

September 28, 2026

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

**Re: Innovation Exemption to Facilitate the Trading of Tokenized NMS
Stock, Release No. 34-106402; File No. 4-927**

Dear Ms. Countryman:

I write in response to the order granting temporary and conditional exemption for tokenized securities venues from the definition of “exchange” in section 3(a)(1) of the Securities Exchange Act of 1934 to facilitate the permissioned trading of tokenized National Market System stock using innovative automated market makers and liquidity pools.¹ These observations draw on my prior legal scholarship on this subject² and address the following questions:

1. Should the innovation exemption be permanent? If so, what conditions of the exemption should such venues be subject to on a permanent basis?
2. Is the length of the temporary innovation exemption appropriate? If not, what should the duration be?

¹ Scholar-in-Residence, Investor Choice Advocates Network. The views expressed in this comment belong solely to its author and do not purport to reflect the views of the Investor Choice Advocates Network or any of its representatives. The author reports no conflicts of interest. The author has no current or prior relationship with any business entity or person in the digital asset industry, nor has he ever owned, invested, or partaken in any digital asset business venture, such as a tokenized securities venue. The author’s research and scholarship is fully self-funded. No AI tools were used in writing any part of this comment. Nothing in the comment is legal advice or intended to be interpreted as legal advice.

² Alexandros Kazimirov, Regulation By Enforcement: A Retrospective of the SEC’s Vision for Digital Assets and An Alternative European Model, 8 Stanford J. AI/Web3 L. & Pol’y 237 (2025) (In sum, the SEC’s previous attempt to amend Rule 3b-16 under the Securities Exchange Act of 1934, to regulate digital asset exchanges while simultaneously targeting them with enforcement actions was a sloppy regulatory approach. Reforms adopted through informal rulemaking have a forward-looking orientation, whereas enforcement proceedings address past misconduct. Courts have long recognized that, to carry out its mission, an agency like the SEC has discretion to decide whether to proceed by rule or adjudication, but relying on the precedential effect of adjudicative actions as means of policymaking diminishes an agency’s predictability and reliability. The article concludes by calling for an approach which treats trading venues with a light hand to give them time to experiment, adapt, and scale. The SEC now agrees and asks how much time. This comment attempts to answer.) (<https://stanford-jawlp.pubpub.org/pub/regulation-by-enforcement>).

In sum, both issues can be addressed by adhering to prudent regulatory gradualism, prioritizing temporariness, leaving room for procedural flexibility, and retaining discretion for improvements. If the staff are willing to further inquire about these suggestions, I welcome the opportunity to respond to their questions. I also thank Chairman Atkins, Commissioners Peirce and Uyeda, and the SEC staff, including and especially those who are part of the Crypto Task Force, for the willingness to listen and engage, the diligence and professionalism in processing feedback, and the creativity in coming up with a workable framework. This is the SEC at its best.

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In the late 1990s, the SEC faced a familiar problem. It had to modernize its regulatory framework to address the proliferation of electronic trading venues while accommodating traditional market structures and old rules. Although the SEC was not sure about the impact that those systems would have on the market, it undertook the effort to integrate alternative trading systems into the National Market System which resulted in Regulation ATS.

In the meantime, the SEC relied on temporary exemptive relief and more lax standards of regulation recognizing that “[e]lectronic trading systems were not entirely new, of course. Instinet, founded in 1969, was the first. Its ability to endure could be traced back to 1986 when, in the face of marketplace pioneering, the SEC opted to adopt a light regulatory touch in a no-action letter issued that year, approving the regulation of Instinet not as an exchange, but as a broker dealer. This allowed Instinet to invest its limited resources on innovation rather than on the obligations and costs involved in being a registered exchange with self-regulatory obligations. As director of Market Regulation Rick Ketchum later put it, “in the Instinet letter the Commission determined to encourage innovation and to take a risk.””³

In retrospect, it was the right approach and one that is worth replicating with tokenized securities venues. The Uniswap protocol, for example, has been in operation since 2018. As then, now again a pro-innovation approach

³ SEC Historical Society, Transformation & Regulation: Equities Market Structure, 1934 to 2018, Digital Exhibition, Increments and ECNs (opened on March 1, 2019) (<https://sechistorical.org/exhibition/transformation-regulation-equities-market-structure-1934-to-2018-2/rulemaking-and-linkages-1975-2005/increments-and-ecns>).

consists of temporary exemptive relief, rulemaking, and interoperability with conventional market systems, applied through disclosure-based, merit-neutral, and technology-neutral principles. So far, the SEC deserves credit for its pro-innovation stance and the ungodly amount of work that has gone into it. This comment does not delve into technical details which may be better addressed by market participants. Instead, it discusses issues of permanence and duration of the innovation exemption for tokenized securities venues.

1. Should the innovation exemption be permanent?

If the SEC intends to adopt prudent gradualism,⁴ whereby step one is exemptive relief, step two is rulemaking, and step three is system integration, then temporary exemptions are more appropriate than outright permanent relief. For one, it preserves the SEC's discretion and flexibility in its ability to address regulatory blind spots or respond to distortions in tokenized trading without depriving its ability to extend the exemption for another five years. Next, it ensures that, in the absence of enacted congressional initiatives, priority to regulate tokenized securities venues remains with the SEC, which is better able to follow up with a final rule. Last, it allows the SEC to use permanent relief as an incentive for those trading venues that comply with their initial disclosure obligations and gradually progress toward a state of functional decentralization. In this sense, making the exemption conditional on reporting obligations and digital record-keeping further supports this effort and is a step in the right direction.

2. Is the length of the temporary innovation exemption appropriate?

Fixing the duration of the innovation exemption depends on the purpose that it aims to accomplish as an interim measure. A five-year exemption is more suitable compared to earlier proposals that provided for a three-year period to allow trading venues to reach network maturity.⁵ It is also adequate to give the SEC the opportunity to gather data and track tokenized trading activity. Ultimately, since the SEC can modify the length or any other aspect of the exemption pursuant to its authority under Section 36 of the Exchange

⁴ Jeff Strnad, *Economic DAO Governance: A Contestable Control Approach* at p. 69, arXiv:2403.16980v4 (Dec. 2024) (<https://arxiv.org/pdf/2403.16980>).

⁵ Commissioner Hester M. Peirce, *Token Safe Harbor Proposal 2.0*, Statement (2021) (<https://www.sec.gov/newsroom/speeches-statements/peirce-statement-token-safe-harbor-proposal-20>).

Act (as long as it determines that such modification is necessary or appropriate in the public interest and consistent with the protection of investors), a five-year period provides a sufficient starting point. As an alternative, the SEC can extend the exemption's duration to seven years to reflect recent IPO trends which show that companies tend to stay private for a longer period, thus giving new entrants a comparable timeline to achieve scale.⁶

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The public inquiry requests feedback on several more points that lie beyond the purpose of this comment. Regarding the scope of duration of the innovation exemption, this comment respectfully recommends that the SEC proceeds on the basis of temporariness and procedural flexibility. As an interim measure, a period of five-seven years is sufficiently accommodating.

Respectfully submitted,

Alexandros Kazimirov

⁶ Jay R. Ritter, Initial Public Offerings: Median Age of IPOs Through 2025 (Dec. 2025) (Showing the median age of tech IPOs for 2024-2025 to be 13 and 12 years respectively) (<https://site.warrington.ufl.edu/ritter/files/IPOs-Age-of-Companies-Going-Public.pdf>).