sifma
Invested in America

February 27, 2026

By electronic submission

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

Re: Non-Custodial Wallet Providers and Broker-Dealer Regulation

To the Crypto Task Force:

The Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates the opportunity to provide additional input to the Securities and Exchange Commission (the "Commission") and the members of the Crypto Task Force expanding upon our letter filed January 15th, 2026. In that letter, we emphasized the importance of developing durable approaches for determining when wallet providers are effectively carrying out regulated functions, such as that of a broker-dealer, so that innovation in securities markets can proceed while also maintaining core investor and market protections.

As we stated previously, providers of software that store and transfer digital assets ("wallet providers") should be subject to regulation based on the functions they perform; that is, do its activities functionally substitute for roles required to be performed by regulated entities within the securities markets, or is the wallet provider simply providing a technology solution to help individual investors perform those functions? This is consistent with the long-standing approach taken by the Commission and the courts, which is focused on evaluating market participants based on the substance of their activities, as well as the investor protection and market integrity risks and responsibilities those activities entail.

As market participants look to apply the experiences and business models of wallet providers in the largely unregulated crypto markets to emerging tokenized securities markets, it is crucial to address the significant functional similarities between traditional broker-dealer services and some – though not all

[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 nearly 1 million employees, we advocate for 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

- wallet applications proposed for the trading of U.S. tokenized stocks.[2] The application and preservation of the Exchange Act of 1934's protections remain critical when examining the activities of broker-dealers and we urge the Commission to reject broad requests by entities in broker-like functions from these core investor protection and market integrity frameworks. In this letter, we expand on our prior recommendations for determining when wallet providers may be functioning as brokers and stress the importance of approaching this analysis through a holistic process that is informed by securities regulation, case law, and SEC guidance on these questions.

We recognize that many of the above functions, when undertaken by wallet providers in connection with activities not involving securities, fall clearly outside the scope of the Commission's jurisdiction, and SIFMA is not suggesting that wallet providers that engage solely in non-securities activities or provide software services in furtherance of securities activities carried out by regulated entities should be subject to securities law registration requirements. However, the analysis is different when applied to wallet providers directly engaging in regulated securities activities, and wallet provider business models built around monetizing user activity in largely unregulated, non-securities crypto asset markets should not automatically carry over to activities that involve securities.

Developing a durable approach that is built on the existing robust U.S. securities regulatory framework will provide a powerful impetus for the growth and development of digital wallets, which we see as an innovation that will support continued innovation in tokenization of securities. Given the increasingly important role that wallet providers will play in these markets, it is essential that the Commission act to clearly delineate between wallet providers that simply provide "disinterested technology solutions" and those that also engage in activities that are appropriately subject to investor protection and market integrity regulations. Clear answers to these questions will enable the development of new technology and operating models that bring together technology providers and regulated entities and will help drive the growth of tokenized securities markets. Regulatory clarity will also provide a pathway for new market entrants to define and develop their role in the markets while avoiding regulatory arbitrage.

Executive Summary

A Functional, Principles-Based Approach Should Govern Wallet Regulation

- Regulation of wallet providers should be based on the functions performed and risks created, not the technology used.
- The appropriate inquiry is whether a wallet provider is effecting transactions in securities for the account of others or otherwise performing traditional broker-dealer functions.

Broker-Like Activities May Trigger Core Exchange Act Protections

- Many wallet applications that are seen in the largely unregulated crypto markets would replicate core brokerage functions if applied to tokenized securities, including order routing and venue curation; price aggregation and "best price" representations; and the provision of execution-related services. They may also earn transaction-based compensation.

[2] *vis*. the recent letter from the DeFi Education Fund and Solana Policy Institute ; https://www.sec.gov/files/ctf-written-letter-02-10-2026.pdf

- These activities raise longstanding investor protection and market integrity concerns addressed by the Exchange Act framework, including best execution; conflicts of interest requirements; execution quality disclosure; and supervision and governance over routing logic.
- Broker status does not hinge on the custody or possession of assets.

SEC v. Coinbase Does Not Establish a Categorical Exclusion from Broker-Dealer Registration

- The U.S. District Court decision in *SEC v. Coinbase* was a pleading-stage ruling based on specific allegations and does not create binding precedent.
- Broker-dealer status remains a fact-intensive inquiry grounded in statute, regulation, judicial precedent, and Commission guidance.
- A single judicial decision should not define the regulatory status of wallet providers supporting transactions in tokenized securities.

Regulatory Clarity Will Support Innovation

- A clear delineation between wallet providers acting as technology vendors supporting regulated market participants, and those performing regulated securities intermediation functions for clients, will promote market development while avoiding regulatory arbitrage.
- Durable regulatory clarity will encourage partnerships between wallet technology providers and registered broker-dealers, helping to support the growth of tokenized securities markets while preserving core investor protections and preventing regulatory arbitrage.

1. Similarities Between Wallet Providers and Traditional Equity Market Intermediaries

Retail investors typically access the U.S. equity markets through applications (*e.g.,* a website or mobile application) which provide a channel for clients to access the services provided by registered broker-dealers, providing connectivity to the venues where equities are traded. These applications show the current prices for a given equity and may allow an investor to direct the provider of the application to route the investor's order to a particular exchange or, more commonly, route the investor's order in a manner designed to achieve the best price.

The Commission has required firms that provide such market access applications to clients to register as brokers due to the fact that they are "engaged in the business of effecting transactions in securities for the account of others."[3] This determination focuses on the application provider's involvement in the order routing process, which is a key part of the securities transactions that are ultimately effected. Similarly, the policy basis for broker registration, and the associated core investor protections provided by SEC and FINRA rules, directly relate to that central involvement in the order routing process. For example:

- Conflicts of Interest: Registered brokers must disclose and mitigate conflicts of interest that could influence how investor orders are routed;[4]

[3] U.S. Code, Title 15, § 78c(a)(4)(A)
[4] See, e.g., SEC Rule 606.

- Best Execution: Registered brokers are surveilled and examined by FINRA and the SEC to ensure they are achieving best execution when investors instruct them to route a non-directed order;[5]
- Execution Quality Disclosure: SEC rules require registered brokers to provide detailed execution quality disclosures to investors so that they can verify results and compare across competitors;[6]
- Frontrunning: Registered brokers are prohibited from frontrunning investor orders;[7]
- Vendor Display: Registered brokers are required to display consolidated pricing information, including National Best Bid and Offer ("NBBO") and last sale price, at the time of trading and order routing, simplifying access to markets for retail investors and ensuring that retail investors have all relevant pricing information at the time of making a trading or order routing decision.[8] This requirement shields retail investors from the risk of encountering a variety of conflicting "best" quotes and "last trade" prices for a single security, which could lead to confusion and suboptimal trading decisions; and
- Disclosure of Order Routing Information: Rule 606(b)(3) obligations ensure that investors can validate whether their orders have been handled according to their instructions, even when those orders are directed by the customer.[9]

Within the range of services offered by wallet providers listed above, many have been identified by the Commission as being indicative of being a broker. In our January 15th letter, we detailed how services such as routing, the provision of quotes, financing, and investment advice constitute such activities. We also discussed how the inclusion of transaction-based compensation has been a consistent touchstone of the Commission's framework for identifying brokers. Below we build on these comments, which we hope will support the Commission's development of policy in this area.

Some Wallet Applications in Decentralized ("DeFi") Markets May Be Performing Broker-Like Functions

Many wallet applications that are contemplated for the trading of U.S. tokenized equities on decentralized exchanges ("DEXes") go well beyond simply allowing users to self-custody private keys and sign transactions; to generate additional revenue for the wallet providers, these applications also perform activities that may be similar to those performed by traditional brokers. These applications may display the current prices for a given tokenized stock on various DEXes and allow an investor to direct the wallet to either (i) route the investor's order to a particular DEX or (ii) route the investor's transaction in a manner designed to achieve the best price. In many cases, these options (and their associated prices[10]) for transaction routing reflect active curation decisions by wallet providers. In contrast to the National Market System ("NMS") market landscape, which has a relatively defined number of trading platforms and clear

[5] See, e.g., FINRA Rule 5310.
[6] See SEC Rule 605.
[7] See, e.g., FINRA Rule 5320.
[8] Rule 603(c) of Regulation NMS (Vendor Display Rule); 17 CFR § 242.603.
[9] 17 CFR § 242.606, https://www.ecfr.gov/current/title-17/chapter-II/part-242/section-242.606
[10] e.g., MetaMask's Swaps "…search[] across decentralized token exchanges and token swapping protocols to find you the most advantageous exchange rate." https://support.metamask.io/manage-crypto/move-crypto/swap/user-guide-swaps/

rules for interactions among them, DeFi markets have a multiplicity of DEXes, so some degree of active curation by wallet providers is often provided to present coherent options to investors.[11]

Given this similar level of involvement in the transaction routing process, the same investor protection concerns that guide the SEC's registration requirements for brokers may be present in these scenarios. For example:

- Conflicts of Interest: Wallet providers could exercise discretion over the "DEX aggregators" that are used and may be economically incentivized to preference particular DEXes or DEX aggregators.[12]
- Best Execution: Wallet applications may be designed to route the investor's transaction in a manner that purports to achieve the best price[13], and some allow users to place limit orders.[14] As such, it is important to verify that these representations are being satisfied in practice.
- Execution Quality Disclosure: There are likely to be several competing wallet applications for tokenized equities, and it is important for investors to have standardized execution quality information in order to make informed comparisons regarding order routing approaches and execution quality results.[15]
- Frontrunning: Wallet applications may fail to protect investors from frontrunning occurring in connection with the execution of their proposed transaction.[16]
- Opacity of Execution Parameters: Where wallet applications facilitate the submission of user transactions to DeFi protocols, they may exercise discretion in how they translate user instructions into smart contract executions. Without sufficient disclosures, clients may not understand this process and any material differences between what users request and what is ultimately executed on chain.[17]

In DeFi contexts, Maximum Extractable Value ("MEV") and transaction ordering issues manifest as execution quality impairments for customers, not merely technical idiosyncrasies. Allowing unregulated entities to direct customer orders to novel trading platforms whose operating models are fundamentally different from established market infrastructure raises additional concerns for investor protection. These departures from established protections at both the wallet provider and trading venue stand in contrast to broker-dealers, who have regulatory requirements for best execution and conflict management. These requirements are inseparable from supervision, including controls, surveillance, audit trails, and governance around routing logic and venue or aggregator selection.

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[11] *e.g.* CoinGecko lists ~35 DEXs with percent market share by volume larger than 0.5% (a level seen for one of the smaller registered equity exchanges) https://www.coingecko.com/en/exchanges/decentralized

[12] See Letter from Phantom (Apr. 17, 2025), https://www.sec.gov/files/ctf-memo-phantom-042925.pdf ("Phantom Letter") at FN 16 ("for some blockchain networks Phantom only leverages one DEX aggregator provider, which means that only one execution pathway is provided to the user").

[13] See Phantom Letter at 5 ("the Phantom Wallet displays the most price-competitive execution pathway identified by a DEX aggregator by default").

[14] *e.g.* Binance Wallet's "DEX Pro Mode" which "Enable[s] users to set target prices to buy or sell tokens." https://www.binance.com/en/support/announcement/detail/5618324097904d5bb6290fda9ee70640

[15] See Phantom Letter at FN 15 ("An execution pathway may provide available pricing information on a single DEX or may involve a user splitting up its transaction for execution on multiple DEXs to obtain the best price.").

[16] See Letter from J.W. Verret (Feb. 23, 2025), https://www.sec.gov/files/ctf-input-verret-2025-02-23.pdf at 3 ("Maximal Extractable Value refers to the additional profit block producers (miners or validators) on certain blockchains can capture by selectively ordering, including, or omitting transactions.").

[17] In traditional finance, such discretion would be equivalent to "not held" orders, which trigger heightened disclosure and handling obligations including 606(b)(3).

In addition to their potential involvement in the transaction routing process, many wallet providers typically collect transaction-based compensation from users in connection with non-securities crypto asset transactions and now seek to migrate this same model to transactions involving tokenized securities. To generate additional revenue, wallet providers may also perform functions that are commonly associated with account opening, such as completing know-your-customer ("KYC") requirements.[18] Furthermore, when compared to existing equity trading applications, it is true that certain non-custodial wallet providers may not have "possession or control of customer assets,"[19] but this is not the reason why equity trading application providers are required to be registered as a broker (and there are a multitude of executing brokers registered with the Commission that do not provide custodial services). It is additionally true that wallet providers cannot "initiate" customer transactions,[20] but neither can equity trading application providers that are indisputably subject to Commission regulation.

Regulatory Requirements Extend Beyond Trade Execution

Investor protection and market integrity concerns extend beyond order routing at the point of execution. In practice, markets depend on post-trade processes supported by registered brokers such as affirmation, exception management, failed-trade handling, dispute resolution, corporate actions and income processing, and default management.[21] Settlement mechanics associated with self-custody wallets and decentralized exchanges implicate different risks than those associated with registered brokers. Accordingly, assessment of those risks and mitigants is appropriate.

Similarly, certain service offerings which build on basic wallet functionality may effectively allow users to access liquidity provision, implicit credit, or principal risk transfer through market makers, affiliates, or related structures.[22] Where the economics replicate financing or principal intermediation, the associated policy concerns extend beyond routing to whether capital, margin, and risk controls appropriately attach to the entities performing those functions. Where wallet stacks or affiliated structures replicate financing, principal risk, or economic exposure, the corresponding prudential requirements should attach to prevent regulatory arbitrage relative to regulated dealers.

These requirements are only a subset of the broad range of trading and post-trade regulatory obligations that regulated brokers are required to meet, as detailed in SIFMA's December submission to the Crypto Task Force in which we provide a mapping chart illustrating the application of existing federal securities laws to tokenized securities.[23] In that letter, we describe the key obligations and the market and investor protections that flow from each statute or regulation. Importantly, neither the legal analysis nor the policy basis for requiring an application provider to register as a broker hinge on whether the application provider controls customer assets. Further, these application providers must register as a

[18] Letter from Phantom (June 17, 2025), https://www.sec.gov/files/phantom-technologies-061725.pdf at 2.
[19] DeFi Wallet Letter at 2.
[20] Id.
[21] Some wallet providers provide post-trade messages which are analogous to those provided by brokers in securities transactions, such as activity notifications on successful transactions, *vis.* https://support.metamask.io/configure/wallet/notifications/
[22] Several wallet providers offer services which connect their clients with margin or financing services provided by exchanges or DeFi protocols. *vis.* MetaMask's offering of Index Coop's Leverage Tokens https://metamask.io/news/metamask-index-coop-defi-trading-simplified
[23] 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

broker even when adopting zero-commission fee models. This highlights the need for a holistic understanding of the role of the broker-dealer in supporting their clients' interactions with the capital markets, as opposed to a reductive focus on one element alone.

The Importance of the Exchange Act's Investor Protection Framework

The Exchange Act should apply to wallet providers to the extent that the wallets perform broker-dealer functions; indeed, it may be more challenging for retail investors to compare prices across multiple DEXes where liquidity is fragmented and to evaluate opaque routing options within these applications than it is in traditional markets. Lacking equivalent regulations (and registration requirements), wallets that facilitate trading and order routing could place the burden of market structure expertise on retail users in ways that the Commission has long sought to prevent in conventional markets.

Retail investors who use or will use DeFi applications that provide the ability to trade or route orders face the same risks highlighted above, if not greater ones. The Commission's laudable policy goals of simplifying market access and ensuring access to relevant information while trading must therefore be equally applied to DeFi applications. Without such protections, retail investors in DeFi markets will be exposed to the very information asymmetries and market structure complexities that SEC rules were designed to prevent in conventional markets.

Disaggregation of functions across technological components does not eliminate regulatory responsibilities to investors. In many existing non-custodial wallet provider stacks, a front end combined with an aggregator and curated liquidity sources can function like a broker from the user's perspective, particularly where there is venue curation, default routing logic, or representations about best price or best route. A totality-of-facts analysis should capture this combined effect.

Taken together, the above points show how a wallet provider may "cross the line" when it takes on an active role in determining how a user's transaction reaches the market. When fulfilling these functions, the provider is stepping into the same core functions that have long defined broker activity; that is, although wallet providers may deploy novel technology, the investor-facing functions they perform can often mirror core transactional intermediation. Regulation should clearly and consistently specify which activities trigger broker obligations so that similar conduct is treated in a like manner.

While this discussion understandably leans on retail application analogies from an institutional markets standpoint, tokenized securities activity at scale will require that actual intermediaries be accountable for execution oversight, compliance, and governance around routing and venue selection. It is important to note that institutional users typically reply upon intermediaries' supervisory infrastructure and controls. Tokenized securities activity at scale will require accountable intermediation for oversight, supervision, and governance over any routing and venue selection. Wallet providers who fill this role (regardless of their custodial position) will require the consistent application of regulatory requirements for entities acting as broker-dealers and must include structural concerns such as systemic market integrity, supervisory accountability, and resilience considerations relevant to institutional markets.

As discussed in our January 15th letter, the fact that a wallet provider may earn transaction-based compensation is not always dispositive. However, the reason that the Commission has long held

that transaction-based compensation is a "hallmark" of broker activity,[24] is that it is almost always indicates that the services for which a firm is being compensated are transaction-specific, that for each transaction the customer executes the firm is providing a service. If such transaction-based compensation is thus coupled with order handling, routing, investment advice, or execution services, it becomes clear that the service the firm is providing is the type of activity that Congress intended to subject to the protections of the Exchange Act and the Commission's regulations. In other words, transaction-based compensation often clarifies whether the service a firm is providing is merely a physical safe or "software" or instead the effecting of a transaction for others.

Separately, the DeFi Education Fund and Solana Institute letter argues that wallet providers do not have "possession or control of customer assets,"[25] but as noted above, this is not the reason why stock trading application providers are required to be registered as a broker (and there are a multitude of executing brokers registered with the Commission that do not provide custodial services). While it is true that DeFi wallet providers cannot "initiate" customer transactions[26], the DeFi Education Fund and Solana Institute letter omits the fact that neither can stock trading application providers.

Prior SEC no-action letters, while tangentially related to this issue, fall short of providing clear and practical precedent to those hoping not to register trading apps that provide broker services. The DeFi Education Fun and Solana Institute Letter cites a plethora of SEC no-action letters, many of which involve situations where a broker-dealer remained involved in the execution process to ensure the continued applicability of core investor protections,[27] and others involved far more passive systems where the provider is not serving in a central transaction routing function, exercising discretion in offering routing strategies for clients, or collecting transaction-based compensation.[28] Similarly, federal district court cases involving "finders" that introduce investors to others, involve factual circumstances that bear no relation to the transaction routing activities performed by many wallet applications (or, indeed, equity trading applications more generally).[29] Accordingly, these no action letters do not provide a basis for concluding that wallet provider routing activity falls outside broker-dealer requirements-.

In sum, when wallet providers offer aggregated services that are akin to the role of a broker in connection with the purchase or sale of securities, they should be subject to registration requirements and other core investor-protections mandated by the Exchange Act and should not be afforded broad exemptions from established obligations. However, such assessments should be based on a holistic analysis of the functions they are performing, rooted in securities regulation, case law, and SEC guidance.

2. A Single Court Decision Does Not Establish that all Non-Custodial Wallet Providers are Excluded from the Broker Definition

The decision in *SEC vs. Coinbase* does not resolve the complex questions surrounding the distinction between technology and broker-dealer activities. This analysis should be grounded in a holistic

[24] BD Advantage, Inc., SEC No-Action Letter (Oct. 11, 2000).
[25] DeFi Wallet Letter at 2.
[26] Id.
[27] See, e.g., Financial Services Institute, SEC No-Action Letter (Nov. 17, 2025).
[28] See, e.g., Neptune Networks Ltd., SEC No-Action Letter (Mar. 4, 2020).
[29] DeFi Wallet Letter at 4.

understanding of the established role of broker-dealers and the broader body of applicable precedent under which they operate. Accordingly, analysis of broker-dealer status is appropriately informed by statute, regulation, judicial precedent, Commission releases, staff interpretations, and the policy goals underlying the same, rather than reliance on any single fact-specific decision.

First, this was a decision made by a single district court judge, and it is not binding precedent on anyone, not even judges within the same federal district, let alone the SEC. Indeed, some observers disavow the main conclusions reached by the Court yet seek to selectively embrace a few paragraphs regarding the regulatory treatment of wallet providers at the very end of the opinion. Second, as evidenced by the placement in the opinion, the regulatory treatment of wallet providers was not a central aspect of the case and was not addressed in a prominent or detailed manner in the SEC's complaint – rather, the central question for the court was whether various digital assets qualified as "securities." With respect to wallet providers, the only question addressed by the Court was whether the facts contained in the SEC's complaint could support a finding that the firm had engaged in broker activities. It also bears noting that the treatment of wallet functionality was not a central aspect of the case and was not extensively developed in the pleadings. Rather, the Court addressed whether the facts alleged in the SEC's complaint were sufficient to support a claim that Coinbase had engaged in broker activity. The decision therefore turned on the adequacy of the pleadings, not on a comprehensive evaluation of wallet provider's business models or market practices.

Moreover, the decision in *Coinbase* is by no means at odds with the views we have expressed, namely that the analysis of whether a purported non-custodial wallet provider is a broker ought to be based on a holistic assessment of the services that firm provides. In particular, the Court evaluated whether the non-custodial wallet at issue was engaged in brokerage activity by first identifying the factors that courts and the Commission have historically identified as brokerage activity, including transaction-based compensation, order-handling, order-routing, executed-related services, and investment advice. The Court then, in a limited analysis barely a page long, concluded that the facts the Commission had pled, taken as a whole, did not rise to the level of brokerage activity. Accordingly, the Court's decision should not be read as excluding non-custodial wallet providers writ large from the broker definition; on the contrary, it demonstrates that such analyses are fact dependent *i.e.,* if a firm performs the functions traditionally associated with being a broker, it must register as a broker, while if its activities are more limited, it need not register.

Additionally, the case was resolved on a Rule 12(c) motion, with no discovery, expert testimony, or factual development. As a result, the court did not consider how wallet providers may exercise discretion in practice, including with respect to selection or prioritization of DEX aggregators, routing logic, or other mechanisms that may influence execution outcomes, among other possible considerations. Arguably, a fuller review of the case that included a more robust exploration of the fact pattern in play may have reached a different decision.

Proponents of crypto-industry litigation positions have emphasized in other contexts that judicial rulings are shaped by procedural context and the specific allegations presented and therefore should not be misconstrued as establishing broad regulatory determinations. For example, Coinbase Chief Legal Officer Paul Grewal has noted in separate litigation that the absence of a final court judgment limits the

broader implications of a decision and does not necessarily resolve underlying regulatory questions.[30] Similarly, other crypto-industry legal commentators have recognized that digital-asset cases often turn on the specific factual record developed in litigation and therefore should not be read as establishing categorical rules applicable across different business models or market structures.

Longstanding authority and precedent under the federal securities law has emphasized that broker-dealer status is a highly fact-specific inquiry that requires evaluation of multiple indicia of broker activity viewed in the aggregate. As noted in leading broker-dealer treatises, the determination turns on the totality of circumstances rather than any single activity considered in isolation, including factors such as participation in transaction execution, compensation structure, customer interaction, and the extent of discretion exercised over order flow.[31] Consistent with this approach, SEC staff guidance has long analyzed broker status through a multi-factor framework, recognizing that no single factor is dispositive and that context matters.[32]

In the context of technology-based services it is particularly important to understand and evaluate on a case-by-case basis the functionality being provided. In fact, many wallets offer safekeeping services, routing services, and investment advice — activities for which registered market participants are subject to regulation and oversight.[33] When a customer relies on wallet software to hold his or her assets or transmit a trade, the protections provided by broker-dealer regulation remain just as relevant, and the application of the Commission's principles-based analytical framework could find that such wallet providers are acting as broker-dealers.

Several aspects of the *Coinbase* opinion also illustrate the limitations of evaluating individual activities in isolation rather than considering the totality of conduct relevant to broker status. For example, the opinion refers to *Rhee v. SHVMS* for the proposition that merely "bringing two sophisticated parties together" does not constitute broker activity. That case, however, addressed the distinction between a finder and a broker. Finder jurisprudence may be of limited utility when applied to the activities of wallet providers that facilitate transaction execution, transaction routing, and access to trading infrastructure — activities more directly addressed by broker-dealer precedents. Similarly, a wallet provider that curates trading venues and routes orders on behalf of retail investors may be performing functions more consistent with the traditional role of a broker than that of a passive intermediary connecting sophisticated counterparties.

As discussed in SIFMA's prior letters, the U.S. securities regulatory framework has repeatedly adapted to significant technological innovation, including the transition from paper-based securities, the electronification of markets, the emergence of alternative trading systems, and the development of new products such as exchange-traded funds. These developments have been addressed through targeted rulemaking and interpretive guidance anchored in established principles of investor protection and market integrity, rather than through categorical exclusion of new market participants from existing regulatory obligations.

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[30] See Paul Grewal, statements reported in CoinDesk, "Coinbase CLO Critiques U.S. Treasury's Claim That Court Ruling on Tornado Cash Is Moot" (Mar. 24, 2025), available at https://www.coindesk.com/policy/2025/03/24/coinbase-clo-critiques-u-s-treasury-s-claim-that-court-ruling-on-tornado-cash-is-moot

[31] See Robert L.D. Colby, Lanny A. Schwartz & Zachary J. Zweihorn, What Is a Broker-Dealer?, in Broker-Dealer Regulation § 2:2 (Clifford E. Kirsch ed., 2020).

[32] See 1st Global, Inc., SEC No-Action Letter (May 7, 2001).

[33] See e.g., Nassim Eddequiouaq and Riyaz Fizullabhoy, Wallet Security: The 'Non-Custodial' Fallacy, a16zCrypto (Oct. 14, 2022), https://a16zcrypto.com/posts/article/wallet-security-non-custodial-fallacy/.

These observations align with the longstanding securities-law principle that broker-dealer status is determined through a fact-intensive, totality-of-the-circumstances inquiry rather than by reference to any single activity or isolated judicial ruling.[34] Accordingly, the *Coinbase* opinion is best understood as reflecting a pleading-stage assessment of the allegations before the court, rather than a comprehensive application of the longstanding, fact-intensive framework that historically governs broker-status analysis. Indeed, the *Coinbase* case focused on a narrow subtype of digital assets; the implications of allowing wallet providers to carry out un-registered brokerage activity for tokenized NMS securities would be very different and were not explored at all in the case. As the SEC determines how to integrate novel operating models, it does not have to choose sides — instead, we recommend following its traditional principles-based framework.

3. The Path Forward

SIFMA supports innovation in tokenized securities markets and believes that wallet providers will play an increasingly important role in those markets. This is why it is so critical that the Commission develop a durable approach, built on long-standing securities law requirements, that provides the necessary regulatory clarity to foster the growth and development of wallet providers offering tokenized securities services. As stated in this letter, that approach should be grounded in the principle that "like activities should be regulated alike." Compare:

1. A retail investor who uses an equity trading application to route an order to a national securities exchange (regardless of whether they choose the exchange or rely on the broker-dealer to achieve "best execution"), and matches against another retail investor order via the exchanges order book; and

2. A retail investor who uses a wallet application that routes the user's tokenized security order to a DEX (regardless of whether they choose a specific DEX promoted by the wallet provider or rely on the wallet software to automatically route) and executes the transaction using an Automated Market Maker ("AMM").

While there are different *trading venues* and *trading protocols* involved, from the investor perspective, the equity trading application and the wallet application are performing identical order routing functions and create the same investor protection concerns; it is also difficult to see how one workflow is more "peer-to-peer" than the other. Given these functional similarities, if the Commission believes it is necessary to amend longstanding broker requirements for wallet applications carrying out securities transactions, then those same changes ought to be applied across-the-board to equity trading applications more generally.

At the same time, we recognize that a wallet provider that does not itself directly provide broker-dealer services for tokenized securities could have, within its interface, interactions with a registered broker-dealer that does provide those services. This type of integration of wallet technology with regulated broker-dealers may provide a path forward that supports new operating models while preserving the investor protections built into the established securities regulatory framework. Indeed, the

[34] See Robert L.D. Colby, Lanny A. Schwartz & Zachary J. Zweihorn, *What Is a Broker-Dealer?*, in *Broker-Dealer Regulation* § 2:2 (Clifford E. Kirsch ed., 2020); see also *1st Global, Inc.*, SEC No-Action Letter (May 7, 2001) (explaining that broker status depends on multiple factors considered in context).

Commission should provide regulatory clarity on when wallet providers are able to provide technology support to brokers without triggering registration requirements, as doing so will support the development of these partnerships and the development of tokenized securities markets more generally.

* * *

We look forward to continuing to engage with the Commission as it works through these important issues. Please contact Charles De Simone (cdesimone@sifma.org) and Peter Ryan (pryan@sifma.org) if you wish to discuss the points raised in this letter further or have any questions.

Sincerely,

Kenneth E. Bentsen Jr.
President & CEO

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