

Comment Letter – SEC File No. 4-927

****Re:**** File No. 4-927, Request for Comment on the Tokenized Stock Venue Exemption ("TSV Exemption")

****To:**** Secretary, U.S. Securities and Exchange Commission

****From:**** Lianqing Hu

****Date:**** 2026-09-24

1. Answer

****Yes.**** Condition G should be modified. It should be modified by adding ****one**** size-indexed field.

Every field Condition G presently requires describes a transaction ****that happened****.

None describes what would happen to a transaction ****that has not happened****. That is not a gap in coverage; it is a gap in kind – and it is self-selecting.

Proposed text is in §3.

2. Why the exemption as written cannot reach the quantity that matters

Condition G requires, at minimum: (i) the symbols for each Tokenized NMS Stock and paired asset, (ii) the transaction price, (iii) the transaction size, (iv) the transaction time at the AMM Liquidity Pool, and (v) the transaction direction; and additionally the pool and its smart contract address, daily asset pair share volume, and end-of-day size of the pool per asset pair.

Condition G also fixes ****how**** that data must be delivered: freely and publicly available,

****in a machine-readable format****, for all transactions within ****the past thirty (30) days****,

and updated within ****ten (10) minutes**** of the occurrence of any transaction. §3 below refers

back to those requirements.

Taken field by field against the question a reader actually has – **what comes back if this*

position has to be sold* – the requirement does not get there:

| Condition G field | What it supplies |

|---|---|
 | (i) symbols of stock and paired asset | identifies the pair – sufficient |
 | (ii) transaction price | a price that ****was taken****; not the price a size ****would**** get |
 | (iii) transaction size | the sizes that ****were**** traded, not the sizes asked about |
 | (iv) transaction time at the pool | a timestamp; not the block a reader needs |
 | (v) transaction direction | one leg; a round trip is two legs through the same pool |
 | pool and contract address | identifies the pool – sufficient |
 | daily asset pair share volume | a daily scalar |
 | end-of-day pool size per pair | one scalar per pair per day |

****The self-selection.**** Executed trades are the trades that were worth executing. Nobody executes the trade that returns three cents on the dollar, so that trade never appears in any compliant disclosure – and it is precisely the trade a lender is forced into during a liquidation. A disclosure constructed only from executed transactions is therefore structurally blind to the worst outcome, and it is blind ***by construction***, not by oversight.

****Two consequences that follow from the field list itself.****

- ****The fee of the route is not a required field.**** Price, size, direction, pool address, daily volume and end-of-day pool size are required; the fee charged by the pool that would win a given route is not among them. A venue can comply with Condition G in full, and a reader can still not discover from the disclosure that the route a size actually takes charges 0.30%, 70% or 88% – depending on the size, and on how much is left in each pool at the time.
- ****Pool size is a scalar, not a curve.**** One end-of-day number per pair says how much is in the pool. It does not say what comes back out at \$1,000, or at \$100,000 – and those two answers can differ by three orders of magnitude for the same pool on the same day.

****An objection, pre-empted.**** A reader may answer that the fee is recoverable from the disclosed trade prices. It is not, without a reference price: the trade price alone does not separate the fee from the market, and choosing a reference is itself the benchmark problem. ****This is why the field proposed below is defined without any external**

price.**

3. How – proposed modification

Add the following paragraph to Condition G (new text; nothing above is deleted):

> In addition, for each AMM Liquidity Pool through which the TSV routes orders, the TSV
> must publish, in the same machine-readable format, **round-trip recovery** for each asset
> pair at each of the following notional sizes: **\$100, \$1,000, \$10,000, and \$100,000**.
>
> "Round-trip recovery" means the U.S. dollar-denominated percentage of the purchased
> notional that is recovered by purchasing the stated notional of the Tokenized NMS Stock
> with the paired asset through that AMM Liquidity Pool and immediately selling the entire
> resulting position back through the same AMM Liquidity Pool, **computed without reference**
> to any external price, index, or benchmark.
>
> The series must be updated at intervals no longer than thirty (30) minutes, must be
> retained for the same thirty (30) day period as the transaction data required above, and
> must be published **whether or not** any transaction occurred in the interval.
>
> For each pool and asset pair the TSV must also publish the **fee tier or tiers** applied
> by that pool, and the block reference at which each published figure was computed, so
> that the figure can be reproduced by a third party from public data.

Four elements of that text are deliberate and each answers a specific failure:

1. **The sizes are fixed by the Commission, not chosen by the TSV.** A venue permitted to choose the ladder will choose the rung on which it looks best.
2. **The statistic is defined without a reference price.** Buy and sell the same notional through the same pool; the ratio needs no benchmark, so the disclosure creates no new benchmark problem and is not contestable on the choice of one.
3. **Publication is required when nothing traded.** A series that only prints when a trade occurs re-imports the self-selection it exists to remove.

4. **The block reference and fee tier are published.** Without them the figure is an assertion; with them it is arithmetic a reader can redo.

4. Why a ladder of sizes, and not a single size

This is the part most likely to be misread, so it is stated separately.

The natural reply to a bad number at a small size is **the pool is thin – split the order**.

There are two separate limits here, and a single size cannot tell you which one you are

against. Below the cheap pool's capacity the round trip costs a fraction of a percent –

0.33% at \$100 in the earliest row, 2.66% in the most recent. Above that capacity, the only

routes that fill are taxed, and a round trip pays the tax twice. **Splitting moves you from the**

second limit to the first – and then exhausts it. A ladder is what shows where the crossover

sits, because the crossover is neither a property of the fee nor a property of the token.

Quoted against **every initialized QQQ/USDG pool** – not against a stored list of pools – at three pinned blocks:

block	\$100	\$1,000	\$10,000	\$100,000
54,088,399	99.67%	98.62%	0.26%	0.03%
61,129,566	99.29%	99.21%	91.11%	0.03%
70,427,772	97.34%	2.19%	0.35%	0.04%

The cheap route is there at every one of those blocks: one pool, fee 0.30%. **What changes**

between them is not its fee but how much it will absorb – its capacity, the largest notional

it will quote, was \$9,841, then \$10,506, then \$287 – up once, then down, by about thirty-four times in nineteen days.

Above that capacity, the only routes that fill charge 70% or 88%, and a round trip pays the

fee twice: **9.00%** through the 70% pool and **1.44%** through the 88% pool. No ordering

technique lifts either ceiling.

So the answer to "then split the order" is: split until the cheap pool is empty – and where

that boundary sits is the whole question. At one block it sat near \$10,000;

nineteen days

later it sat near \$287. **A single size reports a point. A ladder reports where the boundary is

today – and a ladder published repeatedly reports that it moves.**

Which is precisely what no required field shows. End-of-day pool size is one scalar per asset

pair per day: not a capacity, and not per pool. Executed transactions show only the trades

small enough to have happened. **Neither can see the boundary, and neither can see it move –

by about thirty-four times in nineteen days, and by more than three hundred times at the

\$10,000 rung alone.**

For contrast, the ladder is not uniformly bad. **Across all nine tokens, QQQ's two smallest

sizes are the only cells that the every-pool quote shows to be wrong**; other cells read

differently, sometimes by a

wide margin, because the table reports a median over twelve rounds and this quote is a single

block – a difference of statistic rather than of correctness. And in the window reported in

the registration, **five of the nine tokens recover more than 96% at every rung, including

\$100,000**, the lowest single rung among them being 97.1%. **The field discriminates** – it is

not a requirement that every venue fails; it is a requirement that makes the difference

between the two cases visible in the disclosure.

5. What this modification does not reach

Stated because the drafter would rather the Commission hear it here than discover it.

- The order's volume limits compare traded volume to average daily volume in the underlying, which is a different quantity from round-trip recovery and is not a substitute for it.

- **The order does not permit leverage through the venue.** Lending protocols that accept

these tokens as collateral therefore sit outside this framework – and that is exactly

where the question *can this be liquidated* actually binds. The proposed field makes the

relevant quantity public; it does not, by itself, reach the arrangement in which the

quantity decides an outcome.

A comment that claimed more than this would be claiming that a disclosure requirement governs a relationship it does not reach.

6. Feasibility

The proposed series is computable from public chain data, and is computed by the project cited in §7 from data it publishes. It requires no venue to disclose anything a venue does not already possess, no new reporting infrastructure beyond a scheduled publication, and no reference price. The cost is a scheduled job and a published file.

7. Source, and the status of the numbers

The field-by-field analysis, the measured example, and the ceilings above are set out at greater length – with the transcription of Condition G taken from the order itself and its SHA-256 recorded – in **§10 of `PREREG-rtr-recovery-shape-2026-09-22.md`, as corrected by its third addendum**, published in [https://github.com/dirkdiggler1026/executability-report`](https://github.com/dirkdiggler1026/executability-report).

The commenter's own positions in the assets discussed here are recorded in **§11 of the same document and in its second addendum**: a dated attestation that no position in any measured tokenized stock is held at any controlled address on any chain, that no liquidity has been provided to any measured pool by any route, and that no trading is done on the venues characterised here. It is falsifiable in that direction, which is the direction that matters for a comment such as this one.

Two statements about status, so that nothing here is read as more than it is:

- The nine-token figures referred to in §4 come from a window that the boundary rules in that registration were written against, and are published there as **calibration, not test**. The rules were fixed before that window was computed, and the document's own addendum says so.

- A ****pre-registered forward window**** opened on 2026-09-23 00:00 UTC. ****This letter does not report its outcome****, whether or not it has been evaluated by the time the letter is read.

Nothing in this letter depends on that outcome, and the Commission should not read it as reporting one.

Annex A – the question being answered

Question 1 of File No. 4-927, transcribed from `34-106402.txt`, lines 1553-1558 (txt SHA-256 `30e90be4051acd26b19eab8300f73097e5852fd6f87c1eb695f43b5bfb0e0667`):

> VI. Solicitation of Comments

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> The Commission intends to monitor closely the use of the exemptions and whether any

> modifications to the exemptions may be necessary. The Commission solicits public comment

> on all aspects of the exemptions, including:

>

> 1. Should the Commission modify the TSV Exemption in any way? Why or why not?

> If so, describe how the TSV Exemption should be modified.

§3 above is the answer to "how".