BLOCKCHAIN ASSOCIATION

August 17, 2026

Via electronic submission (https://www.sec.gov/comments/s7-2026-20/amendments-regulation-nms)

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

Re: The Trade-Through Rule and Locked and Crossed Markets Provisions of Regulation NMS (File Number S7-2026-20)

Dear Ms. Countryman:

The Blockchain Association ("BA") submits this letter in response to the Securities and Exchange Commission's ("Commission" or "SEC") proposal to rescind Rule 611 (the trade-through rule) and Rule 610(e) (the locked and crossed markets provisions) of Regulation NMS ("Reg. NMS").[1]

BA is the leading nonprofit membership organization dedicated to advancing a pro-innovation policy environment for the digital asset industry. BA is composed of more than 100 member companies reflecting the wide range of the blockchain industry, including software developers, infrastructure providers, exchanges, custodians, investors, and others supporting the public blockchain ecosystem. BA works with its broad-based membership to seek regulatory clarity and to educate policymakers, regulators, and the courts about how blockchain technology can support a more secure, competitive, and consumer-friendly digital marketplace.

Introduction

BA supports the Commission's proposal to rescind Rules 611 and 610(e) of Reg. NMS. Adopted in 2005, Rule 611 established intermarket protection against trade-throughs for National Market System ("NMS") stocks, and Rule 610(e) restricted the display of locked and crossed quotations.[2] As the Commission recognizes, the structure of the U.S. equity markets has evolved dramatically since 2005, and both rules "have led to a myriad of consequences in today's trading environment, including increased costs and market structure complexity, limiting order handling and execution choice, and contributing to exchange proliferation and fragmentation of trading on equity exchanges."[3]

Importantly, the Commission understands that the market evolution since 2005 means "today's markets are highly automated, interconnected, fast, and competitive," with new technologies

[1] Securities Exchange Act Release No. 34-105655 (June 11, 2026), File No. S7-2026-20 (hereinafter the "Proposing Release" or "Release").
[2] 17 C.F.R. §§ 242.611 and 242.610(e).
[3] Proposing Release at 36657.

driving these trends and obviating the need for Rules 611 and 610(e).[4] This technological evolution continues apace, including with innovations in distributed ledger technology ("DLT") that enable the issuance and trading of securities in tokenized formats, bringing benefits to investors and markets related to access, transparency, and interoperability, among others, and further rendering Rules 611 and 610(e) not fit for purpose.[5]

BA agrees with the Proposing Release's analysis. As explained below, Rules 611 and 610(e) have failed to achieve their stated purposes and have instead imposed substantial, unnecessary costs on market participants for the past two decades. Those costs are only magnified by ongoing changes in market structure, including the issuance and trading of tokenized securities on public blockchain rails. Rescission is therefore not only justified but critical to enabling the next stage of the capital markets' evolution and supporting best execution goals.

Not only do Rules 611 and 610(e) inhibit the evolution of tokenized market infrastructure that would advance the goals that animated Section 11A of the Exchange Act—*e.g.*, "to allow for more economically efficient executions of securities transactions, and to remove impediments to competition"—but the logic underlying the rules' rescission points to the benefits of enabling tokenized securities markets generally.[6] Specifically, that logic favors weighing multiple factors when evaluating securities transactions, including the benefits of tokenized securities. This approach correctly rejects the rigid expectations of displayed prices and narrow theories of investor value that the Commission accurately critiques in the Proposing Release.

The Proposing Release is also consistent with the Administration's intention "to promote United States leadership in digital assets and financial technology."[7] Indeed, the President's Working Group on Digital Asset Markets specifically recommended that the Commission pursue changes to Reg. NMS to accommodate the trading of tokenized NMS securities and related decentralized finance ("DeFi") infrastructure.[8] Chairman Paul Atkins has echoed this, stating that accommodating the trading of tokenized securities may require the Commission to explore changes to Reg. NMS to align regulation with Congress's original intent to let competitive forces guide the development of U.S. markets.[9] As BA CEO Summer Mersinger noted in her testimony before the Committee on Financial Services in the U.S. House of Representatives, "to strengthen U.S. market competitiveness, protect investors, and foster an economy accessible for all Americans, tokenization must be allowed to grow and thrive in the United States."[10] The

[4] Proposing Release at 36657.
[5] *See* Proposing Release at 36660.
[6] Proposing Release at 36664.
[7] Exec. Order 14178, 90 Fed. Reg. 8647, 8647 (Jan. 23, 2025).
[8] President's Working Group on Digital Asset Markets, *Strengthening American Leadership in Digital Financial Technology*, at 50-51 (July 30, 2025).
[9] Chairman Paul S. Atkins, *American Leadership in the Digital Finance Revolution*, Remarks at the America First Policy Institute (July 31, 2025).
[10] Summer Mersinger, Chief Executive Officer, Blockchain Association, Written Testimony Before the H. Comm. on Fin. Servs., 119th Cong. (Mar. 25, 2026), https://docs.house.gov/meetings/BA/BA00/20260325/119103/HHRG-119-BA00-Wstate-MersingerS-20260325.pdf.

Release's proposal to rescind Reg. NMS Rules 611 and 610(e) is an opportunity for the Commission to advance these objectives.

Section I of this letter explains how tokenization of securities is the latest stage in the evolution of capital markets, and how these developments further support the rescission of Rules 611 and 610(e). Section II describes how Rules 611 and 610(e) have been counterproductive and detrimental to capital markets and investors. Section III explains how the principles on which the Commission relies in the Proposing Release to rescind Rules 611 and 610(e) also support enabling investors to realize the benefits of tokenization. Section IV describes how rescinding Rules 611 and 610(e) will help better achieve the goals of efficient price discovery and liquidity provision, including by enabling tokenized markets. Section V explains how the Commission should clarify the meaning and application of best execution. And Section VI elaborates on the actions the Commission should take to achieve the goals of rescinding the rules at issue.

I. The Technological Evolution Supporting Rescission of Rules 611 and 610(e) Continues through Tokenization

The Commission correctly observes that since the rule's adoption in 2005, technologies for "access and order handling and routing, have advanced significantly and obviate any continued need for Rule 611."[11] Relatedly, the Commission identifies that "increases in automation and interconnectivity, as well as increases in market participant access to market data, obviate the need for Rule 610(e)."[12] And the Commission appropriately recognizes that "highly automated and interconnected" equity markets combined with competitive pressures mean that the prescriptive interventions of these rules are unnecessary "to backstop a broker's duty of best execution to seek the most favorable terms for customer orders reasonably available under the circumstances."[13]

Automation, interconnection, and digitization have enhanced price discovery, narrowed spreads, and empowered retail investors.[14] At the core of this technological empowerment is, as the Commission discerns, retail investors' "widely available access to market data and execution quality information."[15] Technology has only continued to evolve and expand access to high-quality trading data.

DLT and the tokenization of securities further enhance the availability of, and investor access to, market data. As the Commission aptly describes, "use of DLT, including smart contract applications undergirding automated market makers, has introduced new methods of trading securities and opened access to such trading to various types of market participants."[16] Core to

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[11] Proposing Release at 36657.
[12] *Id.*
[13] *Id.*
[14] Proposing Release at 36664.
[15] *Id.*
[16] Proposing Release at 36660.

that greater access is DLT's provision of public ledgers of transactions, which provide new means of making available transaction data.

The infrastructure underlying on-chain markets makes transaction data natively available, and in some respects more fully and directly than in traditional equity markets, which rely on multi-step reporting procedures and regulatory mandates.[17] DLT provides all participants with shared, continuous access to a common, immutable record of every transaction that occurs on the network. The ledger is broadly shared rather than stored by any single party, and the transaction history it contains does not depend on manual reporting. The specific components of the blockchain technology stack that permit the availability of market data include:

- The base blockchain, or "Layer 1," which records every transaction on a public, immutable ledger, thereby assembling a complete history of transactions that have occurred on a given network;
- Block explorers, which organize and display transaction data in a searchable, readable form that can be accessed by individuals on the internet, allowing regulators, investors, and market participants to view transaction details directly;
- Oracles, which bring external reference data on-chain in a form that is itself publicly verifiable, allowing any input used by on-chain pricing mechanisms or liquidity systems to be publicly transparent;
- On-chain execution mechanisms and their pricing formulas, which often have source code that is publicly available and self-execute as published, allowing any participant to verify in advance how a given transaction will be priced or matched depending on market depth; and
- Front-end applications, which present pricing information to traders in real time, making the transparency inherent in blockchain infrastructure easily accessible to market participants.

As with the automation and interconnection bred by an earlier era of digitization, the era of tokenization holds the promise of further supporting investor choice and efficient markets through native data availability and expanded access, as well as by providing new capabilities that market participants value, including:

- <u>Settlement finality</u>–after a transaction is executed, it can settle in near real time or instantly on the distributed ledger. Due to the transparent, accessible nature of distributed ledgers, all parties to a trade can verify settlement.
- <u>24/7 trading</u>–individuals and entities can trade tokenized securities on blockchain rails 24 hours a day, 7 days a week. Unlike in traditional markets, which are in significant part limited to the operating hours of national securities exchanges, on-chain equities

[17] *See, e.g.*, 17 C.F.R. § 242.601; 17 C.F.R. § 242.613; and FINRA Rule 6380A.

markets run continuously. This provides investors unprecedented choice and access, and aids in price discovery outside the hours markets are traditionally open.

- Atomicity–delivery of assets on both sides of the trade occurs simultaneously as a single transaction. With such atomic transactions, the delivery of assets on both sides of the trade must occur together as part of the same transaction, or the transaction cannot be initiated, thereby mitigating the risk that a counterparty will fail to deliver in accordance with the trade as executed.
- Interoperability–assets on a public blockchain network can interact with any protocol, application, or venue that supports that network without necessary reliance on a succession of third-party intermediaries to assist with transfer, custody, and recordkeeping. This enables the portability of tokenized securities; assets represented on the same blockchain rails can be used across venues and moved peer-to-peer between wallets, platforms, and custodians supporting those rails.
- Ability to self-custody–through the use of noncustodial wallet software, investors and individuals have the ability to maintain complete control over their assets, without relying on a third-party intermediary to hold or transfer assets on their behalf.

In short, as Summer Mersinger noted in her testimony cited above, "[b]y modernizing how assets are recorded, transferred, and settled, tokenization can improve efficiency, reduce risk, and expand access to financial markets."[18]

II. Rules 611 and 610(e) Have Been Ineffective and Harmful to Market Participants for Two Decades

Congress directed the Commission, through Section 11A of the Exchange Act, to facilitate the development of a national market system built on efficient execution, fair competition, best execution, and the availability of transaction information to investors, brokers, and dealers.[19] Over the following three decades, the Commission implemented that mandate incrementally, adopting several individual national market system rules to address market linkages, quotation display, order handling, and data dissemination.[20]

In 2005, the Commission consolidated those earlier rules and adopted several significant new ones under a single, unified framework. Reg. NMS. Rules 611 and 610(e) were core components of this framework. Rule 611 required trading centers to establish, maintain, and enforce written policies and procedures reasonably designed to prevent trade-throughs of protected quotations, and Rule 610(e) required exchanges and national securities associations to adopt rules prohibiting the display of locked or crossed quotations.[21] As then-Commissioners Cynthia

[18] Mersinger, *supra* note 10.
[19] 15 U.S.C. § 78k-1.
[20] Securities Exchange Act Release No. 34-51808 (June 9, 2005), 70 Fed. Reg. 37496, 37538-59 (June 29, 2005).
[21] 17 C.F.R. §§ 242.611 and 242.610(e).

Glassman and Paul Atkins warned in their dissent to the adoption of Reg. NMS in 2005, the regulation would have a "detrimental impact on competition and innovation."[22] Two decades of experience under Rules 611 and 610(e) have borne out that warning.

A. Rules 611 and 610(e) Have Fueled Market Fragmentation

One of the most striking consequences of Rule 611 has been the fragmentation of the national market system. Because of Rule 611's prohibition of trade-throughs, the rule effectively pushes trading centers to route orders to any venue posting a protected quote, so those venues secure a minimum volume of order flow, along with any connectivity and market data revenue that flow generates, regardless of the execution quality, speed, or value they actually offer to market participants. Thus, venues compete less on their own merits. The result has been an inorganic proliferation of trading venues.[23]

Despite the increase in exchange options, however, the volume of NMS stocks traded in off-exchange venues has grown substantially, a trend that coincides with the ongoing compliance burden associated with Rules 611 and 610(e). Off-exchange trading now regularly exceeds half of the total traded volume of NMS stocks, a reality that is at odds with Rules 611 and 610(e)'s original purpose of channeling order flow toward displayed, protected quotes.[24]

B. Rule 611 Has Imposed Excessive and Unnecessary Costs on Market Participants

Because protected quotation status, in practice, leads market participants to connect to a venue regardless of the value that venue actually provides, exchange proliferation under Rule 611 has raised connectivity, market data, routing, and compliance costs across the market.[25] These costs reflect the leverage that protected quotation status gives an exchange to charge for data and connectivity as a result of the rigid requirements of Rule 611.

C. Rule 611 and Rule 610(e) Have Introduced Unnecessary Market Complexity

Rule 611 and Rule 610(e) have also spawned a myriad of complex order types, such as intermarket sweep orders and price-to-comply orders, designed to avoid or manage trade-through and locked-and-crossed restrictions. This trend has added further complexity to markets, a stark contrast to the efficiency Rules 611 and 610(e) were meant to promote. A 2014

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[22] Dissent of Commissioners Cynthia A. Glassman and Paul S. Atkins to the Adoption of Regulation NMS, Securities Exchange Act Release No. 34-51808, 70 Fed. Reg. 37496, 37639-43 (June 29, 2005).
[23] Proposing Release at 36659.
[24] Data from Cboe illustrates this: average daily volume in U.S. equities reached 17.6 billion shares in the third quarter of 2025, and 51.2% of that volume traded off-exchange, consistent with a trend of volume toward non-displayed markets. Cboe Global Markets, *The Hidden Advantage: Cboe's Premium Products in the Era of Non-Displayed Trading* (Nov. 25, 2025), https://www.cboe.com/insights/posts/the-hidden-advantage-cboes-premium-products-in-the-era-of-non-displayed-trading. *See also* Proposing Release at 36659.
[25] Proposing Release at 36666 (citing Roundtable on Trade-Through Prohibitions, Tr. at 232-33 (statement of Daniel Gerhardstein, FIA Principal Traders Group and Jump Trading Group) (Sept. 18, 2025), https://www.sec.gov/files/Trade_Through_Prohibitions_Roundtable_Transcript.pdf).

industry study, after tallying each of the then 11 exchanges' own variations on roughly a dozen commonly used order types, counted 324 distinct permutations market-wide, with 133 of these proving to be functionally unique.[26] Further, a 2021 NBER working paper based on proprietary NYSE data found that 57% of continuous trading volume comes from order types built to refuse exchange routing under Reg. NMS, with market distortions being attributable to Rules 611 and 610(e), among others.[27] This complexity tends to benefit sophisticated market participants who have the resources to mold their trading architectures around the rules, while raising costs and compliance burdens generally.

III. The Principles Underlying the Rescission of Rules 611 and 610(e) Support Enabling Investors to Realize the Benefits of Tokenization

Consistent with the Commission's description of the market distortions summarized above, the Commission accurately critiques the ways in which Rules 611 and 610(e) fixate on a narrow understanding of ideal price quotations at the expense of more accurate understandings of both pricing and execution quality. Through these critiques, the Commission puts forward a more sophisticated view of the variety of considerations that contribute to investment decisions.

A. Rule 611 Artificially Narrows the Market's Ability to Consider Sources of Value

The Commission correctly observes that Rule 611 has impeded market participants from effectively considering the full range of factors relevant to their securities transactions by artificially constraining their order handling, execution, and routing decisions.[28] Accordingly, removing this rule will help promote greater competition and innovation with respect to trading and execution.[29]

Specifically, Rule 611 has "led to market participants focusing particularly on price and speed with respect to executing trades" at the expense of other factors, artificially cabining the market's understanding of value and producing unintended distortions.[30] By contrast, rescinding Rule 611's prescriptions would allow market participants to give appropriate weight to other trading factors in addition to price, such as service, technology, and costs.[31] The result of enabling markets to consider a more nuanced value picture would, as the Commission recognizes, "empower market participants to compete on merit and innovation."[32]

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[26] Phil Mackintosh, *Demystifying Order Types*, KCG Holdings, Inc., Market Insights at 3-4 (Sept. 24, 2014), https://www.smallake.kr/wp-content/uploads/2016/02/KCG_Demystifying-Order-Types_092414.pdf.
[27] Sida Li, Mao Ye & Miles Zheng, *Financial Regulation, Clientele Segmentation, and Stock Exchange Order Types*, NBER Working Paper No. 28515 at 3 and 8 (2021), https://www.nber.org/system/files/working_papers/w28515/w28515.pdf.
[28] Proposing Release at 36664.
[29] *See* Proposing Release Question 8.
[30] Proposing Release at 36664.
[31] Proposing Release at 36665.
[32] *Id.*

Under Rule 611, for example, the requirement to first execute against a protected quotation inhibits market participants from transacting based on the totality of execution qualities they value "given their investment objectives."[33] Those additional qualities overlooked by Rule 611 run the gamut from high-volume order flow at the trading center to more reliable execution to lower adverse selection cost.[34] Without Rule 611's constraint on considering factors beyond price and speed, trading centers would have greater flexibility to compete on other dimensions, and market participants would see the benefits of that competition, including through execution options that are more aligned with their priorities, as well as reduced costs.[35] Among the new features that exchanges would be free to implement, and investors to benefit from, are additional trading protocols and trading models beyond price-time matching.[36]

B. Rule 610(e) Obscures Valuable Information and Inhibits Efficient Price Discovery

Rule 610(e) also limits market participants' ability to act on their trading priorities and markets' ability to incorporate those signals. Like the trade-through prohibition, Rule 610(e)'s prohibition on locking and crossing quotations ultimately constrains competition, investor choice, and price discovery, and is thus counterproductive to the goals of the Exchange Act.

Similar to Rule 611, Rule 610(e) inhibits market participants from considering the full panoply of factors they value when engaging in securities transactions. For example, the requirement to first route to a locking contra-side interest obstructs market participants from considering trading center qualities beyond price, such as high-volume order flow, more reliable execution, and lower adverse selection cost.[37]

Rule 610(e) is also distortive of pricing itself. As the SEC correctly observes, Rule 610(e) may cause displayed prices to not represent true market participant trading interest.[38] For instance, where exchange fees cause the effective price to be higher than the displayed price, the prohibition on displaying locked quotations can prevent the display of trading interest that is *in net terms*, not actually locking.[39] Relatedly, a locked quotation on a given trading venue may reflect the fact that that venue is more economically attractive to the market participant notwithstanding a quotation on a different venue at the same nominal price.[40] For example, a market participant may be due to receive a liquidity rebate on the former venue by posting at the locking price.[41]

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[33] Proposing Release at 36667.
[34] *Id.*
[35] *Id.*
[36] Proposing Release at 36664.
[37] Proposing Release at 36671.
[38] Proposing Release at 36672.
[39] *Id.*
[40] Proposing Release at 36674.
[41] *Id.*

The downstream effects of 610(e)'s prohibition are particularly pernicious, considering that disallowing locked markets "may arbitrarily widen spreads."[42] Indeed, allowing a locked market could allow spreads to tighten to zero.[43] Similarly, disallowing crossed markets may impede price discovery and liquidity, as a crossed market creates the conditions for its own resolution by incentivizing arbitrageurs to trade against crossed quotations.[44]

C. Rescission Enables Market Participants to Better Act on Their Own Priorities

Ultimately, a key component of the logic underlying the Commission's critique of Rules 611 and 610(e) is that the rules' narrow understanding of, and overemphasis on, price inhibits broker-dealers from achieving best execution for their customers.[45] Achieving best execution for investors interested in trading tokenized securities means giving due weight to those instruments' benefits, including faster settlement, more portable and interoperable formats, the ability to self-custody assets, atomicity, and the ability to execute trades through a variety of protocols and models.

IV. Rescinding Rule 611 and 610(e) Will Help Better Achieve the Goals of Efficient Price Discovery and Liquidity Provision, Including by Enabling Tokenized Markets

A. Rule 611 and Rule 610(e) Unnecessarily Constrain Innovation in On-Chain Markets for Tokenized Securities

Reg. NMS was built for an equity market structure that no longer exists in the same form. Today's markets have evolved dramatically since 2005, and a revolutionary shift is now underway: the representation of traditional assets on public blockchains. Tokenized securities can be traded continuously, settled instantly, and moved between market participants without the layers of intermediation required by traditional markets. They carry the potential for faster, more secure, and more transparent markets. And the market for tokenized securities is growing rapidly. The market capitalization of tokenized stocks rose more than fivefold in the past year, from over $300 million to over $2.4 billion as of early August 2026, with monthly transfer volume exceeding $20 billion—both continuing to grow month over month.[46] The Commission has approved rule changes allowing the trading of tokenized stocks on national securities exchanges.[47] Through recent guidance, the Division of Corporation Finance, Division of Investment Management, and Division of Trading and Markets have confirmed that a security

[42] Proposing Release at 36671.
[43] Proposing Release at 36672.
[44] Proposing Release at 36674.
[45] *Id.*
[46] RWA.xyz, Tokenized Stocks, https://app.rwa.xyz/stocks (last visited Aug. 17, 2026).
[47] *See* Securities Exchange Act Release No. 34-105047 (Mar. 18, 2026) (SR-NASDAQ-2025-072); and Securities Exchange Act Release No. 34-105260 (Apr. 22, 2026) (SR-NYSE-2026-17).

may be issued in tokenized form and that it remains a security under the federal securities laws.[48]

The Commission has recognized that tokenization and DLT "also raise challenges and questions relating to current equities market structure and the application of current regulatory requirements."[49] Notably, those building the infrastructure for tokenized securities markets are experimenting with several distinct ways of pricing and transmitting trades fully on-chain. These on-chain execution venues each depart, in different ways and to varying degrees, from the resting order book model that Rules 611 and 610(e) were designed for.

There are several reasons that these rules may not apply to certain on-chain mechanisms in the first instance. But to the extent they were applied—however incorrectly—they would undermine many of the benefits of on-chain trading models. These on-chain trading models include:[50]

- Automated Market Makers ("AMMs"), which hold pools of assets and price trades through continuous formulas based on the pool's reserves after every transaction. The price a given trade receives depends on both the pool's current reserves and the size of that specific trade, rather than matching against a standing quotation posted in advance.[51]
- Proprietary AMMs ("Prop AMMs"), which continuously re-price against an off-chain pricing model. The price a given trade receives reflects the operator's live model rather than a static curve, even though the trades still settle directly against the operator's on-chain liquidity.[52]
- On-Chain Central Limit Order Books, which display resting bids and offers at specified prices and match orders on chain. That display is not inherently or necessarily disseminated to a securities information processor or covered by a national market system plan. Execution can also depend on block inclusion and network conditions.

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[48] Div. of Corp. Fin., Div. of Inv. Mgmt. & Div. of Trading & Mkts., U.S. Securities and Exchange Commission, *Statement on Tokenized Securities* (Jan. 28, 2026) ("A single class of securities could be issued in multiple formats, including tokenized format. . . . The format in which a security is issued or the methods by which holders are recorded (*e.g.*, onchain vs. offchain) does not affect application of the federal securities laws. For example, regardless of its format, the Securities Act requires that every offer and sale of a security must be registered with the Commission unless an exemption from registration is available. Similarly, stock is an "equity security" under the Securities Act and the Exchange Act regardless of its format."), https://www.sec.gov/newsroom/speeches-statements/corp-fin-statement-tokenized-securities-012826-statement-tokenized-securities.
[49] Proposing Release at 36660.
[50] *See* Douro Labs, *Beyond Reg. NMS: A Blockchain Perspective on Modern Market Structure* (Feb. 2026), https://www.sec.gov/files/douro-labs-beyond-reg-nms-022026.pdf.
[51] *Pools*, Uniswap, https://docs.uniswap.org/contracts/v2/concepts/core-concepts/pools.
[52] Maher Latif & Daniel Gerhardstein, *PropAMMs and the Next Chapter of Permissionless Market Structure*, Jump Crypto (Apr. 15, 2026), https://jumpcrypto.com/resources/propamms-and-the-next-chapter-of-permissionless-market-structure.

- Request for Quote Protocols (“RFQs”), which solicit firm, executable quotes from competing liquidity providers for a specific transaction. The quotes are typically not posted to a public book.
- Intent-Based Systems, which do not themselves publish resting quotes but rather submit orders for competitive execution by solvers based on specified outcomes and constraints.

Rules 611 and 610(e), which are designed for discrete, resting bids and offers, would not be fit-for-purpose to the extent they were applied to on-chain execution mechanisms. For example, an AMM pricing trades continuously off its own curve may have a price that differs from a protected quotation during a given transaction. Relatedly, because an AMM does not display a conventional bid or offer, Rule 610(e)'s locking or crossing restrictions, where applied, could pose misguided compliance questions. Similar problems present themselves with respect to other on-chain models, which can lack, variously, the resting or firm offers or rigid reliance on a price-time matching mechanism that Rules 611 and 610(e), in practice, expect.

Nonetheless, an investor may value an on-chain execution mechanism given its other features and capabilities, including those related to certainty and finality of execution, atomicity, and composability within the broader DLT ecosystem. Accordingly, the Commission's approach of rescinding Rules 611 and 610(e) and instead focusing on best execution, properly understood with additional tailored guidance, is more compatible with the innovation and investor benefits that on-chain mechanisms provide.

B. Tokenization Enables Multiple Compliant Execution Models That Achieve the Goals Reg. NMS Was Meant to Serve

Rule 611 and Rule 610(e) were intended to promote fair and efficient pricing and execution. As the Proposing Release recognizes, however, “technological advancements have changed how the U.S. securities markets operate since the adoption of Regulation NMS,” and “to remain effective, the Commission must continuously monitor the market environment and, as appropriate, adjust and modernize [its] rules, regulations, and oversight tools and activities.”[53] On-chain execution models can achieve fair and efficient pricing and execution goals natively and by design rather than through a regulatory mandate imposed on them.

For example, an AMM's pricing formula is publicly accessible, as is the on-chain state it prices against, allowing a trader to calculate in advance what price a given trade size will receive without relying on displayed quotations. Trades must execute based on the programmed pricing logic and on-chain state, and applications that connect users to these protocols can allow them to set parameters for the all-in price band for a trade before it is executed. Other

[53] Proposing Release at 36667.

on-chain execution models can also support price competition, verifiable execution, and public auditability.

In addition, on-chain markets solve legacy problems associated with settlement time by design. Because a trade and its settlement can occur in the same on-chain transaction, on-chain trading can eliminate the interval during which one party has delivered and the other has not. These are risks that third-party intermediaries like clearing agencies exist to manage in traditional markets.[54]

The SEC should recognize employing an on-chain execution mechanism as a compliant means of achieving fair and efficient execution. Several on-chain execution architectures can reach these outcomes; each can deliver fair and efficient execution without a rule that presumes only one of them is the acceptable model. Rescission of Rules 611 and 610(e), combined with the recognition of different compliant execution models and an investor-centric view of best execution, is the appropriate way to achieve fair, orderly, and efficient markets as technology continues to evolve.

V. The Commission Should Clarify the Meaning and Application of Best Execution

Consistent with the Commission's recognition that Rules 611 and 610(e), by overindexing on price as the primary routing criterion, hinder best execution, the Commission should provide additional, principles-based guidance that clarifies the significance of multiple execution quality factors relevant to best execution.[55]

As Chairman (then-Commissioner) Atkins, along with Commissioner Glassman, noted in their dissent from the adoption of Reg. NMS, "[b]y making price the sole criterion for determining how and where orders will be executed, the trade-through rule also restricts investor choice and ability to obtain best execution."[56] It stands to reason that best execution itself cannot be reduced to a single criterion. Indeed, the Commission appropriately recognizes that the duty of best execution—derived from common-law agency duties—can be stated at a high level as the requirement that a "broker-dealer seek to obtain for its customer orders the most favorable terms reasonably available under the circumstances."[57] Further, the Commission recognizes that while price is undoubtedly "a critical concern for investors," there is a non-exhaustive list of additional factors that may be relevant to best execution.[58] Among these are: order size, execution speed, clearing costs, a security's trading characteristics, the availability of certain

[54] Michael Lee, Antoine Martin & Benjamin Müller, *What is Atomic Settlement*, Federal Reserve Bank of New York: Liberty Street Economics (Nov. 7, 2022).
[55] Proposing Release at 36664 and 36671.
[56] Glassman & Atkins, *supra* note 22.
[57] Proposing Release at 36668.
[58] *Id*.

accurate information, the availability of technology to process such information, and execution costs and burdens with respect to a particular market center.[59]

Consistent with best execution's requirement to "periodically assess the quality of competing markets . . . to assure that order flow is directed to the markets providing the most beneficial terms" for customers "in light of market and technology changes," the Commission should consider the benefits of tokenized securities and on-chain trading when clarifying the relevance of non-exhaustive best execution factors.[60] These include investor benefits related to certainty of execution, protection against adverse selection cost, atomicity, finality, interoperability, the ability to self-custody assets, and all-in cost.

Ultimately, best execution is a duty owed to the principal: the investor. Case law and self-regulatory organization guidance make clear that customer instructions are of paramount importance to execution.[61] Obtaining the most favorable terms for a customer order, then, is a matter of maximizing the investor's economic benefit "given their investment objectives" and instructions.[62] Accordingly, in providing principles-based clarifying guidance related to best execution, the Commission must give due consideration to investors' own choices and goals.

Principles-based guidance provides flexibility, but on its own risks leaving market participants without a durable framework. In conjunction with principles-based guidance, the Commission should consider providing guidance confirming that certain execution methodologies can satisfy best execution obligations. This would give the market clear and durable reference points to build compliant infrastructure.

VI. Recommended Commission Actions

Further to the analysis and recommendations in the foregoing sections, BA recommends that the Commission should undertake the following.

A. Adopt the Rescissions of Reg. NMS Rule 611 and Rule 610(e) as Proposed

As discussed above, neither Rule 611 nor 610(e) is necessary to achieve best execution in today's equities markets. In addition, both rules have been harmful to markets in the past, and

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[59] *Id.*

[60] *Id.*

[61] *See Newton v. Merrill, Lynch, Pierce, Fenner & Smith, Inc.*, 135 F.3d 266, 270 (3rd Cir. 1998) ("Since it is understood by all that the client-principal seeks his own economic gain and the purpose of the agency is to help the client-principal achieve that objective, the broker-dealer, absent instructions to the contrary, is expected to use reasonable efforts to maximize the economic benefit to the client in each transaction"), cert. denied, 525 U.S. 811 (1998). *See also* FINRA Rule 5310, Supplementary Material ("If a member receives an unsolicited instruction from a customer to route that customer's order to a particular market for execution, the member is not required to make a best execution determination beyond the customer's specific instruction.").

[62] Proposing Release at 36667.

are blind to the benefits of tokenization and on-chain trading that will define the markets of the future.[63]

B. Provide Additional Best Execution Guidance to Appropriately Consider Factors Beyond Displayed Price that are Relevant to Execution Quality

Consistent with Section V above, the Commission should adopt a principles-based approach to best execution that appropriately considers the factors relevant to execution quality beyond displayed price. Factors to consider include certainty of execution, mitigation of adverse selection cost, atomicity, finality, interoperability, the ability to self-custody assets, and all-in cost.[64] Accordingly, such guidance should enable a broad array of trading and execution methods to satisfy a variety of investor priorities. Ultimately, SRO rules should reflect these same principles.

In addition to this principles-based guidance, the Commission should consider confirming that certain execution methodologies can satisfy best execution when conducted through competitive, verifiable pricing, giving market participants a durable framework regarding compliant mechanisms.

C. Ensure that Applicable Reg. NMS Provisions Are Compatible with Tokenized Securities and On-Chain Markets

The Commission should continue to review Reg. NMS to ensure it is compatible with the continued evolution of market infrastructure through tokenization by, as appropriate, rescinding, modifying, and clarifying its requirements. This review is necessary to realize the full benefits of the rescissions contemplated in the Proposing Release.[65] Ultimately, SRO rules should be harmonized with these rescissions, modifications, and clarifications, as applicable.

As a primary matter, the Commission should clarify the circumstances in which a tokenized equity qualifies as an "NMS security." The application of critical provisions of Reg. NMS to a tokenized security assumes the instrument is itself an NMS security. The Division of Corporation Finance, Division of Investment Management, and Division of Trading and Markets have provided their views on relevant taxonomies for tokenized securities.[66] To avert regulatory ambiguity and its attendant problems, including regulation by enforcement, indeterminate compliance burdens, delays in updating rules, and market participant paralysis, the Commission

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[63] *See* Proposing Release Questions 1 and 14.
[64] *See* Proposing Release Question 5; and Douro Labs, *supra* note 50, at 17 (proposing a non-exhaustive list of factors beyond price that are relevant to best execution, including certainty of execution, privacy, atomicity, finality, and all-in cost).
[65] *See* Proposing Release Questions 2 and 30.
[66] Div. of Corp. Fin., Div. of Inv. Mgmt. & Div. of Trading & Mkts., U.S. Securities and Exchange Commission, *Statement on Tokenized Securities* (Jan. 28, 2026).

should make clear the extent to which securities that fall under these categories are considered NMS securities.

Further, the Commission must consider whether the inherent transparency of distributed ledgers can satisfy applicable post-trade reporting objectives directly for transactions that settle on-chain. A transaction that settles on-chain is already independently verifiable on an immutable public ledger, raising the question of whether an off-chain reporting obligation is necessary to achieve the same regulatory objective, or whether on-chain reporting could be deemed to satisfy any applicable obligations. In addition, the Commission should align relevant updates to Reg. NMS with the principles articulated in the Division of Trading and Markets Staff Statement Regarding Broker-Dealer Registration of Certain User Interfaces Utilized to Prepare Transactions in Crypto Asset Securities.[67]

In general, the Commission should clarify how Reg. NMS provisions premised on dollar-denominated pricing and reporting apply where an on-chain execution mechanism prices and settles against a payment stablecoin.[68] The Commission should ensure that such rules do not inhibit on-chain securities markets from trading with payment stablecoins, so tokenized securities markets can reap the full interoperability benefits of blockchain rails.

BA respectfully requests the opportunity to discuss further with the Commission and its staff how Reg. NMS can be updated to support on-chain markets and execution quality.

Conclusion

We appreciate the opportunity to comment on the Proposing Release and urge the Commission to adopt the changes above. Reg. NMS Rules 611 and 610(e) were designed for a financial system that has changed greatly since 2005, and BA commends the Commission for recognizing that multiple trading architectures can ensure that investors receive the best execution of their trades in a manner that is more comprehensive than the rules at issue envisioned. Rescinding Rules 611 and 610(e) would also be an important next step to support and facilitate the growth of on-chain markets and tokenized assets, consistent with the Administration's goals, as the Commission takes up related digital asset issues, including intermediary registration, an innovation exemption, a tailored offering regime for investment contracts involving digital assets, and other critical items. If adopted, the Proposing Release would foster innovation in our capital markets, including by helping to position the United States as a leader in modernizing those markets through tokenization, consistent with the Administration's priorities. BA welcomes the opportunity to meet with the Commission and its staff, and any questions regarding this comment letter can be directed to Ashok Pinto, Executive Vice President, Legal and Government Relations.

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[67] Div. of Trading & Mkts., U.S. Securities and Exchange Commission, *Staff Statement Regarding Broker-Dealer Registration of Certain User Interfaces Utilized to Prepare Transactions in Crypto Asset Securities* (Apr. 13, 2026).
[68] *See, e.g.*, 17 C.F.R. §§ 242.612 and 242.600(b)(18).

Respectfully submitted,

/s/ Summer K. Mersinger
Summer K. Mersinger
Chief Executive Officer