



October 19, 2026

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: Order Granting Temporary Conditional Exemptive Relief, Pursuant to Section 36(a)(1) of the Securities Exchange Act of 1934, from the Definition of "Exchange" in Section 3(a)(1) of the Exchange Act for the Use of Certain Distributed Ledger Trading Venues for Tokenized NMS Stocks and from the Definition of "Dealer" in Section 3(a)(5) of the Exchange Act for Certain Liquidity Providers for Tokenized NMS Stocks (hereinafter, "Innovation Exemption" or "Order"), and Request for Comment; Release No. 34-106402; File No. 4-927

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association ("SIFMA")¹ is responding to the Securities and Exchange Commission's request for comment accompanying its publication of the Innovation Exemption. SIFMA's membership consists of broker-dealers and asset managers operating in U.S. and global markets. In addition, many SIFMA members are, or are ultimately owned by, public companies. The comments and questions that follow come from a broad cross section of that community.

Because the Order became effective upon publication, issuers and market participants had no opportunity to comment before it took effect. Several Tokenized Securities Venues ("TSVs") have already published notices and may begin operating within 30 days, and issuers have begun receiving Issuer Notices. SIFMA and its members have therefore compiled an initial set of questions and recommendations on the Order's operation, substance, and scope that warrant the Commission's prompt consideration. The five-year term of the relief heightens the importance of resolving these questions at the outset, since early design choices will shape market practice well before any permanent framework is adopted. SIFMA welcomes the statements by Chairman Atkins and Commissioner Uyeda that they expect notice-and-comment

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

rulemaking to follow and intends to comment on specific features of the Innovation Exemption in more detail in the future.²

SIFMA and its members believe certain operational questions warrant immediate attention. We set them out below in four areas: (A) issuer notice and consent; (B) investor protection, illicit finance, oversight, and enforcement; (C) the application of trading volume limits across venues and in aggregate across the market; and (D) beneficial ownership, corporate actions, and the transferability of tokenized shares. The questions are numbered for ease of reference, and where members have identified a practical solution, SIFMA's recommendations follow the questions they address. Additional questions are also set out in the Appendix. Many of the questions in this letter seek clarification of how the Order's existing conditions will operate, which the Commission or its staff could address through frequently asked questions ("FAQs") or guidance. However, certain recommendations below, including affirmative issuer consent, a longer objection period, and a universal issuer opt-out, would require the Commission to amend the Order.

A: Issuer notice and consent

1. The Order specifies that Issuer Notices be sent to the physical or email address for an issuer's principal executive offices listed on its Exchange Act reports. Those are often general corporate addresses or mailboxes that receive substantial volumes of unrelated communications. Requiring issuers to identify, escalate, evaluate, and respond to notices sent to these general addresses within 30 days creates a significant risk that notices will not reach the appropriate personnel before the objection period expires. With the 30-day period already running for issuers that have received TSV notices, will the Commission establish a centralized process that enables issuers to identify and respond to notices from potentially numerous TSVs (for example, a centralized portal as discussed below)? At minimum, will issuers be able to designate a specific legal, compliance, or investor-relations contact for all TSV notices? Will the Commission also extend the objection period to 90 days, measured from the later of the Issuer Notice's posting on such a portal and its confirmed receipt by the issuer's designated contact? Relatedly, the Order requires an Issuer Notice to include the TSV's "current and accurate contact information" for the issuer to provide any notice of objection, but it does not specify what that information must include (footnote 63). Will the Commission require TSVs to provide both a physical and an email address at which issuers may deliver notices of objection?
2. The Order measures the 30-day objection period from the issuer's receipt of the Issuer Notice and gives examples of acceptable proof of delivery (footnote 64). What constitutes receipt for this purpose, and how must a TSV establish it? Does proof that a notice was sent to the address listed in an issuer's Exchange Act reports establish receipt, even if the notice

² SIFMA has previously set out its views on the role and limits of an innovation exemption, including that any such framework should supplement, rather than substitute for, notice-and-comment rulemaking. See Letter from SIFMA and SIFMA AMG to Commissioner Hester M. Peirce and Members of the SEC Crypto Task Force, Re: Request for Comment on "There Must Be Some Way Out of Here" (Aug. 7, 2025), at 4, 12–14, available at <https://www.sec.gov/files/ctf-written-sifma-digital-08072025.pdf>; Letter from SIFMA to the Hon. Paul S. Atkins, Chairman, SEC, Re: Requests for Exemptive Relief from the Federal Securities Laws for Tokenized Securities (Nov. 26, 2025), at 2, 6–7, available at <https://www.sifma.org/wp-content/uploads/2025/11/SEC-Exemptive-Relief-Short-Letter-11-26-2025-FINAL.pdf>.

never reached personnel able to act on it? Is the Commission independently verifying receipt by issuers before permitting the objection period to expire? If not, how can the Commission ensure that a TSV does not commence trading based on an issuer's failure to respond to a notice it never received?

3. If an Issuer Notice is caught by a spam filter, rejected by an email server, returned as undeliverable, or otherwise fails to reach the issuer, has the issuer received it for purposes of the Order, such that the 30-day period begins to run? Who is responsible for identifying and correcting a failed delivery? If a TSV re-sends a notice after a failed delivery, does the 30-day period restart?
4. What information must a TSV provide an issuer during the 30-day period to allow the issuer to make an informed decision, including the third-party responsible for tokenizing its stocks, the structure of the tokenized security, the blockchain on which it will trade, the rights afforded to token holders including the right to redeem a token for its underlying security, custody arrangements, and any restrictions on subsequent transfers?
5. Will the Commission confirm that issuers may object to continued trading after the initial objection period has expired?

SIFMA's recommendations: As a threshold matter, SIFMA believes that a third-party tokenized version of an issuer's NMS stock should trade on a TSV only with the issuer's affirmative consent (an opt-in). As noted in the above questions, SIFMA members find it problematic that the Order requires issuers to locate, authenticate, and respond to notices from potentially numerous TSVs within a short window, and it treats an issuer's silence as consent. Rather than the objection-based approach contained in the Order, we believe affirmative consent would better protect investors and issuers, and we encourage the Commission to amend the Order to adopt this recommendation. Short of that change, two further measures would resolve most of the questions above:

- *An official TSV portal (Questions 1–4):* We understand that the Commission intends to publish a list of TSVs on its website, which SIFMA considers to be a good first step. Transparency is critical in equity markets, and market participants should have an official site, operated by the Commission, FINRA, or a delegated body, to track TSVs entering the market, the NMS stocks being tokenized, and eventually trading volumes. SIFMA recommends building on that list to establish a centralized, publicly accessible portal, comparable to the information the Commission publishes today in various areas of the equity markets. The portal should list each TSV's notice of operations, the earliest date on which it may begin operating, its launch date, and the tokenized NMS stocks it intends to trade; it should also clearly identify when a notice is amended. The portal should also link to each Issuer Notice, together with the information described in Question 4, and state its response deadline. On the issuer side, the portal should house the official contact each issuer has designated to receive TSV notices, as well as each issuer's elections, whether a universal opt-out or a venue-specific consent or objection. It should be searchable by ticker and company name. An issuer's objection period should run for 90 days from the later of the Issuer Notice's posting on the portal and its confirmed receipt by the issuer's designated contact, regardless of any earlier attempted delivery.

- *Standing issuer control under any model (Question 5):* Whatever model the Commission adopts, an issuer should be able to publish a single, universal opt-out that prohibits any TSV from trading a third-party tokenized version of its NMS stock. An issuer should also be able to object to trading on a particular TSV, or to withdraw a prior consent, at any time, including after the initial objection period has expired, for example where it learns that a venue is not complying with the Order's conditions or other applicable law. The Commission should also clarify the wind-down process that will apply to outstanding tokens and liquidity-pool positions if an issuer objects after trading has begun or withdraws prior consent, including whether and to what extent existing holders retain the ability to transfer, redeem or otherwise exit their positions.

To the extent the above recommendations are not actioned, SIFMA requests that the Commission amend the Order to require that TSVs, at a minimum, address Issuer Notices to the attention of each issuer's Corporate Secretary and to extend the objection period to 90 days, measured from the issuer's confirmed receipt of the Issuer Notice, to alleviate the undue burden placed on issuers to identify and respond to these notices within the current 30-day objection period.

B: Investor protection, illicit finance, oversight, and enforcement

6. The Order relies principally on TSV disclosure and requires several core processes to be disclosed only "if any" exist: customer verification and anti-money laundering procedures; customer complaint and execution error handling; protection of investors' personally identifiable information; system capacity, integrity, availability, and security; trading oversight; and protections against maximal extractable value ("MEV") attacks. How did the Commission make its public interest finding not to impose these investor protections? Does the Commission regard these protections as optional? The Order requires TSVs to consent to staff examination of their books and records at any time. How frequently, and with what scope and staffing, does the Commission expect to conduct such examinations, and will access to books and records adequately substitute for the examination regime that applies to registered exchanges and broker-dealers? How otherwise will the Commission verify the accuracy of these disclosures and enforce the Order's conditions? Given an issuer's legal requirements, how will a TSV's customer verification, anti-money laundering, and sanctions programs be evaluated (e.g., how is the SEC coordinating with OFAC on oversight)? Will the Commission require any minimum customer verification standards that align to the risks posed?

C: Trading volume limits

7. Volume and symbol limits apply per venue and aggregate only across affiliated venues, so total tokenized trading in each stock grows with the number of TSVs. How will the Commission monitor cumulative tokenized trading in a stock across unaffiliated TSVs, and Covered Firm activity across venues, and how will it respond if that trading reaches levels the per-venue limits were designed to prevent?

SIFMA's recommendation: The portal recommended in Section A should also publish TSV trading volume by symbol, both for each venue and in aggregate across all TSVs. This would

allow the Commission and market participants to monitor cumulative tokenized trading across unaffiliated venues and would give investors in tokenized NMS stocks a consolidated view of activity that is otherwise dispersed across individual TSV websites.

D: Beneficial ownership, corporate actions, and transferability

8. How will issuers identify the beneficial owners of tokenized shares for purposes of shareholder communications, proxy solicitation, voting, dividends, tender offers, and other corporate actions? Who is responsible for providing issuers and their transfer agents with accurate and timely ownership information?
9. If an issuer identifies inaccurate information about its securities, shareholder rights, or a corporate action on a TSV, what process exists to require the TSV to correct that information and on what timeline?
10. Does a tokenized share purchased on a TSV also have to be sold on a TSV?
 - Alternatively, may it be transferred outside the TSV ecosystem, including onto other public permissionless blockchains, peer-to-peer, or to offshore or unregulated venues?
 - If such transfers are prohibited, how will the prohibition be enforced? If they are permitted, will the SEC set standards for how issuers manage the risks of cross-blockchain transfers, and what AML, know-your-customer (KYC), and OFAC requirements will prevent sanctioned or otherwise prohibited persons from obtaining ownership?

We recognize that the Order is now in effect. Should the Commission conclude that additional time is needed before venues begin operating, whether to address these questions or to allow for further industry engagement, SIFMA would support that decision. Our goal is to help ensure that activity conducted under the Innovation Exemption begins in an orderly manner and without unintended harm to investors, core equity markets, or issuers.

Further, the recommendations and questions herein have been rapidly developed given that several TSVs may begin operating within 30 days, and issuers have begun receiving Issuer Notices. Given this, SIFMA will continue to engage its impacted members and may submit additional comment letters to the SEC with further recommendations and questions, including modifications to those herein, as members continue to assess the development of TSVs pursuant to the Order.

We stand ready to work with the Commission as it evaluates the impact of activities conducted under the Order on investors and core equity markets and develops a rulemaking proposal informed by that experience. We further request that, as the Commission works toward rulemaking, it considers the other interconnected, significant changes coming to equity markets and how these changes will interact with and impact equity markets.³ Please feel free to contact

³ These include the Commission's proposal to rescind Rule 611 of Regulation NMS and FINRA's review of its best execution guidance. See The Trade-Through Rule and Locked and Crossed Markets Provisions of Regulation NMS, Exchange Act Release No. 105655 (June 11, 2026), 91 FR 36656 (June 17, 2026); FINRA, Regulatory Notice 26-15, Best Execution: FINRA Requests Comment on Modernizing FINRA's Best Execution Guidance (July 24, 2026). SIFMA has made recommendations regarding the treatment of tokenized NMS stocks under these proposals. See Letter from SIFMA and SIFMA AMG to Vanessa Countryman, Secretary, U.S. Securities and Exchange Commission, Re: The Trade-Through Rule and Locked and Crossed Markets Provisions of

Peter Ryan (pryan@sifma.org), Charles De Simone (cdesimone@sifma.org), or Katie Kolchin, CFA (kkolchin@sifma.org) with any questions regarding these comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ken Bentsen", with a stylized flourish at the end.

Kenneth E. Bentsen, Jr.
CEO and President

cc: Paul Atkins, Chairman
Mark Uyeda, Commissioner
Jamie Selway, Director of Division of Trading and Markets

Appendix

Additional Questions Regarding the Exemptive Order

Oversight and Examination

- The Order requires TSVs to consent to staff examination of their books and records at any time. Will staff conduct routine examinations of TSVs and Covered Firms, or will oversight rely principally on enforcement after the fact? Who will be responsible for enforcing the Order's conditions and identifying other violations? How promptly can the Commission detect a TSV's or Covered Firm's noncompliance with those conditions, terminate its reliance on the exemption, and stop ongoing activity?

Volume Limits, Reporting, and Transparency

- TSVs publish trade data on their own websites within 10 minutes of execution, and that data does not reach the consolidated tape. Why is this approach appropriate? Tokenized trading can support atomic settlement, and U.S. equity markets currently provide real-time, consolidated post-trade transparency for reportable transactions in NMS stocks.
- A TSV is required to describe how it makes use of "offchain functionality and market data." Are there any limitations to the amount of functionality that may be conducted offchain? For instance, could transactions be handled or ordered offchain? Would a TSV be required to make any offchain components available for audit, as they are required to do for onchain smart contract code?
- How will the SEC maintain a comparable audit trail, including for orders that are never executed? Without CAT data, TSV trading may be difficult to surveil for fraud and manipulation, such as spoofing and layering, particularly where activity spans TSVs and traditional venues.
- Traditional NMS stock trading venues generally connect to the cross-market surveillance framework, either directly through SRO participation in the Intermarket Surveillance Group (ISG) or indirectly through FINRA-member broker-dealer operators. How does the Commission intend to surveil trading on TSVs that may operate outside the exchange, broker-dealer, ATS, FINRA, ISG, and CAT frameworks?
- If participants build large positions in tokenized shares over time, do the beneficial ownership reporting requirements of Sections 13(d) and 13(g), the Form 13F reporting requirements, and Section 16, including its short-swing profit provisions, apply to holders of tokenized shares?
- After a first volume breach in a symbol, each subsequent breach requires a three-month pause in that symbol. What happens to holders of tokenized shares during a pause? May they withdraw tokens locked within the liquidity pool during that pause?
- How will large positions be monitored across multiple TSVs? Are cash equity positions aggregated with tokenized positions for purposes of these requirements?

Investor Protection, Access, and Disclosure

- Can the SEC further define what characteristics would make a blockchain network public and permissionless? Further, can the SEC further describe the requirement for smart contracts to be public and auditable? Does this mean that the smart contracts must be universally accessible, like via a public source code repository, or can the source code be reserved for users of the tokenization service?
- Covered Firms must make certain disclosures on any public-facing website, “if applicable.” Does a Covered Firm without a public website have any disclosure obligation to the TSVs and participants with which it trades?
- Given the sensitivity of trading intentions and the risk of front-running—an issue that persists even under the stringent regulations governing traditional finance—are there any prohibitions on the sharing of participant trading information (both pre- and post-trade) with liquidity providers?
- The Order relies principally on TSVs’ disclosure and imposes few conduct requirements. Several processes need be disclosed only “if any” exist, including:
 - Customer verification and anti-money laundering procedures;
 - Customer complaint and execution error handling;
 - Protection of investors’ personally identifiable information (PII);
 - System capacity, integrity, availability, and security;
 - Trading oversight; and
 - Protections against maximal extractable value (MEV) attacks.
- Does the SEC regard these standard investor protections as optional? Is the SEC comfortable with this type of self-certification or self-disclosure approach, and how frequently will it use its examination authority to verify the accuracy of such disclosures?

Illicit Finance

- The Order is silent on whether a TSV is a broker under the Exchange Act. If TSVs need not register as broker-dealers, the Bank Secrecy Act (“BSA”) requirements that apply to broker-dealers, including the anti-money laundering program and customer identification program requirements, would not apply to them in that capacity. Depending on its activities, a TSV or another participant may fall within a different BSA category; FinCEN guidance, for example, addresses when certain virtual currency businesses and decentralized application operators are money transmitters. The Order does not, however, identify which participants in the TSV transaction chain have BSA obligations. Where issuer-sponsored tokenization and self-custody remove other BSA-regulated intermediaries, no party in the transaction chain may be subject to broker-dealer anti-money laundering and customer identification program requirements, because issuers of NMS stocks other than ETFs are not subject to the BSA. Which TSV participants does the Commission understand to have BSA obligations, and in what capacity? Where substantive gaps remain, does the Commission expect TSVs to monitor for and report suspicious activity, and how will it monitor for illicit finance risks in the absence of BSA-regulated intermediaries?

Tokens Allowed within TSVs

Although the Order addresses only tokens traded on a TSV, it raises broader questions about how tokenized securities may be issued and held in the United States. The questions in this section concern third-party tokenization generally, rather than TSV operations specifically, but bear directly on how those tokens will function on a TSV.

- Where a TSV is the exclusive trading venue for a tokenized stock, an investor who purchases the token on that TSV could be left holding it through an extended trading halt triggered by a breach of the applicable volume limits. Because the Order does not require that tokenized NMS stocks be “redeemable” for the underlying security by the token issuer, the investor could be unable either to sell the token or to redeem it and sell the underlying security, even in scenarios where its price drops dramatically. Has the Commission considered requiring that tokenized NMS stocks traded on a TSV be redeemable for the underlying security?
- TSVs must verify that a third-party tokenized stock carries the same entitlement rights as the underlying stock, but the Order does not set standards for what verification is sufficient, including to mitigate the risk that a third-party tokenizer does not hold the underlying shares of the NMS stock. Will the SEC set a baseline and ongoing verification standards, including to confirm that third-party tokens remain backed one-for-one by the underlying security? Are there any enforcement mechanisms if a token does not remain one-for-one backed?
- The Order does not address the activities of third-party tokenizers. Will the Commission address those activities, including any limit on the number of tokenized shares of a given issuer that a third-party tokenizer may create?
- The Order permits third-party tokenization without settling the role of the transfer agent. What role do transfer agents and custodians play, and how will investors be informed of those arrangements? How will the Order interact with the Commission’s pending transfer agent modernization proposal?
- Where an unaffiliated third party tokenizes a stock, it must deliver proxy materials and other issuer communications to token holders at no cost to the issuer. Does the TSV have the final responsibility for ensuring that proper disclosure/proxy distribution has been made and that a mechanism exists for collection of votes and submission to the issuer. For tokens held within a liquidity pool, does the TSV gain the ability to vote on the shares it holds or is it required to pass those rights to the holders of liquidity tokens?
- The Order permits tokenized NMS stocks to be paired with non-security crypto assets generally, of which payment stablecoins are one example. Will the Commission limit stablecoin pairs to payment stablecoins issued by permitted payment stablecoin issuers under the GENIUS Act, and how should a TSV respond if a paired stablecoin loses its peg or its regulatory status? More broadly, how will the SEC assess whether the Order’s conditions and disclosures adequately address the volatility, valuation, and investor protection risks of non-security crypto assets used as one side of a trading pair and inform investors about them?
- How will TSVs be required to address corporate actions, including splits, mergers, voting, distributions, and delisting? While these actions are fundamentally carried out by the issuer of the underlying stock, many such actions require the involvement of the TSV to fully convey the rights to the holder.
 - Treatment of corporate actions with income distributions:

- While analogies can be drawn to existing repurchase and securities lending agreements, these are informed by a precedent of documented legal arrangements that are not addressed in the exemption. Given the exemption's requirement that economic rights flow to the beneficial owner, what recourse would a participant have if the TSV fails to distribute a payment to holders of tokens within the liquidity pool?
- Treatment of mandatory corporate actions with halts: how will the TSV be required to handle a halt on the listing exchange, particularly when there may be divergences in operating hours?
 - Forward/reverse stock splits: In instances where a split occurs, we understand that a TSV would be subject to a halt for mandatory corporate action. A split changes the number of shares outstanding and the price per share, so the token supply must be adjusted to match. Who is responsible for issuing or canceling tokens to reflect the split? For tokens held within the liquidity pool, is the TSV expected to rebalance the pool before trading resumes to prevent trading at pre-split prices, and how will the adjustment be allocated between liquidity providers and other holders? For reverse splits, how will fractional token positions be handled, for example through cash in lieu?
 - Mergers: When a merger closes, the target's shares convert into the merger consideration, which may be cash, the acquirer's shares, or a mix chosen by each holder. How will the TSV and any third-party tokenizer deliver that consideration to holders of tokens, including tokens held within the liquidity pool? Who will make elections and exercise appraisal rights on behalf of those holders? Where the acquirer's shares are not NMS stocks, or have not been tokenized, is the TSV expected to convert the token, redeem it, or unwind the pool?
 - Delisting: The exemption covers only NMS stocks, but a stock can lose that status through voluntary delisting, failure to meet listing standards, or the issuer's bankruptcy, and its trading can be suspended by the Commission. When that happens, must the TSV stop trading the token immediately, or is there a wind-down period? What happens to tokens that holders still own, including tokens in the liquidity pool? Must the TSV or third-party tokenizer redeem them for the underlying shares or cash, or may holders keep them outside the TSV? Who is responsible for notifying token holders, and when?
- Voluntary and elective events: Tender offers, exchange offers, rights offerings, proxy voting, and cash-or-stock dividend elections require each holder to decide whether and how to participate, usually by a set deadline. How will token holders receive notice of these events and submit their instructions? Who owns the tokens held in a liquidity pool, who decides whether to tender or elect for those tokens, and how are voting and election rights and any proceeds allocated among liquidity providers? If tendered shares are locked until the offer closes, must the corresponding tokens be withdrawn from trading? How will rights or warrants distributed to holders be delivered if they are not themselves eligible to trade on a TSV?
- The Order contemplates pairs trading of tokenized NMS stocks paired with another tokenized NMS stock, a tokenized SEC-registered money market fund, or a non-security crypto asset, such as a payment stablecoin. Some exchange-traded funds are NMS stocks and appear eligible for tokenization and trading under the Order (under the staff no-action letter issued to DTC, DTC may tokenize ETFs that track major market indices). However, the Order grants no Investment Company Act relief and identifies open questions under Section 18, Section 22(d), and Rule 22c-1. How does the Commission expect fund sponsors and intermediaries to address those questions for tokenized money market fund and tokenized ETF shares traded on TSVs?

- Rule 17a-7 under the Investment Company Act defines the independent current market price of an NMS stock by reference to transaction and quotation information reported through the traditional NMS market data framework. Tokenized NMS stocks may trade on a TSV at prices that differ from the conventionally traded stock, and TSV transaction data is subject to a separate dissemination framework. How should a fund determine the “independent current market price” of a tokenized NMS stock for purposes of Rule 17a-7? Should TSV transaction data be considered in that determination, and how will the Commission address this issue in its pending modernization of Rule 17a-7?
- When does a transaction executed through a TSV become legally final, and what procedures apply if a transaction is erroneous, unauthorized, affected by a smart-contract failure, or inconsistent with the transfer agent’s or other authoritative ownership records? Who has authority to reverse or correct the transaction, and who bears any resulting loss?

Market Stress and Market-Wide Controls

- The Order requires halts tied to the primary listing exchange. Has the Commission considered how TSVs will implement these halts, given that they are not connected to the national market system and may not receive data feeds from the listing exchanges?

The Order’s conditions also do not address several other controls that support orderly markets:

- Will TSVs be required to implement Limit Up-Limit Down (“LULD”) or comparable price-band mechanisms?
- What change-management standards will apply to technology releases, including smart contract upgrades?
- What standards will govern smart contract execution, and what liability framework will apply if a smart contract fails to perform as intended?

What mechanisms will be available to manage market-wide disruptions of the kind the National Market System handles today?

- Price dislocations between traditional and tokenized markets, including arbitrage driven by asymmetric information, could have unintended consequences for firms and investors. Migration of trading to tokenized venues could also reduce liquidity in traditional markets. How does the SEC plan to monitor and address these risks?

Covered Firms, Broker-Dealer Participation, and Regulatory Parity

- Providing liquidity to an AMM involves a liquidity provider transferring securities, and the other asset in the relevant trading pair, to the AMM, which then trades the pooled assets on behalf of all liquidity providers according to its trading logic. Does the AMM act in a regulated capacity when it does so? Does the AMM act as a custodian when it takes in liquidity providers’ assets? If so, is the AMM performing the functions of a clearing agency? If not, does the AMM become the owner of the transferred securities?
- The LP token issued to a liquidity provider represents a proportional claim on the AMM’s asset pool. Does the LP token constitute an interest in an investment company under the Investment Company Act of 1940? Who is the legal owner of the assets deposited in an AMM liquidity pool? Does the LP token represent a credit claim against the operator, or only a mechanism for withdrawing a proportional share of the pool? Does the Commission need to grant Investment Company Act relief

and, potentially, relief from the 1933 and 1934 Acts for, respectively, the AMM asset pool and issuance of the LP token?

- The Covered Firm Exemption provides dealer relief at the liquidity provider level, but the Order provides no corresponding relief for the AMM smart contract itself. Because the Order requires an operator, does that operator need its own exemption?
- May a registered broker-dealer provide liquidity to AMM pools, or route customer orders to an affiliated TSV, and on what terms relative to Covered Firms?
- How would a broker-dealer satisfy applicable custody, possession-or-control, customer-protection, books-and-records, and best-execution obligations when providing liquidity or routing customer activity to a TSV, particularly where the TSV or liquidity provider is affiliated with the broker-dealer and TSV prices are not included in consolidated market data?
- Tokenized shares traded on TSVs are intended to carry the same rights as ordinary shares. Why are TSV transactions not subject to Section 31 fees?

Process and Legal Basis

- A request for comment on possible modifications is not a substitute for notice-and-comment rulemaking. Rulemaking provides a proposal on which the public can comment before it takes effect, an economic analysis, and a reasoned response by the Commission to the comments received. Chairman Atkins has described the Order as “a bridge to durable rulemaking.” Will the Commission commit to such a rulemaking, and on what timeline?
- The Order took effect immediately, and the Commission is only requesting comment after the fact. A TSV may begin operating 30 days after posting its notice, so venues may be trading before the Commission has considered any public comment. Any modifications would then need to accommodate venues and participants already relying on the Order. Will the Commission consider deferring or phasing in the commencement of TSV operations until it has considered comments?
- How and when will the Commission consider the comments it receives on possible modifications to the Order? Will it respond publicly and explain the basis for any modifications?
- What economic analysis supports the Order? In particular, how did the Commission assess its effects on aggregate trading across venues, market transparency, competitive equity between TSVs and registered intermediaries, public issuers and capital formation, and retail investors?
- Section 36(a)(1) of the Exchange Act permits exemptions that are “necessary or appropriate in the public interest, and consistent with the protection of investors.” Exemptive relief has typically been used to provide targeted departures from discrete requirements. The Order instead exempts an entire category of trading venue from the definition of “exchange,” and a category of liquidity provider from the definition of “dealer,” for five years. How did the Commission conclude that relief of this scope meets the Section 36 standard?
- Despite their use of DLT and smart contracts, TSVs bring together buyers and sellers for the purpose of trading securities and, at their core, perform the functions of an exchange. The securities they trade are tokenized NMS stocks whose underlying shares trade in a fully regulated environment. Consistent with a technology-neutral, “same activities, same risks, same outcomes” approach to regulation, why should TSVs benefit from an exemption, even a conditional one? Rather than relying on exemptive relief, should the durable rulemaking the Chairman has described take the form of a

tailored regime similar to Regulation ATS for trading venues that use automated market makers and liquidity pools?

Duration, Scope, and Evolution of the Relief

- The five-year term is unusually long for exemptive relief, being inconsistent with the approach taken to other large pilot programs, including the DTCC tokenization services pilot, and could result in a de facto permanent framework that would be hard to undo. What is the rationale for a five-year term?
- The Order asks whether the exemption should be made permanent. What outcomes or evaluation criteria will the SEC use to determine which elements should become permanent, and will the SEC request public comment before making any part of the Order permanent? Under what circumstances would the SEC withdraw the relief, in whole or in part?
- Several tokenization projects are already under way, including the DTCC pilot and initiatives at NYSE and Nasdaq. Is there a plan to unify tokenized trading across these initiatives and activity under the Order? Did the SEC consider staggering these initiatives to reduce the burden on firms?