicus support from SIFMA, FIA, and other market participants. Similarly, CBOE recently filed a rule proposal to exempt its affiliated Order Execution Management System from the definition of facility, despite the fact that the OEMS provided users with direct connectivity to the exchange. The Commission rejected this argument and did not approve the rule proposal. CBOE challenged this decision but later withdrew the proposed rule and discontinued its legal challenge following questions from a skeptical court reviewing the Commission's decision.

Volatility Mechanisms

As noted in prior SIFMA letters, the development of intermediated on-chain trading models should include market volatility mechanisms. If tokenized security trading models allow for trading in periods outside the regular market hours, there should be consideration of how market shocks in these off-hours

---

[13] Notice of Filing of Proposed Rule Change to Establish a Schedule of Wireless Connectivity Fees and Charges with Wireless Connections; January 30, 2020; Release No.: 34-88168; available at: Notice of Filing of Proposed Rule Change to Establish a Schedule of Wireless Connectivity Fees and Charges with Wireless Connections

would be handled, particularly if on-chain markets are the only ones operating at these times[14]. Failure to have harmonized circuit breakers for traditional and on-chain markets could result in a situation where trading is halted on traditional exchanges, but panic selling continues for securities trading in tokenized form. For single stock circuit breakers, it could allow trading to be halted in the traditional form of the security while trading continues in its tokenized forms, resulting in a disconnect in pricing.

Volatility controls must continue to apply on a market-wide basis, as they do during regular trading hours for securities today. Doing so consistently will require addressing issues which may arise when the same tokenized security may trade on multiple networks so that stress controls are consistently applied across all networks and platforms where a security may be traded. While it is possible to implement stress scenario controls programmatically, pricing impacts are likely to vary based on the liquidity of a security within AMMs on a particular network, allowing for increased volatility and arbitrage between networks. Additional attention must be paid to tokenized securities issued by third-party entities that are not related to the underlying security issuer. Controls will need to be given to how volatility controls can be implemented so as to also apply to those wrapped assets.

Taken together, these considerations reinforce that the existing framework for equity markets continues to provide fair access to significant venues, transparency maintained through fee structures that are fair, reasonable and not unfairly discriminatory, and investor protections that underpin market integrity.[15] The regulatory principles and obligations that apply today to exchanges and ATSs should remain the baseline for any on-chain platform seeking to trade tokenized securities or security and non-security crypto asset pairs. The Commission should not weaken or reinterpret these standards solely to accommodate alternative operating models. Instead, innovation should occur while following consistent application of established rules protecting investors and ensuring market integrity. Rules mandating transparency, fair access, post-trade reporting, and accountability through registration are essential to prevent market fragmentation and maintain reliable pricing. Ensuring that innovation develops within a regulated structure will not only protect investors and support well-functioning markets, but also lead to the durability of these innovations.

Disclosures, Reporting, & Records Retention

(This includes responses to questions 4-9 and 11)

As outlined above, any potential changes to established reporting requirements for ATSs should be assessed through a holistic review process. On-chain trading platforms that fall within the definition of an ATS must deliver a level of detail and information consistent with those provided for traditional ATSs. Volume disclosures are an important part of ensuring there is transparency into the operations of these venues.

---

[14]ATS currently trade overnight and the industry is moving to extended trading

[15] Project Crypto should seek to harmonize the bedrock market data concepts of "core market data" and "fair and reasonable access" found in the Securities Acts Amendments of 1975 and apply them to the CFTC's Core Principles.

Markets already paid a steep price for the absence of consolidated cross-market data. The 2010 Flash Crash brought to light the significant difficulties regulators faced in reconstructing events, conducting post-mortem analysis, and implementing corrective measures. It took regulators months to piece together what transpired, as critical data was fragmented across multiple venues and systems, highlighting the need for comprehensive cross-market surveillance. This event serves as a stark reminder that we cannot afford to repeat. If this was the case in the already highly regulated equity markets, the need becomes even more critical as we contemplate new DeFi entrants in the trading ecosystem. Relying on individual, disparate blockchain-based data feeds could recreate – and potentially magnify – the data fragmentation problems seen a decade ago. Effective cross-market surveillance requires a single, consolidated, and standardized data repository, which provides regulators with the ability to: detect and investigate market manipulation across interconnected platforms; identify insider trading that may span multiple venues and technologies; monitor and prevent potential market disruptions in real-time; and protect investors from fraudulent and abusive trading activities. We should learn from the Flash Crash experience – fragmented data sources are incompatible with effective market oversight – as we evaluate emerging market structures.

The Commissions' concerns regarding operational complexity and conflicts of interest— articulated in the Regulation ATS adopting release—apply with even greater force in the context of on-chain securities trading platforms. New trading models for tokenized securities that fall within the definition of an ATSs and which incorporate technology and operating models from native digital asset markets (including DeFi markets) could present significantly heightened complexity through novel transaction types, complex matching algorithms, customizable trading parameters (*e.g.,*, preferencing specific counterparties), and smart contract-based execution with limited transparency. This complexity must be clearly disclosed to users trading these securities, as well as to market participants generally to enable investors to assess execution quality and platform operations. The existence of both public and private blockchains raises additional operational complexities, as some concerns only apply to specific network types. Vertical integration in DeFi trading platforms can create acute conflict of interest risks potentially exceeding those in traditional markets. The operators of intermediated DeFi trading platforms could control transaction flow entry via proprietary smart order routing, or they may determine matching logic, potentially favoring affiliated or economically biased interests. Furthermore, pre-execution access to confidential order information would enable front-running by affiliated market-making operations. These conflicts pose particular risks for breaching confidentiality and misrepresenting operations, causing significant investor harm.

The various ATS filings have been instrumental in identifying such misconduct in the established securities markets. Form ATS-N provides comparability, completeness, and accountability through public scrutiny of ATSs that trade NMS stocks. Where there are restrictions on some types of information which are available for regulators but not available to the public, the same principles which have informed the reporting of established market venues should be carried over.

Form ATS-R, a quarterly activity report, records volume data, a list of securities traded, ATS subscribers, and users denied access from the ATS. As important data elements enabling transparency of ATS operations, repealing reporting requirements or failing to extend them to crypto ATSs would create a regulatory blind spot, undermining the Commission's ability to monitor ATSs supporting digital asset

operations and protect investors. While there may be alternative means of collecting much of the information provided in regulation ATS-R for both traditional and crypto ATSs, the priority for the SEC should be ensuring the equivalent information is collected for any emerging category of crypto ATSs, so they can be monitored with the same level of oversight in a standardized manner.

The information recorded on blockchain networks is not a substitute for the transparency and reporting requirements applicable to the equities markets. Blockchains may lack real-time reporting, market-wide coverage, and essential data relied upon by equity market participants. Data recorded on a blockchain is also not a substitute for the recordkeeping and reporting obligations required by the Exchange Act and Reg NMS (17a-3 & 17a-4, ATS-R, etc.). Looking at the mechanics of blockchain data recording highlights the challenge of assuming that these mechanics can replace established reporting models. Every transaction is written directly to each individual blockchain ledger itself. There is no SIP, no TRF – no concept of an aggregated market reporting center. Blockchain networks batch or cluster multiple transactions – into blocks produced at fixed or semi-fixed intervals. And blockchains generally record only trades, not quotes as seen with exchanges in equity markets (equity ATSs report only trades). Further, transactions within the same security may take place across multiple networks and there is no requirement to provide the real time, sequential reporting across the various networks comparable to traditional markets. The absence of continuous, ordered price sequence materially reduced transparency into price formation and price action for that security. Additionally, blockchain networks face varying degrees of "rollback" risk – essentially a reorganization of a chain's history – even after a block is processed/reported. These processes create significant structural differences between blockchain markets and traditional equity markets.

While public blockchains themselves provide some visibility into transactions (subject to the caveats discussed above), the monthly ATS-R allows regulators to have more expedient visibility into each venue without having to look for it in each crypto venue. This helps in identifying systemically important ATSs to perform risk-based reviews of these venues. This information should be consistently provided for any ATSs supporting tokenized securities markets.

Additional transparency concerns would also arise if models for internalizing client orders seen in the unregulated crypto space were to be applied to tokenized securities markets. Firms operating under these models receive retail client orders and internalize them and effectively internally net them, with any remaining balance of buy/sell orders being executed externally. On-chain reporting could potentially only show the net balance of orders executed externally, not the much larger volume of client orders internalized. These models also require a combination of custody, broker, and trading platform function which we have previously cautioned against.[16]

Considering the above, the Commission should require public disclosure (Form ATS-N) for on-chain trading platforms that fall within the definition of an ATS where the trading of tokenized NMS securities occurs, given the pivotal role of these stocks in equity markets and significant retail participation. Non-public disclosure (Form ATS) should also be required for ATSs trading other crypto assets, options, and fixed income, consistent with traditional market treatment. Form ATS-N provides a

---

[16] Under these models internalized client orders could be executed on a proprietary side-chain or off-chain

proven tool to protect investors and ensure on-chain securities trading platforms operate with the same accountability expected of traditional market participants. Robust, standardized, and public disclosure is also critical where on-chain trading models may involve novel features, operational complexity and potential conflict risk, such as those seen in DeFi models in the unregulated crypto markets.

These considerations demonstrate that disclosures and reporting obligations for on-chain trading platforms that fall within the definition of an ATS on which the trading of tokenized NMS stocks occurs must align with the standards that apply to established market venues. The operational complexity, conflicts of interest, and opacity that arise in digital asset trading models heighten the need for structured, comparable, and regulatory-verified information. Blockchain data is not an adequate substitute for the detailed and standardized information required for ATSs trading NMS securities. Forms ATS and ATS-N, along with the associated recordkeeping and reporting requirements, provide the transparency and accountability necessary for regulators and market participants to evaluate operations, assess risks, and protect investors. Applying these obligations consistently to on-chain trading platforms that fall within the definition of an ATS on which the trading of tokenized NMS stocks occurs is essential to prevent regulatory blind spots, ensure accurate oversight, and maintain the integrity of the broader market structure.

Risk Management & Business Continuity

(This includes responses to questions 10 and 14-15)

The experiences of recent market shocks in the crypto sector highlight the importance of Reg SCI type controls (see our letter dated December 16th, 2025, for a more detailed review of these events). Reg SCI was designed to ensure that market centers have reserve capacity to handle surges in market activity, and that they have sufficient business continuity planning (BCP) to handle a site outage and have sufficient levels of cybersecurity. Requiring Reg SCI for market centers of strategic importance, as determined by function or volume, makes sense. While Reg SCI is a key resiliency requirement for market infrastructure providers, it is only part of the broader array of business continuity and cybersecurity requirements which apply today. These regulatory standards should be consistently applied to on-chain trading platforms that fall within the definition of an ATS on which the trading of tokenized NMS stocks occurs as they are in the established markets.

Any SEC's review of Reg SCI should occur through its own process which looks at its applicability, benefits, and costs broadly. In the meantime, on-chain trading platforms that fall within the definition of an ATS on which the trading of tokenized NMS stocks occurs that meet certain thresholds and serve as critical market infrastructure or are the sole venue for trading a tokenized security should be subject to Reg SCI. Were such a review to take place, it should also consider industry comments and concerns raised in response to the 2023 proposed enhancements to Reg SCI, particularly the unresolved questions which made that proposal's potential expansion of the rule to broker-dealers unworkable.

Developers & the Regulatory Environment

(This includes a response to question 16)

We encourage the Commission to look at the relationship between developers and their software products in DeFi trading platforms models in light of relationship between registered broker-dealers, customers and software providers in the established securities markets. Consider the established paradigm: broker-dealers deploy sophisticated code for order matching (ATS) making decisions about the routing of proposed user transactions, and algorithmic trading, yet the developers who create this software neither directly receive, store, match nor make the decision on the routing of orders themselves—their deployed code performs these functions autonomously once deployed. In our increasingly automated financial landscape, when the Securities and Exchange Commission regulates broker-dealers, it is, in essence, determining whether regulation applies to the underlying code and the entities that provide these technology-driven services based on the facts and circumstances.

When the Commission examines a broker-dealer's best execution or order matching practices, it is effectively scrutinizing the behavior of the deployed code, the protective guardrails implemented, and the supervisory frameworks surrounding it. This regulatory approach should be entirely analogous to the DeFi ecosystem, where smart contracts (code) — rather than individual developers—execute the critical functions of receiving, storing, and potentially matching and routing orders.

Regulators possess both the authority and the statutory obligation to protect investors by securing assurances from intermediaries in tokenized securities transactions, including operators of DeFi trading platforms that fall within the definition of an ATS and utilize blockchain-based code in their securities business. Just as the Commission holds traditional financial entities accountable through rigorous enforcement of regulations, the Commission must demand the same accountability from entities providing intermediated tokenized securities services, including through DeFi trading platforms. The principle remains unchanged: where financial services are rendered to the public by the operator of a DeFi trading platform, appropriate regulatory oversight must follow.

Therefore, it is not only logical but imperative that the comprehensive rules and regulations governing traditional finance be applied consistently to operators of DeFi trading platforms as well as other entities undertaking regulated functions involving novel DeFi markets in securities. Regulatory consistency serves the essential purpose of investor protection and market integrity, regardless of the technological infrastructure employed. The role of software developers supporting digital asset markets by developing code must be clearly distinguished from the activities of trading, making decisions about the routing of proposed user transactions, or performing regulated securities functions. At the inflection point from solely developing a technology or software to performing activities that require registration as a broker-dealer, ATS or exchange, the entity performing the activity takes on the responsibilities of market participants as established today.

Based on our observations, most activity in digital asset trading today occurs through interfaces and systems that perform brokerage or exchange like functions, even when they rely on distributed infrastructure beneath the user interface. As discussed in prior SIFMA submissions, modern securities markets rely on regulated intermediaries that provide supervision, surveillance, customer protection, and

market integrity functions and, where those intermediaries also support markets in tokenized securities, these same principles must apply.

Any policy approach must therefore focus on the activities performed by the entity in question, not on the technology or the terminology used by that entity. If an entity provides order matching, makes decisions about the handling or routing of transactions, or execution services, or if it deploys code and/or operates an on-chain platform through which it is effecting a securities transaction, it should be subject to the registration, supervision, and customer protection obligations that apply to broker dealers, exchanges, or ATSs. Developers who merely write or publish code should not be treated as regulated intermediaries, but entities that deploy, maintain, control, or profit from systems that function as trading venues for securities cannot avoid regulation by characterizing their role as exclusively "software development." This principle mirrors the treatment of off chain technology providers supporting NMS securities trading. The regulatory framework applies based on whether an entity performs regulated activity, not whether it uses software or automation to do so.

Claims that individuals transacting in securities on a purely peer to peer basis without significant reliance on intermediaries are also inconsistent with current market practice. As SIFMA has previously noted, significant practical limitations apply to pure peer to peer trading in digital asset markets, including user reliance on third party hosted interfaces, aggregation layers, and, in some cases, intermediaries that effectively operate nominally decentralized trading protocols that set rules for participation. Any shift toward models that reduce or remove the regulatory obligations applicable to entities functioning as intermediaries in securities markets (whether or not the securities are tokenized) would represent a structural departure from the principles that ensure investor protection and orderly markets. The regulatory framework should continue to apply based on functional roles that are essential for market integrity. While identifying those activities that involve, or which would be best served by, intermediaries that are subject to regulation is challenging, undertaking notice-and-comment rulemaking is the best way to gather the information and market feedback needed to make these determinations.

A consistent approach is needed to prevent the emergence of a two-tier regulatory model in which entities performing the same market functions operate under different regulatory frameworks. The Commission should maintain clear boundaries: developers who solely write or publish source code are not intermediaries, but entities that utilize that code to operate or control intermediary systems through which securities are traded are required to register and adhere to the obligations associated with their role. This clarity will preserve accountability, maintain consistent investor protections, and ensure that innovation evolves within the established regulatory structure that supports fair, orderly, and efficient markets.

Enterprise-level Regulations Need to be Consistently Applied

In addition to the broad range of regulations on order handling, trade reporting, and client interactions discussed above, markets are also shaped by more structural regulations applied at the enterprise level. There are a range of systemic-risk and financial-stability implications of scaling

tokenized securities and on-chain trading models without regulatory equivalence for these enterprise-level regulations as well.

For example, regulatory requirements shape firms' capital, liquidity, and balance-sheet considerations (including intraday liquidity and settlement design). Compliance with these regulations materially affects regulated dealers' ability to intermediate and the role they play in the markets. A troubling asymmetry would be created if registered firms remain subject to fiduciary, capital, and enforcement obligations while competing venues are not.

Smart Contracts Are Limited as Compliance Layers Supporting Regulatory Functions

On-chain trading platforms utilize smart contract-based automation, raising the question of whether this approach is sufficient to maintain standards for market quality and investor protection. While smart contracts can support discrete compliance tasks, they cannot replace compliance functions or the need for accountable, registered entities. Stringent internal controls and consistent monitoring will be required to ensure that any such activities are functioning appropriately. Thus, it is critical to clearly assess key operational, oversight, and regulatory responsibility questions which will define the feasibility of any reliance on smart contracts to support specific regulatory requirements. While so called "automated compliance" is a laudable objective, several practical constraints remain for complex regulatory checks.

DeFi trading platforms facilitate user access to blockchain-based smart contracts. Typically, these contracts include those developed by the trading platform operator, and those developed by third parties that are incorporated into the trading platform. This raises typical questions around third-party risk that should be addressed explicitly. Regardless of the source of the software developed, where securities are being traded, requirements for independent security audits to be conducted and published (already a well-established practice in the crypto community) should be considered. In addition to security audits, it is imperative for investor protection that audits be carried out to validate functional accuracy, that is, whether the contract's actual behavior matches its stated functionality. Absent these audits, it is possible for intentional or unintentional errors in smart contract logic to harm investors, which is of critical importance as it relates to compliance actions.

It is therefore essential that any adjustments to compliance requirements explicitly define which elements (if any) may be automated through the use of smart contracts, and which must remain the responsibility of the entity operating the on-chain trading platform. Within traditional systems, technology is commonly used to automate certain compliance checks, however the fact that these checks are automated does not alleviate the organization's compliance requirements. If the aforementioned checks were to fail, the organization is obligated to rectify the failure. Moreover, automation should not be assumed to be comprehensive; in many cases, key compliance obligations require contextual, cross-venue, or judgment that cannot be reliably implemented in deterministic code. Automation can support discrete controls, but it cannot substitute for regulatory accountability. Where core obligations (supervision, surveillance, recordkeeping, and compliance) cannot be clearly assigned to a regulated entity with enforceable responsibility, other regulated market participants may be unable to rely on such arrangements or provide meaningful investor protections.

Finally, while smart contracts can be designed to potentially automate some compliance requirements, ultimately those requirements stem from concrete regulatory frameworks, which operate on specific entities who are registered as brokers, dealers, exchanges, or other concrete roles as market participants. Absent a clear position from the Commission as to the circumstances in which its registration requirements apply to on-chain platforms , it is not clear where to assign those concrete regulatory requirements to specific entities, to align them with specific market roles, or ensure that they are in compliance. While a well-designed and supervised smart contract model could support some of these requirements efficiently, it is ultimately downstream of defining and assigning these requirements in the first place. While these considerations highlight the challenges around assuming smart contracts could replace compliance functions, there is substantial promise for smart contracts to be used to automate necessary reporting to regulators so that they could appropriately carry out their regulatory responsibilities.

<div align="center">*****</div>

As the Commission considers the issues raised in this RFI, it will be important to ensure that regulatory policy continues to be guided by functional analysis, consistent standards, and the long-standing regulatory principles that have supported the strength of U.S. capital markets. Applying these principles consistently will help promote innovation while preserving investor protection and market integrity.

We look forward to continuing to engage with the Commission as it works through these complex issues. Please feel free to contact Peter Ryan (pryan@sifma.org), Charles De Simone (cdesimone@sifma.org) or Katie Kolchin (kkolchin@sifma.org) with any questions regarding these comments.

Sincerely,

Kenneth E. Bentsen Jr.
President & CEO

Cc:
Jamie Selway, Director of Division of Trading and Markets

Appendix: Further Details on the Examples of Integrating New Technologies into the Market Ecosystem

Regulations ATS

Regulation ATS, adopted in 1998, was developed to give market participants the freedom to innovate without being constrained by full exchange regulation, while still providing enough regulatory oversight to protect investors and maintain orderly markets. The goal was to integrate the rising number of electronic trading platforms into the national market system without forcing them to become full exchanges. Reg ATS provided a middle-ground solution – stronger regulation than broker-dealer rules, but not the full burden of exchange registration. If the ATS met certain conditions, i.e. volume thresholds, it could remain a broker-dealer but had to comply with new obligations on filing Form ATS, recordkeeping and reporting, transparency, fair access (for large ATSs), and more. If an ATS wanted to operate on a broader market-wide scale, it would have to register as a full exchange.

Back then, ATSs were nascent market entrants, much as blockchain-based platforms are today. These (then) new market participants were welcomed to the ecosystem to deliver innovation and were incorporated into the national market system and required to adhere to registration and other regulatory requirements that were adapted to fit the unique characteristics of these technologies. In a May 2025 speech at SEC Speaks, Chairman Atkins provided a history lesson of the SEC finding these middle-ground solutions to integrate innovations into the market ecosystem under regulatory oversight.[17] He noted that even though the "what" ATSs were doing – drawing trading off-exchange – was considered controversial, the SEC found a way to provide regulatory flexibility for the electronic markets to be able to innovate, allowing ATSs to be regulated like broker-dealers. After Regulation ATS was adopted, the ATS community thrived. In other words, we did not discard the valuable elements of our existing system when adopting policies to account for technological innovation, yet the innovation was able to flourish.

It is also important to note how ATSs came to be regulated. Originally, when the Securities Exchange Act of 1934 discussed transactions in securities conducted on securities exchanges and over-the-counter (OTC) markets, it anticipated a small number of registered exchanges and a broker-dealer OTC market. In fact, in the 1980s and 1990s, Nasdaq functioned as an OTC dealer market under NASD oversight, not a registered exchange. Regulators did not contemplate automated many-to-many electronic matching engines operating outside exchange registration at scale. Technological advancements drove the late 1980s and early 1990s growth of electronic communications networks (ECNs), proprietary electronic trading systems, and internal broker-dealer crossing networks. Rather than stunt market developments, the Commission adopted a composite approach of no action relief, interpretive guidance, and exemptive relief (and some formal rulemaking such as the 1996 Order Handling Rules requiring display of customer limit orders that improved a dealer or specialist quote) to allow ECNs and others to conduct exchange-like activities. Some market participants believed this approach allowed innovation without destabilizing markets. In its 1997 Concept Release on Regulation of Exchanges, the SEC acknowledged its history addressing fragmentation and new trading systems through similar approaches. That said, other market participants argued that reliance on ad hoc

---

[17] American Leadership in the Digital Finance Revolution, Paul S. Atkins, Chairman, Washington D.C., July 31, 2025 available at https://www.sec.gov/newsroom/speeches-statements/atkins-digital-finance-revolution-073125

exemptive relief was creating regulatory uncertainty and systems were being treated inconsistently. The SEC itself noted that this approach was increasingly unsustainable as ECNs grew in scale and importance (particularly around price discovery). This concern was echoed in the 1998 Reg ATS adopting release.

Algo Developer Rule

A more recent example was the proposed algo developer rule, which, while ultimately withdrawn, illuminates the SEC's early approach to integrating emerging technology models participants into the market ecosystem and the regulatory frameworks which govern it. Fintech firms had created software that ran portfolio optimization or other algorithmic investment tools, noting that the products were "just technology" or they were "just the developers" of the software. The SEC took the position that while developers themselves did not need to be regulated, the firms offering such algorithmic investment tools to their clients were effectively providing investment advice. As such, the firm needed a licensed representative to sell or support the product and RIA registration if the firm was in the business of providing advice through the algorithm. The SEC reasoned that fintech firms should not be able to avoid adviser regulations simply by embedding advice in software. This reflected the SEC's early stance that technology does not eliminate regulatory obligations. The algo developer rule was an early example of a technology agnostic approach. The activity is regulated, regardless of whether a human or an algorithm performs the activity, and the person and/or firm needs to comply with licensing, registration, and other applicable requirements.