August 17, 2026

By Email

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

Re: The Trade-Through Rule and Locked and Crossed Markets Provisions of Regulation NMS; Release No. 34-105655; File No. S7-2026-20

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association[1] and the Asset Management Group of the Securities Industry and Financial Markets Association[2] (collectively "**SIFMA**") appreciate the opportunity to comment on the Securities and Exchange Commission's proposed amendments to Regulation NMS under the Securities Exchange Act of 1934 ("**Exchange Act**"), which would rescind Rule 611 (the trade-through rule, also referred to as the Order Protection Rule) and Rule 610(e) (the prohibition on displaying locking and crossing quotations), together with certain related defined terms (the "**Proposal**").[3]

SIFMA appreciates the Commission's reassessment of Regulation NMS and acknowledges the importance of reducing unnecessary complexity, venue proliferation, and forced connectivity. SIFMA shares the Commission's objective of reducing regulatory-driven fragmentation.

I. Introduction

Rules 611 and 610(e) do not operate in isolation. They are embedded in a broader market structure framework that includes best execution, consolidated market data, the national best bid and offer ("**NBBO**"), execution-quality reporting, short-sale restrictions, access fees, SRO rules, and NMS

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[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).

[2] SIFMA AMG brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG's members represent U.S. and global asset management firms whose combined assets under management exceed $45 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds.

[3] Exchange Act Release No. 105655, 91 FR 36656 (June 17, 2026) (the "**Proposal**").

plans. SIFMA has described Rule 611 as the "head of an octopus" precisely because moving it can move many other pieces of market structure as well.[4] The NBBO sits at the center of that framework.[5] It is referenced, directly or indirectly, throughout the Commission's rules, SRO rules, the NMS plans, and commercial/contractual arrangements, and it supplies the reference price and regulatory benchmark on which customer displays, execution-quality statistics, pegged and stop orders, short-sale price tests, issuer repurchase and stabilization conditions, and volatility controls all depend. Rule 611 also supplied a practical floor beneath the quality of the NBBO. Because trading centers were obliged not to trade-through protected quotations, and because Rule 610 obliged venues to make those quotations accessible, a quotation that established the NBBO was generally a quotation that could be reached. Rescission of Rule 611 would remove that floor while leaving the NBBO in place at a time when the number and variety of quotation venues may well increase. Rescission of certain related Rule 600 definitions[6] could also potentially increase the variety of different quotations (in terms of accessibility) that contribute to the NBBO. Quotations disseminated through a potentially reactivated Alternative Display Facility ("**ADF**"), and quotations from existing venues that adopt certain access delays (in light of the deletion of the definition of an "automated quotation"), conditional cancellation features, or materially higher access fees (if access fee caps are eliminated), would each remain an input into the NBBO.

SIFMA supports competition among trading centers. However, recission of Rule 611 while leaving the NBBO as is creates several consequences for broker-dealers and investors. With Rule 611 rescinded, best execution becomes the lodestar, and the NBBO remains the benchmark against which best execution is measured. If the NBBO comes to include quotations that a firm cannot practically reach—because they are subject to certain access delays or a conditional cancellation feature, because the displaying venue charges fees that no reasonable firm would pay for the size displayed, or because they represent de minimis size on a venue to which the firm has reasonably declined to connect—then firms will be required to parse the NBBO quotation by quotation and, in examinations and best execution reviews, to justify individual trades occurring at a price other than the NBBO quotation after the fact. That burden would be substantial, recurring, and largely avoidable. SIFMA members accordingly recommend that the Commission take certain measures, as discussed below, to preserve the quality of the NBBO—and thereby serve investors.

SIFMA members recognize that market structure reform is necessarily incremental and that there will always be interconnectedness among successive reforms. SIFMA does not suggest that the Commission must resolve every downstream question before acting. SIFMA members do, however, face genuine challenges in understanding what U.S. equity market structure would look like if the Proposal were adopted, particularly without greater clarity regarding the downstream consequences of

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[4] Proposal, *supra* n.3, at 36662 & n.79.

[5] *See* Jamie Selway, Director, Division of Trading and Markets, Remarks at the Roundtable on Rule 611 of Regulation NMS (Dec. 16, 2025), https://www.sec.gov/newsroom/speeches-statements/selway-121625-remarks-roundtable-rule-611-regulation-nms (describing any effect of modifying or rescinding the Trade-Through Rule on the NBBO as "[o]f particular importance," observing that a "robust, transparent, reliable NBBO is essential in promoting fair, efficient, and liquid markets," and noting that decades of Commission oversight of consolidated market data have centered on ensuring that the NBBO remains "ground zero for price discovery and a consistent baseline for best execution").

[6] *See* 17 CFR 242.600(b)(6), (7), and (54) (defining "automated quotation," "automated trading center," and "manual quotation").

rescission for the many Commission rules, SRO rules, and NMS plans that continue to reference protected quotations, automated and manual quotations, and the NBBO. Depending on how those dependencies are resolved, the Proposal could either advance the Commission's objectives by permitting meaningful venue disconnection, or fall short of those objectives—either by preserving forced venue connectivity through the operation of separate regulatory obligations such as best execution, or by introducing unintended consequences for displayed liquidity, price discovery, and investor protection. SIFMA believes that, through targeted changes and an incremental approach to rulemaking, the Commission can advance its objectives without disrupting the structure of an otherwise healthy equity market.

The Commission has itself recognized that changes to a single rule "could have profound effects, both expected and unexpected, on a multitude of other rules and aspects of market structure,"[7] and it has invited comment on, among other things, whether best execution requirements and guidance should be updated, whether market data revenue allocation formulas should be revised, whether conforming changes to SRO rules and NMS plan provisions would be required, and whether the access fee caps under Rule 610(c) should be revised.[8] SIFMA respectfully requests that the Commission address these interdependencies as part of its consideration of the Proposal and in coordination with FINRA, and that it explain how the resulting framework is expected to operate so that market participants can understand the post-rescission landscape with a more complete view.

This letter focuses on the downstream considerations and consequences that SIFMA believes are most important to helping the Commission reach its stated goals, including: (i) affording market participants greater freedom in order handling, execution, and routing, including the ability to disconnect from venues that they do not believe provide valuable executions consistent with their duty of best execution; (ii) addressing exchange proliferation and the incentives created by protected-quote status; and (iii) allowing competition, innovation, and market forces to shape equity market structure.[9]

II. Executive Summary

SIFMA respectfully recommends that the Commission address the following as part of its consideration of the Proposal:

- *Best Execution* — SIFMA members do not believe that a Commission best execution rule is necessary. SIFMA does believe, however, that the Commission and FINRA should work collaboratively to develop and publish the post-Rule 611 rescission best execution framework so that market participants have an opportunity to evaluate that framework well before the rescission of Rule 611 becomes effective. The guidance, including any new or amended guidance issued in response to FINRA's Request for Comment (RN 26-15), should confirm that: (i) a broker-dealer

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[7] Proposal, *supra* n.3, at 36661.

[8] *Id.* at 36661–62. SIFMA does not support extending the Proposal's approach to the options markets, including the trade-through prohibition in the Options Order Protection and Locked/Crossed Market Plan, given differences between equities and options markets.

[9] *See id.* at 36657, 36664–67 (describing the Commission's objectives of allowing market forces to shape equity market structure, addressing exchange proliferation and fragmentation, and affording market participants greater freedom in order handling, execution, and routing).

may reasonably decline to connect to, or may disconnect from, a venue—including a national securities exchange—for legitimate reasons; (ii) a decision not to connect is not presumptively inconsistent with best execution; and (iii) best execution remains a principles-based, process-oriented, facts-and-circumstances obligation. SIFMA looks forward to the Commission and FINRA collaborating on best execution guidance for a market structure without Rule 611, including in connection with FINRA's recent request for information.[10]

- *The NBBO* — Rescission of Rule 611 would remove the obligation to access a top-of-book quotation before executing at an inferior price because it appears in the NBBO, but would leave in place the NBBO. The Commission should address the consequences of a widening divergence between the market-wide NBBO and the prices actually accessible through a particular broker-dealer and the attendant references to the NBBO throughout its rules, SRO rules, and the NMS plans as a result.

- *Quality of the NBBO — Volume and Accessibility Thresholds* — SIFMA members recommend that the Commission establish (i) a minimum volume threshold that a venue must satisfy in order for its quotations to be included in the NBBO; (ii) a clear and uniform standard requiring that a quotation be immediately accessible in order to be included in the NBBO; and (iii) a requirement that quote-based SIP revenue be allocated only to quotations that satisfy those standards. Together these measures would preserve the informational value of the NBBO by narrowing the NBBO to meaningful quotations, reduce the number of displayed prices that firms must evaluate and justify in best execution reviews, and reduce the incentive to establish venues whose value derives from displaying orders that are not practically accessible.

- *Vendor Display Rule and the NBBO* — SIFMA understands that the Commission does not propose to change Rule 603(c). That approach would create significant practical issues if broker-dealers are required to display to their customers quotations that the firm knows are not in fact accessible. Non-accessibility may result from the conditions of the quotation itself, and not merely from a lack of connectivity, fees, or similar considerations. The Commission should therefore reconcile Rule 603(c) with optional connectivity, clarify what must be displayed where a broker-dealer has disconnected from a venue, and support reasonable disclosure and investor education measures—including disclosures capable of being delivered on mobile and other small-format displays—addressing inaccessible quotations and locked and crossed quotations. SIFMA members also request that the Commission and FINRA undertake an investor education campaign regarding these changes, including why the price an investor sees may differ from the price the investor receives and why quotations may appear locked or crossed, rather than leaving that task to broker-dealers alone.

  In a similar vein, it appears that broker-dealers would generally still be required to consume consolidated market data from every venue for best execution and execution-quality reporting purposes—even where they have disconnected from a venue for trading purposes. SIFMA

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[10] FINRA, Regulatory Notice 26-15, Best Execution: FINRA Requests Comment on Modernizing FINRA's Best Execution Guidance (July 24, 2026) ("Reg Notice 26-15"), https://www.finra.org/sites/default/files/2026-07/Regulatory-Notice-26-15.pdf.

members would appreciate confirmation of this understanding and market data cost and complexity therefore would not appear to be reduced by the Proposal.

- *Displayed Quotation Standards and SIP Revenue Allocation* — In a similar vein, the Commission should evaluate whether additional quoting, accessibility, or execution standards should apply to displayed quotations that establish the NBBO, whether displayed by a national securities exchange or through the ADF, and should re-examine the SIP revenue allocation methodology overall so that it does not reward displayed quotations that contribute little meaningful liquidity. The Commission should consider whether to revise the consolidated market data revenue allocation formula, which today divides net revenues evenly between quoting and trading activity, including whether executed volume should receive greater weight than quoting activity.

- *Locked and Crossed Markets* — Existing data does not adequately predict how locked and crossed markets would operate following rescission, because order types that slide, hide, reprice, or post only currently suppress orders that would otherwise lock or cross, and because access fees and rebates preserve an economic spread that may keep locks from unwinding through arbitrage. The Commission should also publish uniform reporting and display conventions, transition disclosures, and examination expectations before rescission of Rule 610(e) becomes effective, and confirm whether an exchange may lock or cross its own quotations, or execute at a price inferior to a better-priced quotation displayed on its own market. SIFMA members also believe investor education regarding locked and crossed markets should be part of the Commission's approach.

- *Regulation SHO Rule 201* — The Commission should re-assess Rule 201 mechanics in light of the greater prevalence of locked markets in the absence of the Rule 610(e) prohibition, including the existing exception for crossed markets and the absence of any exception for locked markets.

- *Access Fees and Tick Sizes* — SIFMA members' views on whether access fee caps should be retained, and at what level, depend on what the Commission ultimately does with Rule 611. Accordingly, SIFMA does not take a position in this letter on that question, and renews its prior requests that the compliance dates for the Rule 610(c) and Rule 612 amendments be aligned with the completion of the Commission's Rule 611 review.[11] SIFMA continues to support maintaining a proportional relationship between access fee caps and minimum pricing increments. SIFMA also supports future reconsideration of the scope of securities subject to reduced tick sizes.

- *Tokenized Securities* — SIFMA would appreciate greater clarity regarding how U.S. equity market structure would operate for tokenized NMS stocks and on-chain venues if the Proposal were adopted. Among other things, the Commission should address whether a tokenized version of an NMS stock is fungible with the corresponding street-name security in light of differences in clearance and settlement.

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[11] *See* SIFMA, Request for Extension of Tick Size and Access Fee Compliance Dates (Oct. 29, 2025); SIFMA, Request for Immediate Extension of Tick Size and Access Fee Compliance Dates and Comments on MEMX's Request for Temporary Exemptive Relief from Rule 610 (File No. S7-2026-10) (Mar. 31, 2026); SIFMA, Supplemental Request for Immediate Extension of Tick Size and Access Fee Compliance Dates (File No. S7-2026-10) (May 4, 2026).

- *Limit Up/Limit Down Plan* — The Limit Up/Limit Down Plan should continue to exclude from its last sale price calculation, and to permit execution outside the price bands for, those transactions that are exempt from Rule 611 today. Corresponding changes to FINRA trade reporting conventions and to the Plan would be necessary to preserve that treatment following rescission.

- *Exchange Market Data and Fee Oversight* — For decades, the Commission has evaluated exchange rule filings—including market data fees, connectivity fees, and access fees—against a market structure framework built around protected quotations. Before the Proposal becomes effective, the Commission should explain what framework it will use to evaluate these filings in a world without Rule 611, and what principles would govern future approval of exchange rules.

- *Economic Analysis* — The Proposal's economic analysis does not fully evaluate several issues that are central to assessing the likely effects of rescinding Rules 611 and 610(e). Additional analysis in the areas identified below would assist the Commission's evaluation of the Proposal and the record supporting it.

III. The Commission and FINRA Should Collectively Work on Best Execution Reinterpretation

A. Best Execution Determines Whether the Proposal Achieves Its Objectives

The Commission views best execution as an obligation independent of Rule 611, and states that best execution obligations should continue to ensure that brokers use reasonable diligence to secure the most favorable terms for customer orders once Rule 611 is rescinded.[12] Rescission should therefore allow broker-dealers to move from a requirement to access certain quotations based solely on their protected status to a flexible, principles-based best execution framework that relies on a non-exhaustive list of factors, applied in light of a firm's business model and customer base.[13]

That shift makes the Commission's and the SROs' interpretation of best execution critical if the Commission adopts the Proposal. If regulators continue to assess best execution as though every displayed exchange quotation remains de facto protected, firms will have to retain the same connectivity, routing, testing, surveillance, and exception-review burdens that exist today. Interpretation of best execution therefore determines whether firms can make genuine, customer-focused, market-based venue decisions or must instead remain connected everywhere to avoid hindsight criticism whenever an excluded venue displays a price that, on its face, appears better than the prices available at the venues to which the broker-dealer is connected. SIFMA members are concerned that, absent explicit guidance or worked examples from the Commission in the adopting release, examiners will default to treating an execution at a price inferior to a displayed quotation as a presumptive best execution deficiency, thereby effectively frustrating one of the purposes of rescission. Put simply: if there is a high burden to demonstrate why every execution at a price inferior to a displayed quotation is consistent with best execution (particularly in a context where FINRA has

[12] Proposal, *supra* n.3, at 36664 (stating that Rule 611 "is not needed as a backstop to best execution" and that "best execution obligations should continue to ensure brokers use reasonable diligence to secure the most favorable terms for customer orders").

[13] *See id.* at 36661–62 & n.73 (describing the duty of best execution and FINRA Rule 5310).

articulated an expectation of order-by-order review),[14] then the practical ability of firms to disconnect will be materially constrained by the risk of second-guessing.[15] In practice that would mean justifying individual executions after the fact, including executions at prices inferior to quotations that could not practically be reached, or that could be reached only at a cost disproportionate to the size displayed. The composition of the NBBO and the content of the best execution guidance are therefore inseparable questions, and the freedom to disconnect that the Proposal contemplates is only as real as the guidance that accompanies it.

SIFMA believes it is imperative that the Commission and FINRA work collaboratively in providing best execution guidance that helps achieve the goals the Commission has set out in the Proposal. That guidance should be available to the industry well before effectiveness so that the framework is well understood and ready to be applied once Rules 611 and 610(e) are rescinded. SIFMA members do not believe a Commission best execution rule is necessary. SIFMA respectfully submits, however, that the Commission has an important role to play alongside FINRA on this subject. The Commission has addressed the duty of best execution in its own releases and guidance for decades, and it should articulate in the adopting release how it expects that duty to operate once Rule 611 no longer supplies a price-based backstop—particularly given that FINRA would be enforcing Rule 5310 without that backstop for the first time in twenty years. SIFMA also notes that best execution is applied differently to retail and to institutional order flow, and asks that any guidance acknowledge that distinction expressly.

B. Core Interpretive Considerations

SIFMA believes the following propositions should hold under a post-rescission best execution framework, and respectfully requests that the Commission and FINRA confirm them prior to effectiveness:

- *Venue Selection* – A broker-dealer may reasonably decline to connect to a venue, including a national securities exchange, or may disconnect from a venue, for legitimate reasons—for example, because the venue is low-volume, high-cost, unreliable, subject to certain intentional access delays, or otherwise a low-value venue for the firm's order flow.

  Firms may consider, among other factors, access fees, connectivity, market data, colocation, development and integration costs, surveillance, reliability, fill rates, quote stability, market impact (inclusive of information leakage), statistical analysis of execution quality, intentional access delays and other speed bumps, cybersecurity and operational resiliency (including outage history), limitations of liability under venue rules, price discovery, offered functionality and segmentation, and operational risk in routing and venue selection. This list is illustrative and not exhaustive.

[14] FINRA, Regulatory Notice 15-46, Best Execution: Guidance on Best Execution Obligations in Equity, Options and Fixed Income Markets (Nov. 2015), https://www.finra.org/sites/default/files/notice_doc_file_ref/Notice_Regulatory_15-46.pdf.

[15] SIFMA recognizes that the duty of best execution long predates Rule 611. The point is that, for the past twenty years, Rule 611 has simplified that analysis by supplying a price-based backstop, and best execution has not been applied to displayed exchange quotations without that backstop since 2005, when the number of displayed venues, the volume of displayed quotations, and the speed of the markets were materially different.

Firms are concerned that consideration of such factors cannot be assumed absent express guidance from the Commission and FINRA.

Where a firm does not connect to a venue, periodic review of publicly available execution-quality statistics should be a reasonable means of satisfying the firm's best execution governance obligations. A firm should not be required to establish connectivity to, or to route customer orders for testing purposes to, a venue in order to substantiate a decision not to connect to it.

- *Market Data Consumption* – Given that the Proposal does not contemplate changes to the NBBO, SIFMA generally understands that the Commission's expectation would be that firms continue to effectively be required to consume consolidated market data for all displayed venues (e.g., for best execution or Vendor Display Rule compliance). If that is the Commission's position, the Commission should confirm that a firm's decision to consume, but not to act upon, a particular venue's quotations is not itself evidence of a best execution deficiency, and that a firm is not required to build or maintain order-routing connectivity merely because it receives a venue's data.[16]

- *Execution Decisions* – A firm may execute at a price inferior to a better-priced displayed quotation—whether on a venue to which the firm has reasonably declined to connect, or on a connected venue whose quotations the firm has reasonably determined not to target for a particular order—without those executions de facto constituting order-by-order review violations or triggering repetitive exception review. Such executions should be assessed as a consequence of the firm's documented venue-selection framework rather than on a case-by-case basis.

- *Tokenized Securities Venues* – The same considerations should extend to tokenized securities venues, particularly in consideration of the significant technology builds, interoperability costs, gas fees incurred for on-chain and/or cross-chain transactions and/or settlements, wallet management and related factors, which may, in some cases, negate the overall benefit of potentially better available prices in a tokenized NMS stock.

- *Customer Disclosure* – Where a firm reasonably determines not to connect to a venue, appropriate customer disclosure should be a permissible means of addressing the resulting difference between the NBBO displayed and the prices the firm can reach. Such disclosure alone would not be a safe harbor and should not be treated as a substitute for the underlying best execution analysis.

C. Best Execution Should Remain Principles-Based

Best execution should remain a principles-based, process-oriented, facts-and-circumstances obligation, not a strict requirement to achieve the best displayed price at every moment. SIFMA believes that a documented decision not to connect to, or to disconnect from, a venue should be evaluated for reasonableness based on the firm's customers, order flow, venue characteristics,

[16] SIFMA members note that, once depth-of-book data becomes available as part of core data under the market data infrastructure rules, that data may be an important input to routing and execution decisions, and to best execution review, in a market in which executions may occur at prices away from the NBBO. Pending that implementation, the absence of consolidated depth-of-book data is a practical limitation on the liquidity analysis a firm may be able to perform.

liquidity, costs, execution quality, and operational considerations (as noted above). SIFMA is not advocating a framework that provides a blanket license to ignore better prices. Rather, the framework should require reasonable governance and periodic review without continuous testing of every existing or future venue. Exchange venues should be treated more like other unprotected venues—firms may evaluate them, decide not to connect, and document the basis for that decision without assuming that every displayed quotation must be accessed. Firms already undertake precisely this analysis today with respect to the many non-exchange venues whose quotations are not protected under Rule 611.

Commission direction in the adopting release should also prevent exchange-by-exchange best execution rules, surveillance, or report cards from recreating market-wide order protection. For example, if a firm is a member of Exchange A and repeatedly executes on another venue at a price inferior to a better-priced quotation displayed on Exchange A, the firm should not be automatically vulnerable to a best execution review by Exchange A, particularly given the significant conflict of interest Exchange A may have between its commercial objectives and its regulatory obligations as a self-regulatory organization. This risk is of particular concern given the introduction of best execution rules at many exchanges in 2026.[17] Relatedly, FINRA's best execution guidance should not result in discriminatory treatment of broker-dealers relative to other market participants that trade the same securities.

SIFMA also offers an observation about one of the Proposal's underlying premises. The Commission has rightly observed that today's markets are highly interconnected. However, if the Proposal succeeds in its objective of permitting firms to disconnect from venues they do not value, then the markets may, to that extent, be less interconnected than they are today. Many firms may disconnect from the same venues, and it seems unlikely that exchanges will remain connected to all other exchanges (or non-exchange venues that may display quotations). SIFMA does not raise this as an objection—disconnection reflects market forces working as the Commission intends, as order flow migrates away from less competitive venues. It should be acknowledged, however, that some venues may be genuinely difficult for a firm to reach. Introducing broker-dealers, for example, may rely only on one or two executing broker-dealers, and those executing broker-dealers may themselves choose not to connect to a given venue. An introducing broker-dealer should not have to establish a relationship with a third or fourth executing broker-dealer, at significant expense, in order to reach a venue that may offer only marginal opportunities for better executions. Without the Commission guidance requested above to inform FINRA's interpretation of best execution obligations, SIFMA is concerned that this could be an unintended consequence if the Proposal is adopted.

IV. The Quality of the Inputs to the NBBO Becomes Increasingly Important if the Proposal Is Adopted

[17] A number of national securities exchanges adopted or expanded member best execution rules in 2026. SIFMA is concerned that examination and surveillance activity under those rules, conducted by the very venues whose quotations are at issue, could reintroduce order protection on a venue-by-venue basis. Moreover, to the extent that exchange-specific best execution rules apply to FINRA-registered broker-dealers, those rules are duplicative of, and potentially in conflict with, FINRA's best execution rule. *See*, *e.g.*, Exchange Act Release No. 104543 (Jan. 5, 2026), 91 FR 731 (Jan. 8, 2026) (SR-NYSE-2025-50) (adopting NYSE Rule 5310 (Best Execution)); *see also* Exchange Act Release Nos. 105626–105629 (June 9, 2026), 91 FR 35712, 35715, 35732, 35758 (June 12, 2026) (adopting substantially identical best execution rules for NYSE American, NYSE Texas, NYSE Arca, and NYSE National).

A. Standards for a Quotation to Be Part of the NBBO Are Needed

Under the current framework, the NBBO and the market a broker-dealer can actually reach are largely congruent, because Rule 611 obliges trading centers to avoid trading through protected quotations and Rule 610 obliges venues to provide access to such quotations. Rescission would end that congruence. A broker-dealer would no longer be required to access a quotation because it appears in the NBBO, but the NBBO would continue to be calculated from every displayed quotation, and would continue to serve as the reference for customer displays, execution-quality statistics, numerous Commission and SRO rules, and best execution review.

SIFMA members are concerned that the quality of the NBBO could potentially decline at precisely the moment it becomes more important with the dissolution of protected quotations. Existing venues, no longer competing for protected-quote status, may find it attractive to introduce a variety of different features that might include asymmetric intentional access delays, conditional cancellation features, or materially higher access fees (to the extent access fee caps may be removed). New displayed venues, including tokenized venues, may emerge and do the same. Each of those displayed quotations may operate as an input into the NBBO. If this occurs, the likely result is an NBBO that becomes progressively less representative of the prices a broker-dealer can actually obtain, at the same time that the NBBO becomes the principal yardstick by which its execution decisions are judged.

As discussed in Section III above, absent clear guidance surrounding best execution, firms may need to parse the NBBO quotation by quotation and be prepared to justify individual executions after the fact, including executions at prices inferior to quotations that were never practically reachable. A quotation that establishes the NBBO but that no participant can or will access does not advance the Section 11A objectives.[18] Rather, it works against them, because it renders customer displays, execution-quality statistics, and regulatory reference prices less representative of the market in which investors actually trade. The better outcome—for investors, for broker-dealers facilitating customer orders, and for the Commission's own objectives—is a high-quality NBBO in the first instance.

B. Volume and Accessibility Standards for Inclusion in the NBBO

SIFMA recommends that the Commission consider establishing a minimum volume threshold that a venue must satisfy in order for its displayed quotations to be included in the NBBO. The concern is that a venue accounting for a negligible share of consolidated trading volume and which may not be readily accessible by many or most market participants can nonetheless establish a market-wide benchmark that carries regulatory consequences for every other participant. A threshold defined by reference to a venue's share of consolidated volume, measured objectively over a trailing period, would not depend on how the venue is registered, and would apply equally to national securities

[18] Congress directed in Section 11A(a)(1)(C) of the Exchange Act that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure, among other things, the economically efficient execution of securities transactions; fair competition among brokers and dealers, among exchange markets, and between exchange markets and markets other than exchange markets; the availability to brokers, dealers, and investors of information with respect to quotations for and transactions in securities; and the practicability of brokers executing investors' orders in the best market. 15 U.S.C. 78k-1(a)(1)(C).

exchanges, to venues quoting through the ADF, and to any new venue types, including tokenized venues.

A volume threshold alone would not be sufficient, because trading volume says nothing about whether a displayed price can actually be reached. Under the current framework, a quotation must be an "automated quotation" in order to be protected, and the Commission has interpreted that term to accommodate intentional access delays only where they are *de minimis*.[19] The Proposal would eliminate that definition. If nothing replaces it, a quotation subject to a delay measured in seconds rather than in fractions of a millisecond could establish the NBBO, with all of the consequences described above.[20] SIFMA members therefore recommend that the Commission establish a clear and uniform standard for when a displayed quotation is sufficiently accessible (both in terms of execution and the dissemination of a market price) to be included in the NBBO, applied consistently across national securities exchanges, the ADF, and any new venue types.

SIFMA appreciates that SROs will continue to submit proposed new order types, matching mechanisms, and other trading functionality to the Commission through the SRO rule filing process, and that the Commission will have an opportunity to consider whether to approve or deny such filings. The concern, however, is that, following a repeal of Rule 611, the Proposal does not articulate clear standards for evaluating whether quotations resulting from such new functionality should be eligible for inclusion in the NBBO. The SRO rule filing process is not a substitute for such standards. It would require the industry to monitor and comment on individual filings, would resolve questions of general application one venue at a time, and would provide firms with little basis on which to plan. SIFMA respectfully submits that the Commission should articulate the standards in this rulemaking, leaving to the rule filing process the application of those standards to particular facts.

A volume threshold would advance several of the Commission's stated objectives simultaneously. It would potentially reduce the divergence between the NBBO and the prices a broker-dealer can reach, and therefore reduce the frequency with which firms must explain to customers why a displayed price was not achievable. It would make connectivity and routing decisions more defensible under a best execution framework, because the quotations that remain in the NBBO are

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[19] *See* Commission Interpretation Regarding Automated Quotations Under Regulation NMS, Exchange Act Release No. 78102 (June 17, 2016), 81 FR 40785 (June 23, 2016) (interpreting the term "automated quotation" to permit intentional access delays that are *de minimis* — *i.e.*, less than a millisecond — because such delays do not frustrate the purposes of Rule 611).

[20] Examples of clearly problematic delays or access features that SIFMA is concerned could potentially be included in the NBBO include Cboe EDGA's 2019 proposal to impose a four millisecond delay on incoming liquidity taking orders. *See* Exchange Act Release No. 88261, 85 FR 11426 (Feb. 27, 2020) (SR-CboeEDGA-2019-012) (order disapproving a proposed "Liquidity Provider Protection" mechanism that would have applied a four-millisecond delay only to incoming liquidity-taking orders, while permitting resting liquidity-providing orders to be cancelled or modified without delay). *See also* Exchange Act Release No. 80740 (May 22, 2017), 82 FR 24412 (May 26, 2017) (SR-CHX-2017-04) (order instituting proceedings on the proposed CHX Liquidity Enhancing Access Delay, a 350-microsecond delay applicable to all incoming order-related messages other than non-marketable liquidity-providing orders and related cancellations submitted by designated LEAD market makers; approved on a pilot basis by delegated authority, with the approval subsequently stayed pending Commission review (*see* Exchange Act Release No. 84337, 83 FR 50720 (Oct. 9, 2018)).

more likely to be quotations that a reasonable firm would want to be able to access. And, it could improve the comparability of execution-quality statistics.

SIFMA does not believe that volume or accessibility standards for inclusion in the NBBO would impair competition among trading venues. Several ATSs today have gained share volume without displayed quotations, suggesting that they may be able to do so with displayed quotations. A new venue would remain free to compete for order flow and to display quotations. The standards would govern only whether a quotation carries market-wide regulatory significance. Volume and accessibility standards would preserve that path while reducing the incentive to establish a venue whose principal value derives from displaying quotations that few participants can practically reach.

V. Commission Rules That Should Be Addressed to Achieve the Proposal's Stated Goals

Several rules within the Commission's direct authority would continue either to require broker-dealers to acquire data from, or maintain connectivity to, venues on which they do not wish to trade, or to channel rule-based revenue to venues on which little trading occurs. SIFMA respectfully requests clear guidance in the adopting release or, where appropriate, future rulemaking to address these compliance challenges.

A. Rule 603(c) — The Vendor Display Rule

Rule 603(c) requires a consolidated display built around the NBBO and is not amended by the Proposal. If firms may disconnect from certain venues for trading purposes but must still acquire and display every venue's quotations, a customer-facing dilemma arises—a firm subject to the Vendor Display Rule would have to display prices that it cannot itself access, or that it could access only through a venue that it has reasonably declined to connect to. As noted, a retail broker-dealer subject to the Vendor Display Rule may only have one or two executing brokers, and those executing broker-dealers may likewise not be connected to the venue displaying the best bid or offer. That firm would nonetheless be required to display that price to its customer, and would then have to explain to the customer why the execution occurred at a different price—an outcome likely to generate customer confusion and complaints that the firm neither caused nor can resolve.

SIFMA believes the Commission should consider whether a broker-dealer should instead be permitted to display the quotations that are actually available to the broker-dealer. A market-wide display provides a uniform view and supports cross-platform comparability, while an accessible-market display better reflects the prices available through the broker's systems at the time an investor is making an investment decision while observing prices on the screen. Rule 611 historically made those concepts largely congruent. A further complication is that a quotation may be inaccessible because of the conditions attached to the quotation itself—certain delays, a conditional cancellation feature, or a similar mechanism—and not merely because the displaying firm has chosen not to connect. In that case no amount of connectivity would make the displayed price achievable, which ties back to SIFMA concerns surrounding the quality of the NBBO discussed above.

SIFMA believes the Commission should expressly reconcile Rule 603(c) with optional connectivity and execution. The adopting release should clarify display requirements, confirm whether a display of the quotations accessible through the firm satisfies Rule 603(c) and, if the full market-wide quotation remains required for all customers, explain why that is appropriate in light of the concerns described above, and preserve a clear compliance path that avoids conflicting regulatory and examination expectations. As one potential solution, SIFMA members believe the Commission should permit a firm to display the prices accessible through the firm, accompanied by disclosure of the market-wide NBBO. In the alternative, the Commission should confirm that a broker-dealer may satisfy Rule 603(c) by displaying the consolidated NBBO together with clear disclosure explaining that the firm may not be connected to every venue and that a displayed price therefore may not be achievable through the firm.

SIFMA understands that the Commission views the potential for investor confusion arising from the display of locked or crossed quotations as limited, and expects that any such confusion would diminish over time as market participants adjust their behavior.[21]

SIFMA members' experience suggests otherwise. Retail customers would be asked to understand why a price displayed to them was not achievable, why the bid price may be above the ask (or vice-versa), and why executions at a locking price are occurring while their own order at that same price remains unexecuted.[22] SIFMA members accordingly anticipate a meaningful increase in customer inquiries and complaints on these subjects, particularly in the period following effectiveness. Broker-dealers can respond with disclosures and investor education that satisfy the Vendor Display Rule while helping to avoid investor confusion, and SIFMA members are prepared to do so, but those measures impose a real and continuing cost on retail firms and, ultimately, on retail customers. SIFMA members therefore respectfully request that the Commission acknowledge that a difference between a displayed price and an execution price may be a consequence of the market structure the Proposal would create rather than a deficiency in a firm's handling of an order, and that the Commission and FINRA jointly undertake an investor education campaign so that explaining these changes does not fall to broker-dealers alone.

Practical guidance regarding locked and crossed markets and accessible quotations is particularly important for mobile and other small-format displays, where a full-length narrative disclosure is not workable and firms will need to rely on layered or abbreviated presentations.

Relatedly, firms are generally required today to consume consolidated market data from all displayed exchanges (e.g., for Vendor Display Rule compliance or best execution evaluations), and SIFMA understands that this expectation would not change under the Proposal.[23] Requirements to consume and integrate consolidated market data therefore would preserve market data expense even where firms reasonably do not trade on a number of the contributing venues, and, under the market data infrastructure rules, depth-of-book data is contemplated as part of core data, very likely at

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[21] *See* Proposal, *supra* n.3, at 36671 (stating that the potential for investor confusion resulting from removing the locked and crossed market prohibitions would be limited and, to the extent it occurs initially, would diminish over time as market participants adjust their behavior).

[22] *See* Chris Nagy, Healthy Markets Association, Remarks at SEC Roundtable on Trade Through Prohibitions 143–44 (Sept. 18, 2025) (recounting that locked and crossed markets caused orders to remain unexecuted for extended periods, resulting in "a lot of calls coming into the call center" from investors seeking explanations).

[23] *See* BATS Global Markets, Inc., SEC No-Action Letter, at 1–3 (Div. of Trading & Mkts. July 22, 2015), https://www.sec.gov/divisions/marketreg/mr-noaction/2015/bats-one-072215-vendor-display.pdf.

additional cost. SIFMA accordingly notes that, while the Proposal may reduce trading connectivity costs, acquiring consolidated market data for every venue will not serve to reduce market data costs, and the complexity associated with consolidated market data would remain.

B. Displayed Quotation Incentives, the ADF, and SIP Revenue Allocation

Removing protected-quote status may reduce one incentive to create exchanges, but displayed quotations may still affect the NBBO and regulatory benchmarks and generate rule-based SIP revenue even where they provide little access or execution value. Although the ADF is currently dormant, ADF quotations can enter consolidated data and the NBBO and earn SIP revenue, thereby preserving an incentive for venue proliferation.[24] Tokenized venues, in particular, may seek to display quotations through the ADF rather than by registering as a national securities exchange.

If a meaningful number of venues seek to disseminate quotations through the ADF, those quotations would form part of the NBBO, and the display and connectivity expectations that follow from NBBO inclusion may begin to attach to them. For example, if 10 new venues begin to disseminate quotations via the ADF and have their quotations contribute to the NBBO irrespective of how meaningful their contribution to the NBBO is, there may nonetheless be an expectation for firms to connect to one or all of them, which would run contrary to reducing firms' connectivity costs. Accordingly, consistent with SIFMA's concerns described above regarding the quality of the NBBO, the Commission should consider whether additional quoting, accessibility, or execution standards are appropriate—applied to all displayed quotations, however the displaying venue is registered. Separately, SIFMA notes that under at least one recent version of the proposed CLARITY Act, a national securities exchange could own or operate an ATS that reports quotations through the ADF, since the Act would not presumptively treat such an ATS as a "facility" of the exchange.[25] That question appears likely to arise in the near term given Nasdaq's recently announced acquisition of the LeveL ATS.[26]

More broadly, SIFMA believes the SIP revenue allocation methodology should be re-evaluated to disincentivize quotations that do not provide robust liquidity. Reforming the allocation methodology would directly reduce incentives for venue proliferation by eliminating one of the principal economic benefits of operating a low-value displayed quotation venue, without altering the broader market structure framework.[27] A direct and administrable way to address these incentives would be the volume and accessibility standards for inclusion in the NBBO described above.

[24] *See* Proposal, *supra* n.3, at 36663 & n.90 (noting that there are currently no active quoting ADF participants).

[25] *See* Amendment in the Nature of a Substitute to H.R. 3633, 119th Cong. 20219(c) (2d Sess. 2026) (Senate Legislative Counsel print, Div. B, "Digital Asset Market Clarity Act") (providing that nothing in sec. 20219, or the amendment it makes to 15 U.S.C. 78c(a)(2), may be construed to prohibit a national securities exchange from owning or operating any other type of alternative trading system, or to create a presumption that such a system is a "facility" of that exchange).

[26] *See* Nasdaq, Inc., Nasdaq Announces Definitive Agreement to Acquire LeveL Markets, Advancing Nasdaq's Always-On Markets Strategy (Aug. 11, 2026), https://ir.nasdaq.com/news-releases/news-release-details/nasdaq-announces-definitive-agreement-acquire-level-markets.

[27] *See* Proposal, *supra* n.3, at 36661–62 & n.74 (describing criticism of the quoting component of the market data revenue allocation formula and noting that, on June 2, 2026, the members of the CT Plan filed Amendment No. 3 to impose a limit

C. Regulation SHO Rule 201

During a Rule 201 price-test period, a lone national best bid on a small or inaccessible venue could restrict short sales elsewhere at that remote price, even though firms may otherwise be permitted to execute at a different price or to disconnect from that venue. A firm selling short cannot execute against that bid in any event, so the restriction can be cleared only by long sellers. If few firms remain connected to the venue displaying the bid, the population of long sellers able to reach it may be correspondingly small, the bid could persist far longer than it would today, and short sellers would remain restricted at that price for longer than under current market structure. SIFMA members also note the possibility that a market participant could post a bid on a remote displayed market for the purpose of restricting short sales elsewhere.

This issue is further exacerbated by the elimination of the prohibition on locked markets. SIFMA members expect that, following rescission of Rule 610(e), locked and crossed markets would be more frequent and would persist longer than they do today. Such frequent and prolonged occurrences would pose difficulties for a short sale order to be executed at the national best offer during a price-test period, because the national best offer would be locked with the national best bid. There is currently no exception in Rule 201 for displaying or executing a short sale order at the bid during a locked market. The practical consequences are significant for securities subject to a short sale price test restriction. A meaningful portion of liquidity in those securities is accessed today at the midpoint; in a locked market there is no midpoint distinct from the locking price, and a short sale order displayed or executed at that price would not satisfy the price test.

At the same time, with Rule 611 rescinded, a short sale order could be executed at prices outside the NBBO during a locked market because it would no longer be constrained by the trade-through prohibition. If the current exception for crossed markets were extended to locked markets, the result could be significantly greater downward pressure on a stock's price, because a sufficiently large short sale order could take out bids at multiple price levels rather than executing only at the national best bid.[28] SIFMA members recommend that the Commission re-assess Rule 201, including whether the existing exception for crossed markets should be retained in light of the rescission of Rules 610(e) and 611, in order to prevent potentially significant disruptions to trading in Rule 201 symbols while the market is locked or crossed.

VI. SIFMA Seeks Further Clarity and Future Reforms to Preserve Market Efficiency

There is another category of concerns that the Commission should address as part of its consideration of the Proposal. The Commission's objectives under the Proposal may remain

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on the ratio of revenue distributed to each member attributable to quoting activity as compared to trading activity). *See also* Letter from SIFMA, re: Notice of Filing of the Third Amendment to the Limited Liability Company Agreement of CT Plan LLC to Adopt Revenue Allocation Formula Revisions (July 22, 2026), https://www.sec.gov/comments/4-757/4757-971779-3014427.pdf.

[28] *See* Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Rule 201 of Regulation SHO, Question 6.1 (Oct. 11, 2017, last updated June 26, 2026).

achievable without immediate amendment or clarification of every item below, but unresolved NBBO benchmark, fee, display, and reporting questions could impair market efficiency and create material compliance uncertainty.

A. The NBBO, Rules 605 and 606, and Other Rules

The Proposal removes the definition of, and references to, "protected quotation" but leaves the definition of the NBBO untouched. As discussed in Section IV above, the result is that quotation significance becomes disconnected from quotation accessibility. A quotation may establish market-wide regulatory benchmarks even though a broker-dealer that has not connected to the displaying venue—or, for certain conditional or delayed quotations, any broker-dealer—cannot reasonably reach it. That is the tension the volume and accessibility standards described above are intended to resolve.

The NBBO currently serves distinct functions, including as (i) a regulatory benchmark for reporting; (ii) a customer-display reference; (iii) an input to best execution review; and (iv) a regulatory trigger under provisions such as Regulation SHO Rule 201, Rule 10b-18, and the Limit Up/Limit Down Plan. A uniform, market-wide NBBO remains important for apples-to-apples execution quality comparisons and standardized reporting under Rule 605, and for the comparability of Rule 606 reports across the industry. Customer display and best execution, however, present different questions, because a quotation may be visible to a broker but inaccessible through its systems. In particular, firms may not want to use a market-wide NBBO for purposes of best execution given that they may not be able to reach certain venues to which they neither connect nor subscribe for market data.

A related definitional gap compounds the problem. The Proposal also removes the definitions of "automated trading center," "automated quotation," and "manual quotation," which are referenced in, or presupposed by, the CTA/CQ and UTP Plans and their technical specifications, FINRA Rule 6250 and other SRO rules, and the quote condition and quote credit conventions used by the SIPs. Their removal would leave each SRO and NMS plan participant to supply its own meaning, with the attendant risk of inconsistent standards and unintended consequences. One venue might treat a 500-millisecond delay as immediate, for example, while another applies the same characterization to a materially longer delay. SIFMA members do not believe that simply retaining these definitions would fully resolve the problem. For example, manual quotations are already included in the NBBO today and are not immediately accessible. The more durable answer is to address quotation quality directly—through volume and accessibility standards, as previously described.

In conjunction with such efforts, SIFMA recommends that the Commission assess references to the NBBO throughout its rules, SRO rules, and the NMS plans to determine whether clarifying guidance or amendment is needed.[29] The following are among the rules and conventions that SIFMA believes require review, together with the principal issue that each presents:

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[29] *See* Proposal, *supra* n.3, at 36662 & n.75 (discussing conforming changes that SROs and NMS plan participants may need to make, including how "quote credits" are determined under the SIP plans, and the Limit Up/Limit Down Plan's and CAT NMS Plan's references to Rule 611 and the protected best bid and offer).

- Rule 606 — Rule 606 requires firms to distinguish marketable from non-marketable limit orders. The Commission should clarify how an order should be categorized where it is marketable only against a quotation that the firm cannot access.

- CTA/CQ and UTP Plans — The CTA/CQ and UTP Plans and the related technical specifications provide for manual quotations to be included in the NBBO and for each participant's share of quote credits to be determined by reference to automated quotations.[30] Rescission of the definitions of automated and manual quotation would leave unresolved how the SIPs should categorize the quote condition in their specifications and whether quote-based revenue would be allocated to all quotations.

- Rule 605 — Rule 605 requires firms to categorize order types as marketable, midpoint-or-better, and executable limit orders, and execution statistics such as quoted spread are computed by reference to a market-wide NBBO. SIFMA supports the continued use of a uniform, market-wide NBBO for these purposes so that execution-quality statistics remain comparable across firms. The Commission should clarify, however, how an order should be categorized where it is marketable or executable only against a quotation displayed on a venue to which the firm has reasonably declined to connect.

- Rules 103 and 104 of Regulation M — A passive market maker may not bid for or purchase a covered security at a price exceeding the highest independent bid at the time of the transaction, and the stabilizing provisions use benchmarks such as the highest current independent bid in determining the permissible initiation price for stabilizing activity. The Commission should clarify whether a firm subject to Rules 103 and 104 would be required to have access to all displayed quotations, including quotations on tokenized venues, in order to ascertain the highest independent bid.

- Rule 10b-18 — The issuer repurchase safe harbor price condition caps purchases at a price not exceeding the higher of the highest independent bid or the last independent transaction price in the consolidated system. As with Regulation M, the Commission should clarify whether a firm facilitating issuer repurchases would be required to maintain a complete view of the NBBO, including quotations displayed on tokenized venues.

- Rule 304 and Form ATS-N — NMS Stock ATSs are required to disclose the market data used to determine the NBBO.[31] Where an ATS has access to only a subset of market data, the Commission should confirm that its Form ATS-N disclosure should identify the market data actually used to determine its reference price.

- Pegged orders — Pegged orders on exchanges and ATSs are presently pegged to a uniform NBBO. To the extent an exchange or ATS disconnects from certain venues and does not receive

[30] SIFMA notes that under the quote credit provisions of the CT Plan, a Participant earns a quote credit only where its automated best bid or offer does not lock or cross a previously displayed automated quotation. *See* CT Plan, Exhibit D(i) (defining "quoting credit"). The Commission may want to consider this provision in light of the Proposal.

[31] *See* Form ATS-N, Part III, Item 23 (requiring an NMS Stock ATS to disclose the market data used to determine the NBBO).

market data from them, the Commission should clarify whether it may peg orders to its own view of the market, or whether such orders must be pegged to the complete NBBO.

- Rule 614 and competing consolidators — The Commission should clarify whether competing consolidators would be permitted to offer products showing core data or the NBBO for a subset of venues—for example, 90% of the market—or whether they would be required to offer only products providing the complete NBBO inclusive of all markets.

- Stop and stop-limit orders — Stop and stop-limit orders are widely used by retail investors and are elected by reference to the consolidated quotation or last sale. If a stop order can be triggered by a quotation on a venue that the handling firm—and potentially most of the market—cannot access, retail customers may be taken out of positions at prices that no participant could in fact have reached.

- Delayed and conditional order types — Certain order types that intentionally delay execution or permit conditional cancellation raise the same issue in a different form.[32] If a venue were to introduce a displayed order type of that kind, its quotation could establish the NBBO while remaining unreachable by a broker-dealer handling a customer order that must be filled promptly—a problem that is not solved by connectivity.

These rules bear directly on market integrity, and a lack of clarity could invite regulation by enforcement by future Commissions or FINRA—an outcome SIFMA does not believe the Commission would want, nor does SIFMA.

B. Locked and Crossed Markets

SIFMA believes that the Commission has underestimated how frequently markets would lock if the Proposal were adopted. Existing data cannot predict how locked and crossed markets would operate. This is because price sliding, hiding, repricing, and post-only functionality operate today to suppress orders that would otherwise lock or cross, and because those order types embed repricing features that make it impossible to distinguish, from occurrence statistics alone, orders intended to avoid a lock from aggressively priced liquidity-providing orders.[33] It is reasonable to predict that there will be significantly more occurrences of locked markets than the Commission has anticipated, and that market participants must account for that possibility. One significant consequence of this is that it is likely to cause investor confusion.[34]

A displayed lock is not the equivalent of a zero-spread market—access fees and rebates preserve an economic spread. A market locked at $10.00 by $10.00 is locked precisely because an arbitrageur is not incentivized to pay the access fee required to unlock it, and because neither side of a liquidity-seeking order wishes to pay the access fee at the locked price. However, the two sides are

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[32] *See supra* n.20.

[33] *See* Proposal, *supra* n.3, 91 FR 36665 & n.125 (noting that "price to comply" orders and variations thereof "seek to automatically adjust an order's price to avoid locking or crossing markets").

[34] *See supra* n.22 and accompanying text.

not, economically, at the same price. It may follow that locks and crosses may not unwind through arbitrage as readily as the Proposal assumes, because the economics of access fees and rebates work against the very arbitrage that would resolve them. The Commission's expectation that locks and crosses will resolve rests on access fees remaining capped at well below the minimum pricing increment. As the ratio of the access fee to the tick increases, the incentive to unlock diminishes correspondingly—which is a further reason why any access fee cap should remain proportional to the minimum pricing increment.

This dynamic could shift flow away from displayed venues. In an unlocked market, an institutional investor seeking size will often seek to access non-displayed liquidity at the midpoint or within the spread (on-exchange or off-exchange) without removing any displayed quotation to avoid potential information leakage before accessing displayed liquidity. In a locked market there is no midpoint distinct from the locking price, so that initial step is unavailable. The institutional investor's remaining choices are to rest at the locking price, to trade against non-displayed liquidity at that price, or to break the lock. If a market participant breaks a lock by accessing a displayed quotation, the market will immediately observe the removal of that quotation and the direction of that interest, whereas an execution in a dark pool leaves the displayed quotation in place and would not convey the same signal. The market participant that breaks the lock may also have to pay the access fee and forgo the rebate available if it lets its order rest. Institutional traders may therefore prefer non-displayed liquidity in order to avoid information leakage and access fee costs, allowing locks to persist while trading occurs at the locking price.[35] That outcome could potentially disadvantage retail investors (in terms of creating confusion and/or reduced fill rates) whose displayed resting orders are locked—for example, where a non-marketable retail order is displayed at $10.00, that order is then locked, and numerous institutional orders receive executions off-exchange at $10.00 while the retail order remains unexecuted—and could impair price discovery and contribute to retail investor confusion and dissatisfaction. Persistent locks and crosses could also distort NBBO-based execution quality statistics, and SIFMA encourages the Commission to consider the potential for manipulation and strategic quoting in this environment.

Zero quoted spreads in locked markets can also make Rule 605 metrics undefined or misleading. The average effective over quoted spread calculation, for example, requires division by the quoted spread. If the spread is zero, then firms will be dividing by zero in those instances. SIFMA also believes the Commission should extend to locked markets the approach taken for crossed markets in the Rule 605 frequently asked questions—specifically to look to an unlocked/uncrossed price—given the anticipated increase in locked markets occurring as a result of the Proposal.[36] In addition, allowing executions outside the NBBO could further distort several Rule 605 metrics.[37] More

[35] This may vary among different investors and their respective preferences.

[36] *See* Rule 605 FAQ 19, Division of Trading and Markets, Frequently Asked Questions Regarding Rule 605 of Regulation NMS, https://www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions/frequently-asked-questions-rule-605-regulation-nms.

[37] SIFMA members believe that execution of not-held institutional orders outside the NBBO may be a regular occurrence once Rule 611 is rescinded. Current interpretive guidance treats not-held immediate-or-cancel orders for ATSs as "covered orders" for purposes of Rule 605, and such orders are frequently used to facilitate a not-held parent order for an institutional customer. SIFMA asks that the Commission reconsider that interpretation and provide relief permitting the exclusion of those orders from Rule 605. *See id.* at Rule 605 FAQ 18.

generally, uniform reporting and display conventions, transition disclosures, and guidance regarding how firms will be treated in Rule 605 compliance examinations are necessary before rescission of Rule 610(e) becomes effective.

Finally, it remains unclear whether an exchange could lock or cross its own quotation, or whether locking and crossing could occur only across different exchanges. Relatedly, even where an exchange is not locked—for example, $10.00 by $10.01—it is unclear whether it could execute at a price inferior to a better-priced quotation on its own market, such as by filling an order at $10.02 or $10.03 before filling at $10.01. In addition, under the Proposal, some exchanges could decide to keep a prohibition against locking and crossing quotations, while others may not, which may raise concerns an enforcement context absent Commission guidance.[38]

SIFMA recognizes that these questions may be resolved by SRO rule changes following rescission, and that the Commission anticipates SROs will adjust their rules accordingly.[39] For the reasons described in Section IV above, however, SIFMA does not believe the rule filing process is a satisfactory substitute for the Commission stating its expectations, which will help firms and venues plan accordingly.

C. Access Fees and Tick Sizes

SIFMA members' views on whether access fee caps should be retained at all, and if so at what level, are inextricably linked to what the Commission ultimately decides to do with Rule 611. SIFMA's prior recommendations regarding the appropriate proportional relationship between minimum pricing increments and access fee caps were developed at a time when rescission of Rule 611 was not under consideration, and members' views could differ materially depending on whether the Commission retains, curtails, or rescinds the rule. For that reason SIFMA has asked the Commission to align the compliance dates for the Rule 610(c) and Rule 612 amendments with the completion of its Rule 611 review, and SIFMA respectfully renews that request. SIFMA does not take a position in this letter on whether access fee caps should be retained following rescission. However, SIFMA does take the position that, for so long as caps exist, they should remain proportional to the minimum pricing increment.

Access fees affect whether locks and crosses resolve, whether displayed prices reflect economic prices, whether a venue can rationally be excluded, and how Rule 605 and best execution operate. SIFMA agrees with the Commission that access fee caps reduce the likelihood that markets lock or cross.[40] SIFMA has consistently supported maintaining a proportional relationship between access fee caps and minimum pricing increments, and SIFMA members continue to support that

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[38] For example, assume exchange A preserves a prohibition against locked and crossed quotations, while exchange B does not. Exchange A could conceivably bring an enforcement action against a member of both exchanges for repeatedly locking a quotation on exchange A.

[39] *See* Proposal, *supra* n.3, at 36673 and n.207 (anticipating that SROs would adjust their rules if Rule 610(e) were rescinded).

[40] *See id.* at 36673 – 74.

proportionality.[41] SIFMA also believes that exchange rebates provide an important incentive for liquidity providers to display robust quotations, which can be especially important in less liquid securities. If access fees are set too high relative to the minimum pricing increment, the incentives for crossed-market arbitrage may disappear. SIFMA accordingly believes that, to the extent the Commission maintains an access fee cap, it should seek the right balance between supporting liquidity provision and preserving incentives for arbitrage.

Firms must also be permitted to consider access fees and other all-in venue costs—including connectivity costs and, for tokenized venues, gas costs and technology builds—in routing and venue selection. Separately, SIFMA supports future reconsideration of the scope of securities subject to reduced tick sizes. SIFMA does not believe that more than 70% of the market represents tick-constrained stocks.[42] SIFMA understands that the Commission intends to address access fees and tick sizes in a separate release, and looks forward to commenting on that proposal once the outcome of the Rule 611 rulemaking is known.

Relatedly, for decades the Commission has evaluated exchange rule filings—including market data fees, connectivity fees, and access fees—against a market structure framework built around protected quotations. Rescission of Rule 611 would remove that framework. SIFMA respectfully requests that the Commission explain, before the Proposal becomes effective, what framework it will apply in evaluating such filings in a market without Rule 611, and what principles would govern the future approval of exchange rules.

D. Limit Up/Limit Down Plan

SIFMA believes that the Limit Up/Limit Down Plan should be monitored for whether persistent locks, crosses, or away-from-NBBO transactions affect reference prices or the operation of price bands. The Limit Up/Limit Down Plan today excludes from its last sale price calculation, and permits to be executed outside the price bands, certain transactions that are exempt from Rule 611.[43] Those transactions would continue to occur following rescission, and SIFMA members recommend that the Plan continue to exclude them from the last sale price calculation and continue to permit their execution outside the price bands. Because those transactions are identified today by reference to trade

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[41] SIFMA previously supported an access fee cap of $0.0015 per share for NMS stocks quoted in half-penny increments in order to preserve the existing proportional relationship between access fee caps and minimum pricing increments. *See, e.g.,* Letter from SIFMA to Commission, re: Exchange Act Release No. 34-96494 (Regulation NMS: Minimum Pricing Increments, Access Fees, and Transparency of Better Priced Orders) at 4 (Mar. 31, 2023), https://www.sec.gov/comments/s7-32-22/s73222-20163541-333880.pdf (stating that SIFMA believes "the appropriate access fee caps should be tied to the ultimate determination of what the most appropriate tick sizes should be").

[42] *See* Exchange Act Release No. 101070, 89 FR 81620, 81631 (Oct. 8, 2024); *see also* SIFMA, Request for Immediate Extension of Tick Size and Access Fee Compliance Dates (File No. S7-2026-10) (Mar. 31, 2026), at 5 n.13, https://www.sec.gov/comments/s7-2026-10/s7202610-737867-2293954.pdf (noting that approximately 74% of share volume in all NMS stocks, representing approximately 2,420 stocks, was identified as tick-constrained under the amendments).

[43] The transactions in question are those reported with the Benchmark/Derivatively Priced, Error Correction, Print Protection, and Qualified Contingent Trade modifiers, which are excluded from updating the last sale price for purposes of the Limit Up/Limit Down Plan and may be executed outside the price bands. *See* Limit Up/Limit Down Plan § VI(A)(1).

report modifiers tied to Rule 611, corresponding changes to FINRA trade reporting conventions and to the Plan would be necessary to preserve that treatment.

VII. Tokenized Securities and On-Chain Venues

The Commission acknowledges in the Proposal that distributed ledger technology ("DLT") allows issuers to tokenize a security and facilitate trading among market participants, and that such technology raises challenges and questions relating to current equity market structure and the application of current regulatory requirements.[44] The Proposal does not, however, address how the apparently forthcoming inclusion of on-chain venues would interact with the rescission of Rules 611 and 610(e), or how their emergence may affect the Commission's underlying assumptions.

SIFMA respectfully requests greater clarity in understanding how U.S. equity market structure would look in a world in which the Proposal has been adopted, and specifically what the post-adoption landscape would mean for tokenized securities. SIFMA members are being asked to evaluate rescission at the same time that on-chain trading venues are emerging, and the interaction between the two is likely to shape market structure at least as much as rescission itself. SIFMA respectfully requests that the Commission describe, in the adopting release and in coordination with any crypto market structure rulemaking, how it expects the following to operate:

- *Inclusion in the NBBO* – It is unclear whether tokenized security quotations displayed on a venue would be included in the NBBO, and on what legal and operational basis. If a tokenized security quotation is displayed and a broker-dealer does not offer tokenized trading capabilities, it is also unclear what regulatory and best execution consequences would follow for that broker-dealer if such quotations were included in the NBBO. There are also fundamental technical questions about how prices from applications in which transactions confirm only in batches on a block basis could be integrated with traditional, non-block-based price feeds. Given the outstanding implementation questions and market structure impediments that would need to be resolved, the Commission should provide sufficient time and establish a clear process to resolve these issues before imposing any requirements on the traditional equity markets or on broker-dealers.

- *Fungibility* – Real questions arise as to whether a tokenized version of an NMS stock is fungible with the corresponding street-name security. Differences in clearance and settlement—including where a tokenized venue effects trades using a settlement asset other than a token that is legally equivalent to the street-name security—may mean that the two are not interchangeable, and a market participant may have sound reasons to prefer one over the other. If the two are not fungible, it would not be appropriate to treat a quotation in one as a better price for the other, or to expect a broker-dealer to override a customer's decision to purchase the street-name security in order to obtain a nominally better price in a different product. SIFMA members believe these questions should be resolved before quotations in tokenized securities are included in the NBBO.

- *Consolidated market data* – Would on-chain quotation and last-sale data be integrated into the SIP feeds? SIFMA understands that such integration may not be contemplated in the near term, and if

[44] *See* Proposal, *supra* n.3, at 36660 & n.44 (citing Statement on Tokenized Securities, Division of Corporation Finance, Division of Investment Management, and Division of Trading and Markets (Jan. 28, 2026)).

it is not, the Commission should explain what that means for the completeness of the NBBO and for firms that rely on consolidated data.

- *Vendor Display Rule* – Would market participants have an obligation to display on-chain venue quotation and transaction data under Rule 603(c), particularly where they are not connected to a given on-chain venue? SIFMA is concerned that display obligations could prove unworkable or be applied unevenly across market participants.

- *Locked and crossed markets* – Would locked and crossed markets resolve across on-chain and off-chain venues? Locked and crossed dynamics are likely to become more complex in a hybrid environment, and the Proposal does not assess how such scenarios would be identified, monitored, or mitigated on these venues.

- *Fragmentation* – Market fragmentation may well increase as on-chain venues emerge, which would work against the Proposal's stated objective of reducing regulatory-driven fragmentation.

- *Best execution* – Consistent with the Proposal's objectives, best execution guidance—and regulators' interpretation of that guidance—should not effectively require broker-dealers to connect to tokenized venues in order to satisfy their best execution obligations, and should not impose obligations on broker-dealers that other participants trading on those venues would not bear. Gas fees, wallet and custody requirements, settlement frictions, differing operating hours, technology builds, and limited interoperability may render a nominally better price on a tokenized venue economically inaccessible. SIFMA also notes that broker-dealers are subject to FINRA oversight and to the duty of best execution, while other participants transacting on the same venues may not be. Accordingly, guidance should not create an asymmetry that disadvantages regulated intermediaries.

SIFMA believes that a visible but practically inaccessible quotation on a tokenized or DLT-based venue should not, standing alone, create an automatic routing or display obligation. SIFMA recognizes that the absence of operating experience limits the analysis that can be performed today, and that it likewise limits the extent to which the off-chain market could integrate quotations displayed on tokenized venues. SIFMA does believe, however, that the Commission should articulate the framework it expects to apply, so that firms can make informed connectivity, technology, and compliance decisions.

VIII. Considerations for Strengthening the Commission's Evaluation of the Proposal

The Proposal's economic analysis does not fully evaluate several issues that are central to assessing the likely effects of rescinding Rules 611 and 610(e). SIFMA offers the following observations regarding the areas in which additional economic analysis would assist the Commission's evaluation of the Proposal and the record supporting it.

A. Spreads and Displayed-Liquidity Incentives

Additional economic analysis of whether protected quotations contributed to narrower spreads, displayed quote competition, or willingness to post liquidity—by reducing the risk that a displayed order would be bypassed—would be valuable. Potential lost benefits in these areas should be evaluated alongside the connectivity and fragmentation costs the Commission identifies. While acknowledging that there are certain data limitations, SIFMA notes that the current market structure, which developed under Rule 611, is not a reliable counterfactual for a market without Rule 611.

B. Odd-Lot Trade-Through Analysis

An analysis limited to orders small enough to be filled entirely by a better-priced odd lot does not show how firms treat that odd lot when handling a larger order. If, for example, there is a 50-share better-priced odd lot and a firm is handling a 500-share order, the relevant question is whether the firm trades through the odd lot or routes to it. The current analysis therefore: (i) examines best execution against odd lots, (ii) considers trade-throughs only from the perspective of the liquidity taker rather than the liquidity provider, and (iii) focuses on circumstances in which Rule 611 would not have applied in any event. The more informative analysis would examine circumstances in which Rule 611 is constraining—for example, where a firm had an order larger than the protected quotation and was obliged to route to execute against that protected quotation.

C. Locked and Crossed Market Analysis

SIFMA encourages the Commission to measure and analyze orders that are slid, hidden, repriced, rejected, or cancelled in order to avoid locking or crossing. Whenever a market participant posts an order that is slid or repriced to avoid a lock or cross, that is an indication that the participant would be willing to cross the spread if it were not subject to a take fee or were able to earn a rebate. SIFMA believes such analysis would more directly inform the likely prevalence of locked and crossed markets and the likelihood that they would be resolved. As noted above, SIFMA is concerned that markets in penny-wide spreads may remain locked for extended periods while significant trading occurs on off-exchange venues at the locking price.

IX. Conclusion

SIFMA appreciates the Commission's reassessment of Regulation NMS and its focus on reducing unnecessary complexity, venue proliferation, and forced connectivity. SIFMA's recommendations aim to ensure that rescission of Rules 611 and 610(e) delivers those benefits—by reconciling the rules and plans that continue to depend on protected, automated, and manual quotations and the NBBO, by establishing a workable best execution framework in coordination with FINRA before effectiveness, and by describing how the resulting market structure, including for tokenized securities, is expected to operate.

SIFMA looks forward to continuing to work with the Commission and its staff on these issues. Please feel free to contact us or our counsel, Charlie Sommers (csommers@sidley.com) and Michael Ogershok (mogershok@sidley.com) of Sidley Austin LLP.

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