



October 22, 2026

VIA ELECTRONIC SUBMISSION

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

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

Dear Ms. Countryman:

Solana Policy Institute¹ respectfully submits this letter in response to the request by the U.S. Securities and Exchange Commission (the “Commission”) for comments on the order published in Release No. 34-106402, File No. 4-927 (the “Innovation Exemption”).² We commend the Commission for issuing the Innovation Exemption. At the same time, to provide greater certainty for prospective tokenized securities venues (“TSVs”) to design, develop, and launch compliant systems, we join other submissions in respectfully requesting that the Commission define a key condition in the Innovation Exemption—“public, permissionless distributed ledger”—according to a functional, control-based standard.³

¹ Solana Policy Institute is a non-partisan, non-profit entity focused on educating policymakers on how decentralized networks like Solana are the future infrastructure of the digital economy. We are also a member of Project Open—a collection of interested parties working collaboratively to address and enable tokenized securities on public blockchain networks in a manner consistent with existing regulations.

² SEC, *Order Granting Temporary Conditional Exemptive Relief, Pursuant to Section 36(a)(1) of the Securities Exchange Act of 1934, from the Definition of “Exchange” in Section 3(a)(1) of the Exchange Act for the Use of Certain Distributed Ledger Trading Venues for Tokenized NMS Stocks and from the Definition of “Dealer” in Section 3(a)(5) of the Exchange Act for Certain Liquidity Providers for Tokenized NMS Stocks, and Request for Comment*, 91 Fed. Reg. 60168 (Sept. 22, 2026), <https://www.govinfo.gov/content/pkg/FR-2026-09-22/pdf/2026-19388.pdf>.

³ See Letter from Gabriel Shapiro to SEC, at 6–9 (Sept. 19, 2026), <https://www.sec.gov/comments/4-927/4927-1060659-3654346.pdf>; Letter from Omid Malekan to SEC, at 1–2 (Sept. 25, 2026), <https://www.sec.gov/comments/4-927/4927-1074419-3723309.pdf>; see also Letter from Securities Industry and Financial Markets Association to SEC, at 8 (Oct. 19, 2026), <https://www.sec.gov/comments/4-927/4927-1098979-3870047.pdf> (asking the SEC to further define what characteristics would make a blockchain network public and permissionless).

The Innovation Exemption grants a five-year, conditional exemption from the Securities Exchange Act of 1934 (the “Exchange Act”) definition of “exchange” to TSVs that trade tokenized National Market System (“NMS”) stock using permissioned automated market makers and liquidity pools (together, “AMM Liquidity Pools”). The Innovation Exemption also grants an exemption from the Exchange Act definition of “dealer” to certain liquidity providers in an AMM Liquidity Pool that supply liquidity in the form of tokenized NMS stock. These exemptions will enable market participants to realize many of the potential benefits of distributed ledger technology for the trading of tokenized NMS stock—including investor self-custody, around-the-clock trading, fractional ownership of shares, and near-instantaneous settlement—all while providing greater efficiency and transparency and preserving important investor and market integrity protections.

Importance of Defining “Public, Permissionless Distributed Ledger”

The Innovation Exemption is conditioned on, among other things, the distributed ledger applications (*i.e.*, smart contracts) used by a TSV being “auditable, public, and deployed on a *public, permissionless distributed ledger*.”⁴ In the Innovation Exemption release, the Commission explained that it expects that this condition “will provide information that could help TSV Participants understand how their trades are effected on a TSV” and “will enhance TSV transparency, support market integrity, and reduce systemic and operational risk by empowering participants and third parties to audit and report vulnerabilities, as well as help TSV Participants better assess the risks of trading on a particular TSV.”⁵

We support and agree with these key objectives, but whether or not they will be achieved will depend on which ledgers qualify. The Innovation Exemption does not define the term “public, permissionless distributed ledger.” The Commission stated that the term “[p]ermissionless” generally means that anyone can read or write to the distributed ledger without authorization.”⁶ That description addresses access but leaves important questions about control unanswered. For example, it does not address who controls whether a submitted transaction is included, how it is ordered, who can validate or finalize blocks, and who can change the rules that govern those functions.

A network can be publicly readable and accept transactions from anyone while one entity or selected group of entities retains control over ordinary sequencing or transaction inclusion, or determines who may participate in the network’s validator set. Such a network may meet the “anyone can read or write” standard, but nevertheless present a materially different control and risk profile than a ledger with an open validator network. The transparency and resilience goals that the Commission identified cannot be achieved via a ledger where one party can delay, reorder, or entirely exclude TSV transactions, or control whether new validators can participate in network activities. That said, because the Innovation Exemption does not distinguish between technologies and architectures that differ in this respect, prospective TSVs face uncertainty when choosing a ledger—and they may ultimately reach different interpretations or positions concerning what technologies and architectures suffice absent further Commission clarification.

⁴ Innovation Exemption at 60173 (emphasis added).

⁵ *Id.*

⁶ *Id.*

We therefore urge the Commission to define the term “public, permissionless distributed ledger” for purposes of the Innovation Exemption, and to do so using a functional, control-based standard to promote “transparency, support market integrity, and reduce systemic and operational risk” without prescribing any particular ledger architecture.⁷

Timely clarification is particularly important here because market participants are already developing TSVs and making foundational decisions about the blockchain networks on which they will operate. These decisions have significant implications for system architecture, compliance planning, and investment, and they may be costly or difficult to reverse once development is underway. Prompt Commission guidance would help ensure that prospective TSVs can design and deploy systems with confidence, rather than risk discovering after substantial development efforts that their chosen infrastructure does not qualify as “public, permissionless” for purposes of the Innovation Exemption.

Congress articulated a thoughtful and constructive approach that the Commission could draw from in this regard. The most recent Senate text of the Digital Asset Market Clarity Act (the “Clarity Act”) addresses the critical concept of control directly.⁸ Section 10104 generally defines a “distributed ledger control person” as a person or group of persons under common control (other than a decentralized governance system) with unilateral authority to control or materially alter the functionality, operation, or rules of consensus or agreement of a distributed ledger system.⁹ In proposing indicia of control, section 10104 considers whether a person or group of persons under common control can unilaterally restrict, censor, or prohibit use of the system, whether private permissions or hard-coded privileges give anyone preferential treatment, and whether a person or group of persons under common control can unilaterally alter the system’s functionality, operation, or consensus rules. Section 10301 uses related concepts in its proposed definition of “non-decentralized finance trading protocol”—namely, by focusing on control over functionality or consensus, failure to operate through pre-established, transparent code, and unilateral authority to restrict or censor use.¹⁰

We recommend that the Commission draw from the Senate draft’s approach and publish guidance or additional FAQs clarifying how the following considerations are relevant to whether a ledger meets the “public, permissionless distributed ledger” standard for purposes of the Innovation Exemption:

- (1) whether the ledger uses a protocol and underlying code that are fully open source;
- (2) whether the ledger permits any person to read the ledger and submit valid transactions without individualized authorization;
- (3) whether the ledger operates, executes, and enforces transactions pursuant to pre-established, transparent protocol rules;
- (4) whether the ledger grants any person or group of persons under common control persistent or structurally exclusive authority to sequence or validate transactions,

⁷ *Id.*

⁸ *Digital Asset Market Clarity Act*, H.R. 3633, 119th Cong. (S. Comm. on Banking, Housing, and Urban Affairs Discussion Draft released Sep. 14, 2026).

⁹ *Id.* § 10104.

¹⁰ *Id.* § 10301.

- determine transaction inclusion, control network finality, or materially alter the system's functionality, operation, or rules of consensus; and
- (5) whether the ledger grants any such person or group unilateral authority to restrict, censor, or prohibit use of the system or private permissions, hard-coded privileges, or similar capabilities that provide preferential treatment to similarly situated participants.

Finally, we also recommend that the Commission make clear that an otherwise qualifying network does not fail to meet the "public, permissionless distributed ledger" standard solely because it permits incident-response measures (such as pausing the network or deploying an emergency patch to address a critical vulnerability) if those measures are disclosed publicly in advance, temporary and limited to what is needed to address the incident, and subject to post-incident reporting. This would preserve an operator's ability to protect investors without permitting ongoing centralized control.

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We applaud the Commission for issuing the Innovation Exemption and for its constructive and balanced approach over the past twenty-two months concerning crypto assets and innovation more broadly. We appreciate the opportunity to provide initial feedback on the Innovation Exemption, which we may supplement with additional comments in the future. Thank you for your consideration of the points raised in this letter, and we are available to discuss if you have any questions.

Respectfully submitted,

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