



June 16, 2026

By Electronic Submission

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

Re: Staff Statement Regarding Broker-Dealer Registration of Certain User Interfaces Utilized to Prepare Transactions in Crypto Asset Securities; File Number 4-894

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association¹ ("SIFMA") appreciates the opportunity to submit this letter to highlight key concerns around the "Staff Statement Regarding Broker-Dealer Registration of Certain User Interfaces Utilized to Prepare Transactions in Crypto Asset Securities" (the "Staff Statement") issued by the Division of Trading and Markets (the "Division") on April 13, 2026. We provide below both process and substantive recommendations as the Division and the Commission broadly continue the agency's work in this area.

Executive Summary

The Staff Statement reflects an effort to provide regulatory clarity for emerging technologies. We appreciate the SEC's work and our comments below are designed to be constructive, raising questions and other factors for the staff to consider as the SEC pursues durable policy in this area.

SIFMA and its members appreciate the Staff's significant efforts in this space, and we encourage the SEC to proceed with a notice-and-comment rulemaking process to address important unresolved questions, as highlighted by Chairman Atkins in recent speeches. Such a process creates a durable,

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

comprehensive regulatory framework that enables market participants and ensures markets are subject to investor protections and market integrity principles that have made the traditional U.S. securities markets the strongest, most liquid and most efficient in the world.

Our comments focus on the following key issues:

- Clarifying the Application of Broker-Dealer Principles to Covered User Interface (“CUI”) Activity: The Statement is a major change from the historical interpretation of the broker definition under Section 3(a)(4) of the Exchange Act, and raises important questions about determining what combination of activities would trigger broker registration requirements.
- Process, Durability, and the Need for Formal Rulemaking: The Staff Statement has significant market structure implications, which underscores the need for a notice-and-comment rulemaking process. Integrating on-chain operating models such as wallets and covered user interfaces (“CUIs”) through a comprehensive rulemaking process with opportunities for industry engagement will ultimately put these models on a more durable footing and provide a robust regulatory framework which can support broad industry innovation that has positive, sustainable impacts on our U.S. securities markets.
- Need for Structured Oversight of CUIs: CUI Providers (as defined in the Staff Statement) operating within the parameters of the Staff Statement would remain unregistered and outside the SEC’s existing surveillance frameworks, which could limit the SEC’s understanding of the development and evolution of a key element of the emerging tokenized securities landscape. This may make it difficult for the Commission to track whether the Staff Statement has been successful in fostering market development, thereby making it challenging to design and implement durable rules that can accommodate on-chain operating models. Additionally, without appropriate monitoring mechanisms, it may be difficult to identify actions that can harm investors or markets until after the fact.
- Gaps in Market Coverage and Regulatory Framework Considerations: The Staff Statement provides a pathway for digital assets in one type of activity: CUIs and wallets working with clients who are not otherwise registered (likely largely retail clients but potentially crypto native institutions) engaging in user-initiated transactions via self-custodial wallets. If the SEC’s approach is to address CUIs through a Staff statement (rather than through formal rulemaking as articulated above), the Division staff should more comprehensively address how the Staff Statement applies to registered market participants, custodial wallet providers, or the broader ecosystem of intermediaries that are expected to interact with tokenized securities. Integrating wallets into the broader regulatory framework will allow innovation without regulatory arbitrage and drive greater on-chain innovation and adoption by the securities industry more broadly.

Clarifying the Application of Broker-Dealer Principles to CUI Activity

We appreciate the Staff's effort to provide a workable framework for crypto technology, and we believe the importance of these changes merits public input and durable rules via notice-and-comment process. This is particularly important given that the Staff Statement is a significant departure from many historical interpretations of the broker definition under Section 3(a)(4) of the Exchange Act. While Commission no-action letters and enforcement actions have shaded the boundaries of broker status, historically, it has not been the prevailing view of the Commission or practitioners that a user interface for trading securities – which may effectively include connecting to execution venues, exercising discretion regarding which venues to display, preparing transaction instructions, and handling orders, while at the same time receiving transaction-based compensation – could be operated outside of a registered broker-dealer regime or without the involvement of a broker-dealer elsewhere in the order execution work flow. While we appreciate that the Staff Statement seeks to circumscribe the scope of permissible activities, it nonetheless represents a notable shift that warrants further deliberation.

Also, the Staff Statement appears to limit its relief to firms providing non-custodial wallet services that assist with user-initiated transactions on blockchain protocols. Permitting this broker definition shift only for digital asset securities appears to contrast with the SEC's long-standing technology-neutral approach to regulation, and further clarification from the SEC is needed on how this might apply to other asset classes outside of tokenized securities. Importantly, the Staff Statement does not address whether identical or functionally similar user trading interfaces used for non-tokenized securities would require broker-dealer registration. We encourage the SEC to continue to address the technology-neutrality question, as it has done in the past, to guide market participants with consistent guidance across asset classes (e.g. directed equity orders via a front-end interface).

The Staff Statement acknowledges that certain regulatory requirements applicable to brokers – such as order handling, conflicts of interest, and disclosures – also make sense for firms operating CUIs, yet it remains unclear how those requirements can be effectively enforced for unregistered entities. The Staff Statement imposes detailed conditions on CUI Providers, including disclosure requirements, prohibitions on certain activities, and restrictions on compensation structures. However, it does not clearly articulate the analytical framework for determining what activities of a CUI Provider would cause it to enter broker-dealer territory.

In particular, additional guidance is needed to identify when a technology or activity falling outside SEC's regulatory scope would, when combined with other regulated activities, enter broker-dealer territory such that the technology or activity should be performed by, or in conjunction with, a regulated entity. While in the past the SEC has issued no-action letters exempting entities from broker registration, the operating models in those cases typically retained a regulated entity or intermediary with investor

protection obligations.² By contrast, the Staff Statement permits unregistered entities to receive transaction-based compensation tied to crypto asset securities transactions without requiring the involvement or supervisory overlay of a registered broker-dealer. Although SEC staff has previously addressed transaction-based compensation in limited no-action contexts, those precedents generally involved materially different safeguards, including registered broker-dealer involvement or narrow M&A-related conditions. We recommend the SEC build on the careful limitations established in prior no-action letters in future rulemaking.

Rather than relying solely on staff statements, the SEC should explore ways to provide a more structured integration of CUI and wallet provider services into established regulatory frameworks through formal rulemaking. This could include:

- Developing middle-ground regulatory solutions, which preserve key regulatory responsibilities and supervisory structures where appropriate. The SEC has done this successfully in the past, including through Regulation ATS and Regulation Crowdfunding, where it gave market participants the freedom to innovate, while still providing enough regulatory oversight to protect investors and maintain orderly markets. In the case of Reg ATS, SEC rulemaking balanced the views of a variety of market participants and ultimately integrated ATSs into the regulatory framework for U.S. equities as registered venues. Today, they are a core component of the U.S. equity market structure.³
- Recognizing that wallets that facilitate the holding and transfer of securities broadly exist on a continuum of functionality and CUIs offer varying levels of features and services, the SEC should clarify the outer boundary of the wallet-broker delineation – i.e., the point at which wallet activity crosses into broker-dealer territory requiring registration. We appreciate that the SEC does not point to a single activity to determine broker-dealer status but the aggregation of certain activities within a single provider should raise heightened concerns and consideration for registration.

Factors to be considered could include:

- Monetization of order flow
- Use of non-transparent or conflicted routing
- Affiliation with execution venues
- Frontrunning of customer orders

² Relevant no-action letters include Swiss American - Streetline (<https://www.sec.gov/divisions/marketreg/mr-noaction/swissamer052802.htm>), Neptune Fixed Income (<https://www.sec.gov/divisions/marketreg/mr-noaction/2020/neptune03042020.pdf>), and S3 Matching Technologies (<https://www.sec.gov/divisions/marketreg/mr-noaction/2012/s3-matching-tech-071912.pdf>)

³ While Reg ATS differs from the Staff Statement in that it lessened the regulatory requirements but still required registration for activities that would have otherwise clearly met the definition of an exchange, while the Staff Statement addresses technology providers' whose broker status is uncertain, the spirit behind it is a valuable precedent for middle ground regulatory solutions which promote innovation while preserving regulatory oversight.

- Best-execution-type claims

Taken together, a user trading interface that provides connectivity to trading venues, exercises discretion over which venues to display, prepares, and in some cases routes. instructions for transactions in securities, handles customer orders, and receives transaction-based compensation could, under existing precedent, be considered to be engaged in broker-dealer activity. We ask the Commission to address in future rulemaking scenarios where the aggregation of certain activities could functionally amount to a CUI Provider holding itself out as a broker, which we further address below.

Process, Durability, and the Need for Formal, Comprehensive Rulemaking

SIFMA supports the Commission's work to integrate new technologies and operating models into the regulatory framework. Our goal is to ensure that this integration proceeds through channels that provide legal durability, broad stakeholder input, and consistency with the Commission's investor protection mandate. The structural significance of the Staff Statement and the gaps in guidance we observe underscore the need for a notice-and-comment rulemaking process. As Chair Atkins recently outlined in his remarks at the Special Competitive Studies Project AI+ Expo, notice-and-comment rulemaking will be critical in integrating on-chain operating models and functionality into securities regulatory frameworks.⁴

Staff statements, while valuable as interim guidance, do not carry the same legal weight as Commission rules and are subject to modification and rescission without market input. This makes them challenging to rely on, particularly on a long-term basis, for firms aiming to innovate within the parameters of a solid compliance program that is based on clear and comprehensive regulations. The Staff Statement's five-year sunset provision further underscores the need for a permanent regulatory solution.

For example, the Commission could incorporate elements of this statement into pending digital assets market structure rulemaking after receiving and analyzing public comments, thereby providing regulatory certainty and enabling more durable market development.⁵ A more structured rulemaking process that develops a clear path for wallet provider integration into established, well-regulated securities markets will put emerging technologies on a secure regulatory footing and enable innovation by a broader range of market participants. This rulemaking process should build on past SEC actions, no-action letters, and case law to create a robust foundation for consistent approaches to new technologies, which were absent from the Staff Statement.

⁴ <https://www.sec.gov/newsroom/speeches-statements/atkins-remarks-sdsp-ai-expo-050826>

⁵ The value of making regulatory changes to accommodate wallet-based models through durable rulemaking as opposed to statements alone has also been noted by others, vis. The Defi Education Fund's April 21 letter to the Commission; <https://www.sec.gov/comments/4-894/4894-758547-2330714.pdf>

The Commission should also address how registered broker-dealers, investment advisers, and other intermediaries may adopt CUI-type functionality without inadvertently compromising their existing compliance obligations. Existing registered firms remain interested in analyzing and potentially incorporating new technologies within existing registered businesses. These firms bring decades of experience operating in regulated markets, including deep understanding of compliance, risk management, and investor protection. This institutional knowledge would be beneficial to ensuring we are building sustainable, long-term changes that potentially bring new benefits to investors while preserving the integrity and resilience of U.S. securities markets.

Structured Oversight of CUIs is Needed to Support Continued Regulatory Modernization and Protect Investors

The Staff Statement does not establish formal channels for supervision, reporting, or oversight of CUI Providers operating within the parameters of the Staff Statement. As a result, these providers may operate outside the SEC's existing examination and surveillance frameworks, which could limit the Commission's ability to observe how this activity evolves and implicates the emerging tokenized securities landscape. Better insight into CUI Provider-driven activity will help inform policymaking as the SEC continues to modernize its rulebook to accommodate digital innovation. It would also support the SEC's ability to identify the degree to which the statement's conditions are being met and any potential investor protection or market integrity concerns, including manipulation, conflicts of interest, order handling requirements, display bias, information asymmetries, or other forms of on-chain conduct risk. In the absence of structured reporting or other visibility mechanisms, it will be challenging to determine whether a CUI Provider is going beyond the scope of the statement and the Commission may need to rely primarily on tips, complaints, and case-by-case fact-finding to assess whether CUI Providers are complying with the conditions of the Staff Statement.

Because the Staff Statement permits CUI Providers to receive user-based fees tied to digital asset securities transactions, the SEC should specify what investor protection obligations apply when such providers operate outside broker-dealer registration. We recognize that the Staff Statement imposes extensive disclosure and conduct requirements; however, disclosure alone, without supervisory oversight or examination authority, may prove insufficient to protect investors.

In addition to investor concerns, the SEC should consider what is working in order to support development of these products and technologies to the benefit of markets and investors. Providing the SEC with greater visibility into the operations of novel models, such as those operated by CUI Providers – and other providers of new technologies – will enable SEC's ongoing work on ensuring new technology perspectives can be integrated with the broader market structure and the trading ecosystem. Without monitoring, it will be challenging to identify innovative practices that may benefit markets over the long run and to foster their responsible development.

To support monitoring, the Staff Statement should be supplemented to incorporate supervision, reporting, and accountability mechanisms that provide the Commission with practical visibility into CUI activity while supporting responsible innovation. The Commission should clarify whether any existing SEC or FINRA oversight authority would apply to CUI Providers and, if not, what alternative mechanism would allow the Commission to assess compliance with the conditions of the Staff Statement. A notification or filing process, coupled with periodic compliance attestations, could help create a factual record without necessarily imposing a full broker-dealer examination framework. Without some structured means of understanding who is relying on the Staff Statement and how these models are operating in practice, it may be difficult for the Commission to assess their impact on key markets issues like execution quality, routing transparency, or fragmentation across liquidity pools.

To support the Commission's stated intention to convert the Staff Statement into durable rules, the Staff should publish observed compliance patterns, areas of interpretive uncertainty, and any enforcement actions on a periodic basis so that there is an empirical record to inform future rulemaking.

Gaps in Market Coverage and Regulatory Framework Considerations

As noted above, the Staff Statement provides a clear pathway for only one type of wallet activity involving user-initiated transactions via self-custodial wallets. As the Commission considers how to develop this approach through notice-and-comment rulemaking, we encourage the Commission to address a broader set of questions about how wallet-based and CUI-related functionality should operate across the securities markets, including for registered intermediaries, custodial wallet providers, institutional users, and on asset management use cases, including the following questions:

1. **How should CUI-type functionality apply to registered intermediaries?** The Commission should clarify how registered intermediaries may offer, integrate or partner with CUI-type functionality for their customers while continuing to satisfy existing obligations under U.S. securities laws and regulations. This includes how CUI-related activity should interact with existing broker-dealer, investment adviser, custody, supervision, books-and-records, and compliance requirements.
2. **How should the framework apply across custodial and non-custodial wallet models?** The Commission should address how the regulatory analysis differs across self-custodial wallets, custodial wallet providers, and hybrid models in which a regulated intermediary, technology provider, or third party performs different functions in the transaction lifecycle. Additional clarity would help market participants understand when wallet functionality remains a technology service and when it becomes part of a regulated securities activity.
3. **How should questions of display bias and implicit recommendations be addressed?** The permission for CUI Providers (as unregistered entities) to rank and display trading venues is among the most consequential aspects of the Statement and warrants careful consideration. The ways in which execution options are selected, displayed, sorted and ranked within the CUI raises the potential for display bias and creation of implicit recommendations, creating investor protection and execution

quality concerns even when the ultimate selection of execution venue is made by the investor.⁶ These concerns should be addressed through structured oversight from the outset, not only by relying on a disclosure based regime.

4. **How should institutional and asset management workflows be treated?** The Commission should consider how CUI-type functionality may be used in institutional and asset management contexts that differ from retail wallet interactions. Relevant use cases may include non-custodial operational workflows, rules-based or programmatic processes, direct subscription and redemption activity, wallet whitelisting, KYC controls, and institutional fee arrangements. Guidance in these areas would help ensure that regulated entities can responsibly explore tokenized securities activity without uncertainty about how existing regulatory obligations apply.
5. **How should responsibility be allocated when errors, fraud, or operational incidents occur?** The Commission should clarify how responsibility would be allocated among CUI Providers, wallet providers, execution venues, custodians, registered intermediaries, and other service providers when investor harm or market disruption occurs. This includes questions involving loss of assets, fraud, smart contract failures, cybersecurity events, transaction errors, or other operational incidents.
6. **What operational and technology risk standards should apply to CUI-related activity?** The Commission should consider what guardrails are appropriate for operational, technology, cybersecurity, and third-party risks associated with CUI activity. In particular, guidance would be useful on how market participants should evaluate risks associated with public permissionless blockchains, including network congestion, MEV-related activity, consensus-level attacks, smart contract vulnerabilities, and reliance on third-party infrastructure.
7. **How should AML, KYC, account-opening, and wallet controls be incorporated?** The Commission should address how wallet-based models should interact with account-opening, customer identification, AML/KYC coordination, wallet whitelisting, and related controls. This is especially important where activity involves registered intermediaries or institutional participants that already operate within established compliance frameworks.
8. **How should investor rights and securities-law obligations operate in wallet-based models?** The Commission should clarify that existing investor protections, disclosure obligations, corporate governance rights, voting rights, record ownership, transfer restrictions, and other securities-law requirements apply when securities are held, transferred, or accessed through wallet-based infrastructure.
9. **How should CUI activity involving NMS securities interact with the existing execution stack?** The Commission should explain how CUI-related routing or transaction preparation involving NMS securities would coexist with existing market structure requirements. In particular, further guidance would be useful on whether the same conduct in a traditional securities interface would raise issues about broker-dealer requirements, order-routing, best execution, or market access, and if so, how the Commission distinguishes those issues in the context of blockchain-based functionality.
10. **How should the CUI framework interact with existing market structure rules?** The Commission should clarify how CUI-related activity would interact with Regulation NMS, Reg ATS, Regulation SHO, Regulation SCI, and the market access requirements under Rule 15c3-5. These market

⁶ While ranking may appear to be a benign technical function, research on internet search engine ranking has well documented how the mere act of ordering results algorithmically (or otherwise) introduces subtle yet powerful biases that produce outsized effects on consumer behavior and market outcomes. The same dynamic applies with equal if not greater force in tokenized securities markets, where venue ranking directly determines where investors trade, which venues attract liquidity, and which platforms survive.

structure rules serve to ensure that U.S. securities markets remain fair, orderly and resilient, and it is critical to consider their application to tokenized securities activity in order to protect these markets while facilitating their growth.

11. **How should cross-border wallet activity be addressed?** Because wallet-based activity can operate across jurisdictions, the Commission should consider how its framework would apply to cross-border transactions, non-U.S. wallet providers, offshore execution venues, and users accessing U.S. tokenized securities infrastructure from outside the United States.

Conclusion

Approaching emerging and developing technologies through notice-and-comment based rulemaking that seeks to build a comprehensive framework for all types of entities and business models, and in consideration of long-standing SEC regulations that protect investors and market integrity, will allow for a more durable and broader adoption of innovation without regulatory arbitrage.

Finally, SIFMA reiterates its strong support for thoughtful innovation in U.S. capital markets. We believe that distributed ledger technology and tokenization hold genuine promise for enhancing market efficiency, transparency, and accessibility as we rethink markets and market structure. Realizing these benefits, however, requires a regulatory framework that is comprehensive, lasting, and developed through inclusive processes that balance innovation with the investor protection principles that have long underpinned the integrity of U.S. securities markets. We look forward to continued constructive engagement with the Commission and its staff on these important issues.

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

Securities Industry and Financial Markets Association

Cc:

Hon. Hester M. Peirce, Commissioner

Jamie Selway, Director, Division of Trading and Markets

SEC Crypto Task Force