coinbase

To:
Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

August 17, 2026

Re: Proposed Rescission of Rules 611 and 610(e) of Regulation NMS; File No. S7-2026-20; Release No. 34-105655.

Coinbase Global, Inc. (together with its subsidiaries, "**Coinbase**") appreciates the opportunity to respond to the proposed rescission of Rules 611 and 610(e) of Regulation NMS ("**Proposal**") published by the Securities and Exchange Commission ("**Commission**").

Coinbase is the most trusted service provider of crypto trading, custody, and infrastructure in the world. Founded in 2012 and publicly listed on the NASDAQ, we offer a secure and user-friendly interface for millions of verified retail and institutional investors globally. We are committed to building an open financial system and are doing so with the strongest regulatory compliance and security protocols available.

The technologies the Proposal contemplates are not prospective. By architecture and by investor choice, automated market makers, intent-based execution, and atomic settlement already deliver the outcomes Rule 611 pursued by mandate, including price discipline, transparency, and open access.

Coinbase appreciates the Commission's attention to this matter and looks forward to continued engagement as the Commission finalizes the rule.

Yours sincerely,

Scott Bauguess
VP, Global Regulatory Policy
Coinbase

Introduction

Coinbase supports the Commission's proposal to rescind Rule 611 and Rule 610(e) of Regulation NMS ("**Reg NMS**").[1] The proposal appropriately recognizes that these rules were designed for a market structure built around registered trading centers and protected quotations, and are not fit for open, permissionless trading environments. In particular, for tokenized equity markets, rescission would reduce legal uncertainty and clarify the scope of the Reg NMS framework while leaving other applicable regulatory obligations and investor protections in place.

We thank Chair Atkins for his unwavering opposition to Reg NMS since it was enacted in 2005.[2] In his and Commissioner Glassman's dissent when Reg NMS was adopted, they raised concerns that Reg NMS prioritized the Commission's assumptions about the way that markets and investors should interact and would ultimately have a "detrimental impact on competition and innovation."[3] Two decades after the rule's adoption, the Commissioners' concerns have proven to be true — there are seventeen exchanges, and off-exchange volume comprises over half of the market.[4]

Rule 611 presumed a single technology (the central limit order book, or "**CLOB**") and then protected it from innovation. That technology is no longer the only one today. For example, on open networks, automated market makers ("**AMMs**") price continuously from pooled liquidity; intent-based systems let solvers compete to fill an investor's stated objective across venues and chains; aggregators split a single order across dozens of liquidity sources in one transaction; and settlement is atomic, with the trade and its transfer completing as one indivisible step. These mechanisms already deliver what Rule 611 intended to pursue by mandate. An investor sets a price bound that travels with the trade itself and is enforced at settlement. Every execution is public on the ledger, timestamped, and reconstructable by anyone. Access runs to anyone with a wallet, at any hour, in any fraction. We concur with the Commission that these mechanisms are part of the technological evolution that warrants this rulemaking.[5]

---

[1] The Trade-Through Rule and Locked and Crossed Markets Provisions of Regulation NMS, Release No. 34-105655 (June 11, 2026), 91 Fed. Reg. 36,656 (June 17, 2026).
[2] SEC Press Release No. 2026-54, SEC Proposes Rescission of the Order Protection Rule (June 11, 2026); Chairman Paul S. Atkins, Statement at the Open Meeting on the Proposed Rescission of Rule 611 (June 11, 2026), https://www.sec.gov/newsroom/speeches-statements/atkins-statement-open-meeting-061126.
[3] https://www.sec.gov/files/rules/final/34-51808-dissent.pdf
[4] Proposal, Section I.B (documenting the proliferation of trading venues and the growth of off-exchange volume under Rule 611); see infra note 25 (figures).
[5] Proposal, Section I.B and nn. 44-45 (identifying distributed ledger technology, tokenized securities, and the smart contracts undergirding automated market makers as part of the

Our comments below are organized into four sections. Section I demonstrates that Rule 611 and the trading-center framework of Regulation NMS do not and cannot reach open-network tokenized equity venues. Section II shows that this legal conclusion is also sound economics because open networks already achieve the objectives Rule 611 was written to serve. Section III explains how tokenized equity on open networks advances capital formation and global market access. Lastly, Section IV recommends what the Commission should adopt in its final rule.

Coinbase appreciates the Commission's careful and deliberative approach to the Proposal and welcomes the opportunity to provide further technical assistance as the Commission finalizes the rule.

I. Rule 611 and the Trading-Center Framework Do Not Reach Open-Network Venues

Question 8 of the proposal asks whether the continued maintenance of Rule 611 would inhibit innovation and the development of new technologies. For open-network venues, the better question is whether Rule 611 applies at all. Rule 611 addresses a defined set of regulated intermediaries, and an open, permissionless network contains no addressee. This Section walks through the relevant definitions of "trading center" and "exchange" from Rules 611 and 610(e), then discusses why those definitions cannot be applied to open, permissionless networks.

The Architecture of Open Networks Does Not Trigger Reg NMS's Intermediary-Based Regulation

An open-network venue consists of open-source smart contracts deployed to a permissionless blockchain. Anyone may deploy them, and once deployed, the core exchange logic is immutable. This means that no operator can alter the matching function, set prices by discretion, halt trading, reverse a settled transfer, or exclude a counterparty. Liquidity is supplied to a common pool by anyone who chooses to supply it, and prices emerge from a deterministic function of pool composition rather than from any person's quotation. Trades settle peer-to-peer, wallet to wallet, atomically. Therefore, the exchange of assets for payment completes as a single, indivisible step stemming from the parties' own custody. Where compliance functions exist in these systems, they operate at the perimeter where regulated intermediaries interface with open networks: identity attestation or sanctions screening at minting and redemption, or front ends that facilitate access to smart contracts over which those front ends have no control. These function as ministerial gates crossed before trading rather than an intermediation of the trades themselves.

---

technological evolution warranting reconsideration of Rule 611, and citing the Joint Staff Statement on Tokenized Securities (Jan. 28, 2026)).

An Open Network is Not a "Trading Center"

Rule 600(b)(106) defines "trading center." The term is a closed list of intermediaries that includes national securities exchanges, alternative trading systems ("**ATSs**"), exchange market makers, over-the-counter market makers, and any other broker-dealer that executes orders internally by trading as principal or crossing orders as agent.[6] Every list item is a registered entity or a broker-dealer. An open network, on the other hand, requires none of them. An open-network venue is not an exchange or an ATS, and it requires no market maker or dealer. With no trading center, Rule 611 cannot apply.

Rule 611 prohibits trading through "protected quotations," and the Proposal restates the three requirements a quotation must satisfy to be protected:

- First, it must be an automated quotation, where it is displayed, accessible by immediate-or-cancel order, and immediately and automatically executable "without any programmed delay", as the Commission describes in its Proposal.[7] However, an AMM displays no quotation at all. It holds a liquidity curve, and the price of any given trade depends on the trade's size and the pool's composition at the instant of settlement. A liquidity curve is not a quotation, and liquidity pool pricing satisfies none of the order-handling mechanics of the definition.[8]
- Second, a protected quotation must be disseminated in the consolidated market data feeds. Open-network prices are not, and the Proposal concedes that Rule 611 does not even apply when the consolidated feeds stop operating. In any event, investors can see a liquidity pool's onchain state at any given moment in time, and what investors see is the liquidity pool composition and not a quotation.
- Third, a protected quotation must be the best bid or best offer of an exchange or a national securities association. No exchange or association computes one for these venues, which means protection in practice reaches only exchange top-of-book prices, the structural opposite of a permissionless pool.[9] There are no bids or offers in liquidity pools, and therefore no best bids or best offers that could enter the NBBO. With nothing to protect, a trade-through cannot occur on an open network.

---

[6] 17 CFR 242.611(a); 17 CFR 242.600(b)(106). The Proposal describes the defined categories as encompassing "national securities exchanges…alternative trading systems…over-the-counter ("**OTC**") market makers, and any other broker-dealer that executes orders internally." Proposal, Section I.B.

[7] 17 CFR 242.600(b)(6) (defining "automated quotation"); Proposal, Section II.A and nn. 88-89 (quotations must be immediately and automatically executable, "without any programmed delay").

[8] The point runs deeper than the absence of a displayed quotation. A price bound the investor programs into the transaction, such as a slippage tolerance, is a programmed condition on execution. The definition of an automated quotation forecloses exactly that: execution must be immediate and automatic against the displayed size, without any programmed delay or condition. *See* 17 CFR 242.600(b)(6); Proposal, Section II.A, nn. 88-89.

[9] Proposal, Section II.A and n. 90 (a protected quotation must be the best bid or best offer of an exchange or national securities association).

An Open Network is Not an "Exchange"

An open-network venue also cannot be an "exchange." The definition of "exchange" in Section 3(a)(1) of the Exchange Act applies to an organization, association, or group of persons that provides a marketplace for bringing together purchasers and sellers. Rule 3b-16(a) similarly states that the system must bring together the orders of multiple buyers and sellers, and must use established, non-discretionary methods under which those orders interact with each other and the parties agree to the terms of a trade.[10] An AMM fails both elements because there are no orders to bring together. The rule defines an "order" as any firm indication of a willingness to buy or sell.[11] However, a liquidity curve is firm at no price because the execution price is a function of trade size and pool state rather than a stated commitment. And, no orders interact with each other because each swap executes against pooled principal liquidity by mathematical operation, so a buyer's instruction never meets a seller's instruction at all.

The Commission has already acknowledged this. In March 2022, it proposed to expand Rule 3b-16 to reach systems offering non-firm trading interest and communication protocols. But, in 2025, the Commission formally withdrew that proposal, stated that it does not intend to issue final rules, and confirmed that any future action in the area would require a new rulemaking.[12] The definition therefore stands as written, and as written it does not reach a pooled-liquidity venue.

An Open Network is Neither a "Broker" nor a "Dealer"

In 2024, the Commission adopted a rule providing, in substance, that any person whose trading regularly has the effect of providing liquidity to the market is a "dealer." Two decisions of the Northern District of Texas vacated this rule. In *National Association of Private Fund Managers v. SEC*, the court held that the definition was "untethered from the text, history, and structure" of the Exchange Act because "broker" and "dealer" are sister terms organized around the facilitation of customer orders. This was a sound decision, because a liquidity curve is not a quotation. Every pool execution is subject to a price

---

[10] 15 U.S.C. 78c(a)(1); 17 CFR 240.3b-16(a) (a system is an exchange under the functional test if it (1) "brings together the orders for securities of multiple buyers and sellers" and (2) "uses established, non-discretionary methods (whether by providing a trading facility or by setting rules) under which such orders interact with each other, and the buyers and sellers entering such orders agree to the terms of a trade"); *accord* Proposal, Section I.B n. 22.

[11] 17 CFR 240.3b-16(c) (for purposes of the exchange definition, an "order" is "any firm indication of a willingness to buy or sell a security, as either principal or agent, including any bid or offer quotation, market order, limit order, or other priced order").

[12] Withdrawal of Proposed Regulatory Actions, Release Nos. 33-11377 et al. (June 12, 2025), 90 Fed. Reg. 25,531, 25,532-33 (June 17, 2025) (withdrawing, among others, Amendments Regarding the Definition of "Exchange" and Alternative Trading Systems, 87 Fed. Reg. 15496 (Mar. 18, 2022), which would have expanded Rule 3b-16 to reach systems offering the use of "non-firm trading interest" and communication protocols, and stating that the Commission "does not intend to issue final rules" and that future action in these areas would require a new rulemaking).

bound the investor programs into the trade itself, the slippage tolerance, and execution that turns on a programmed condition. This design is the opposite of execution that is immediate and automatic without any programmed delay.[13]

The companion case explicitly discussed the liquidity-pool architecture. The court found that pools that crowdsource assets so that any user can trade against them, with software that automatically adjusts prices as the makeup of the pool shifts, and recited the undisputed record description that this software is merely transparent, open-source, automated code, are not themselves "dealers." It held that the regular business of "dealing" means providing dealer services to others, such as soliciting clients, handling customer assets, and rendering advice, and that the passive supply of liquidity does not meet that criteria.[14] Both courts entered judgments vacating the rule in its entirety, and the Commission dismissed its appeal.[15]

The broker route fares no better. In *SEC v. Coinbase*, the court dismissed the claim that Coinbase's non-custodial wallet software effects transactions for others.[16] Software that neither holds customer assets nor exercises discretion over customer orders is not plausibly a "broker."[17] The same logic applies to other non-custodial interfaces, wallets, or smart contracts that are neutral software infrastructure. Because open networks are not an exchange, dealer, or broker, Rule 600(b)(106)'s definition of "trading center" cannot apply. Commission staff have spoken to the interface layer directly. In an April 2026 statement, the Division of Trading and Markets said it will not object to a provider offering a user interface for crypto asset securities transactions, a category the staff confirms includes tokenized equities, without registering as a broker-dealer, where the interface converts the user's own transaction parameters, slippage tolerance expressly among them, into instructions signed through the user's self-custodial wallet, exercises no

[13] *Nat'l Ass'n of Priv. Fund Managers v. SEC*, No. 4:24-cv-00250-O (N.D. Tex. Nov. 21, 2024), slip op. at 7 (the definition was "untethered from the text, history, and structure" of the Exchange Act); id. at 8-10 (broker and dealer are sister terms organized around customer-order facilitation; a liquidity-effects test makes the dealer-trader distinction unintelligible).
[14] *Crypto Freedom All. of Tex. v. SEC*, No. 4:24-cv-00361-O (N.D. Tex. Nov. 21, 2024), slip op. at 2-3 (describing liquidity pools that crowdsource assets, with "software that automatically adjusts prices as the makeup of assets in the pools shifts," and reciting the undisputed record description that the software "is merely transparent, open-source, automated code, not a dealer itself"); id. at 8-10 (the "regular business" of dealing means providing dealer services to others, such as soliciting investor clients, handling investor clients' money and securities, and rendering investment advice).
[15] Both courts entered final judgments vacating the rule in its entirety, the default remedy for agency action taken in excess of statutory authority, and the Commission voluntarily dismissed its appeals on February 19, 2025.
[16] 726 F.Supp.3d 260, 305-307.
[17] *SEC v. Coinbase, Inc.*, 726 F. Supp. 3d 260 (S.D.N.Y. 2024) (dismissing the Commission's broker claim as to Coinbase's self-custodial Wallet software, which neither holds customer assets nor exercises discretion over customer orders).

discretion over the transaction, displays execution routes on neutral and objective terms, and takes only fixed, venue-agnostic compensation from the user.[18]

Obligations Attach to Entities, Not to Securities

Some claim that a tokenized share of an NMS stock is still the same NMS stock, so Regulation NMS must follow it wherever it trades.[19] We agree that a tokenized share of an NMS stock is the same NMS stock, but we disagree that Reg NMS must follow wherever that tokenized share trades. The staff's Statement on Tokenized Securities confirms that tokenization is a method of recordkeeping and transfer, not a legal transformation, and that a tokenized security remains the same security, carrying the same issuer obligations and the same antifraud protections, regardless of format.[20] However, Reg NMS cannot apply to tokenized shares of NMS stocks traded on open, permissionless venues, because the regulatory obligations attach to *entities*, not to *securities* themselves.

For example, Rule 611(a) directs trading centers to maintain policies and procedures. Rules 602 and 603 direct exchanges, associations, their members, and securities information processors to collect and disseminate quotations and transactions. Rules 605 and 606 direct market centers and broker-dealers to disclose execution and routing statistics.[21] Each provision names its addressee, and every addressee is a regulated intermediary. When two investors transfer an NMS stock directly, with no intermediary in the chain, no provision of Regulation NMS can apply.

---

[18] Division of Trading and Markets, SEC, Staff Statement Regarding Broker-Dealer Registration of Certain User Interfaces Utilized to Prepare Transactions in Crypto Asset Securities (Apr. 13, 2026), available at https://www.sec.gov/newsroom/speeches-statements/staff-statement-regarding-broker-dealer-registration-certain-user-interfaces-utilized-prepare-staff-statement-regarding-broker-dealer-registration-certain-user-interfaces-utilized.

[19] See, e.g., Letter from Stephen John Berger, Managing Director, Global Head of Government and Regulatory Policy, Citadel Securities, to Vanessa A. Countryman, Secretary, SEC, at 7 (Dec. 2, 2025), available at https://www.sec.gov/files/citadel-securities-120225.pdf (arguing that exemptive relief for trading a tokenized share via DeFi protocols would create "two separate regulatory regimes for the trading of the same security," contrary to the Exchange Act's technology-neutral design); Letter from Kenneth E. Bentsen, Jr., President and CEO, SIFMA, to the Hon. Paul Atkins, Chairman, SEC, at 3-4 (Nov. 26, 2025), available at https://www.sec.gov/files/sec-exemptive-relief-short-letter-112625.pdf (tokenization does not change the nature of the security, and its trading, "whether in centralized or purportedly decentralized trading systems," must remain subject to core protections including fair access, transparency, and best execution).

[20] Joint Statement of the Staff of the Division of Corporation Finance, Division of Investment Management, and Division of Trading and Markets, SEC, Statement on Tokenized Securities (Jan. 28, 2026) (the "Tokenization Statement"); see also Proposal, Section I.B n. 44 (citing the Tokenization Statement).

[21] 17 CFR 242.611(a) (trading centers); 17 CFR 242.602, 242.603 (exchanges, national securities associations, their members, and securities information processors); 17 CFR 242.605, 242.606 (market centers and broker-dealers).

This is not regulatory arbitrage; it is how the system has always worked. Direct investor-to-investor transactions historically have sat outside the trade-through machinery for the life of Regulation NMS, because every duty in Rule 611 runs to a trading center or, for intermarket sweep orders, to a broker dealer, and a transfer negotiated directly between two investors involves neither. Congress pointed the other way, as the Securities Acts Amendments of 1975 contained in Section 11A(a)(1)(C)(v) of the Exchange Act directed the Commission to ensure that investors have the opportunity to execute orders without the participation of a dealer.[22]

Open-network settlement falls into that longstanding category, but with better plumbing. Open networks have self-executing settlement, open participation, and a public record of every transfer. Section 11A does not alter the analysis. Section 11A grants the Commission authority to facilitate a national market system by regulating the entities of that system, which includes self-regulatory organizations, brokers, dealers, and information processors. It has never been read to mandate that every transaction in an NMS stock occur inside the system, and reading a fifty-year-old provision to confer authority over software and private transfers is precisely what the courts have instructed agencies to avoid.[23]

II. The Economics of Open Networks Already Deliver on Rule 611's Goals

Question 7 of the Proposal asks whether market technologies have advanced to such a degree that Rule 611 is no longer needed.[24] They have.

Rule 611 pursues three outcomes by mandate: (i) price discipline for the orders investors place; (ii) protection against executions at inferior prices; and (iii) transparency sufficient to sustain the confidence in both. On open networks, architecture and investor choice deliver each outcome because the venue count more than doubled, from eight exchanges at adoption to seventeen today, and off-exchange volume rose above half of trading.[25]

---

[22] Direct transactions between investors, long described as the fourth market, have always occurred without trade-through obligations for the simple reason that no trading center, exchange, or broker-dealer participates in them. The obligations attach to intermediaries; where there is no intermediary, there is no obligor.

[23] 15 U.S.C. 78k-1 (directing the Commission to facilitate a national market system through rules applicable to self-regulatory organizations, brokers, dealers, and securities information processors); cf. *Loper Bright Enters. v. Raimondo*, 603 U.S. 369 (2024).

[24] Proposal, Section II.C, Question 7 (asking whether market technologies "have advanced to such a degree that Rule 611 is no longer needed").

[25] Proposal, Section I.B and n. 40 (off-exchange volume climbing to 51.9% of trading in Nasdaq-listed stocks and 47% in NYSE-listed stocks as of January 2026, citing the staff's 2026 Data Update of the 2015 EMSAC Market Structure Memo (June 11, 2026)); Proposal, Section VI.B.1 and n. 438 (eight exchanges and one national securities association traded NMS stocks at Regulation NMS's adoption; seventeen exchanges trade NMS stocks today, with three more approved but not yet operating)..

Prices are Enforced Across Venues by Competition

Investor protection was not absent in this trading environment that evolved outside of Rule 611. It evolved into a part of the order itself. An investor in an autonomous DeFi environment programs her own conditions of execution. This includes options for a slippage bound that sets the worst price she will accept, a deadline after which the order expires, and atomic settlement that completes the whole trade or none of it. Execution that violates her terms does not settle at all. The protections are chosen by the investor rather than by mandate, and they hold on any venue and any path without a trading center carrying regulatory obligations.

The purported justification of Reg NMS that without it, venues would ignore one another's prices, has been answered in onchain markets by competition. Arbitrage aligns the price of the same asset across pools continuously, because a stale pool is a standing profit opportunity for anyone. Aggregators split a single order across dozens of liquidity sources in one transaction and return the best blended execution available.

If Rule 611 were to be forced onto DeFi systems, it would prevent the adoption and continued evolution of innovation that already serves investors. Intent-based systems invert the instruction in that rather than routing an order to a particular venue based on the NBBO, the investor cryptographically signs a statement of the outcome she requires including the minimum she will accept. Competing solvers, professional trading firms among them, race to deliver that outcome across whatever venue will price it best, with settlement contingent on delivery of the investor's condition.

Intent-based systems (described in *Beyond Reg NMS: A Market Structure Framework for the Modern Era*, which is cited by the Proposal at footnote 45), race to execute an investor's cryptographically signed desired transaction outcome across multiple venues on the back-end. Such systems operate across dozens of networks today.[26] The routing discipline Rule 611 imposed on trading centers by mandate evolved here as the business model of the routing layer itself. An inferior price loses the auction and a fill below the investor's stated minimum never settles. No protected-quotation status needs to be consulted because nothing in the flow requires one. Automated agents are emerging as native consumers of these rails and performing the multi-factor execution judgment as the investor's delegate. Uncertainty about whether tokenized equity trading in DeFi will be

[26] See, e.g., NEAR Intents documentation, https://near.org/intents (solver networks competing to fill user-stated objectives across venues and chains, with settlement contingent on delivering the stated outcome; Cumulative volume across the system exceeded thirteen billion dollars by mid-2026 across more than thirty networks.); 1inch aggregation protocol documentation, https://docs.1inch.io (splitting a single order across many liquidity sources in one transaction); ShapeShift documentation, https://docs.shapeshift.com (a single interface routing trades through multiple independent protocols, including CoW Protocol and 0x). See also Douro Labs, Beyond Reg NMS, available at https://www.sec.gov/about/crypto-task-force/written-submission/douro-labs-beyond-reg-nms-02 2026, cited in the Proposal at n.45.

subject to Reg NMS will prevent this structure from protecting investors in those markets. This machinery is built and is working in native crypto markets. Clarity that Reg NMS does not apply to tokenized equity trading in DeFi will allow it to extend protection to tokenized equity investors as well.

Open Networks Improve Transparency

Rule 611's transparency premise held that a price is a "protected quotation" and thus protected by Rule 611 only if a consolidated feed carries it. The consolidated tape covers only the venues and the depth the plans admit, and the Proposal concedes that Rule 611 switches off entirely when the feeds stop operating.[27] Open networks invert the premise. Every execution is public on the ledger, timestamped, and reconstructable by anyone, without a subscription, without a plan processor, and without a revenue-allocation dispute. This transparency matters for consumers because it makes pricing and execution easier to verify, easier to compare, and less dependent on privileged access to market data.

DeFi Protocols are Resilient by Design

On October 10, 2025, leveraged crypto positions exceeding $19 billion were liquidated in a single day. That market crash is best understood as the AMM analogue of the May 6, 2010 "flash crash," when major U.S. equity indices fell about 9% within minutes before rapidly rebounding as liquidity and arbitrage flows re-entered the market. In the 2010 event, a one-sided order imbalance, algorithmic feedback loops, and a temporary withdrawal of displayed liquidity produced a short-lived dislocation that was quickly corrected once prices moved far enough to attract new buyers and arbitrageurs. The move in ETH on October 10, 2025 shows the same basic pattern in an AMM setting: a transient, flow-driven overshoot followed by rapid mean-reversion as onchain- and offchain venues re-aligned. That is not unique to DeFi: it is exactly the kind of microstructure event modern markets experience today. If anything, the fully observable, onchain pool and trade data make it easier to understand and improve market-resiliency tools.

A detailed analysis of Ether price movement, gas fees, bid-ask spreads, and order book slope and pool curvature on various CLOBs and AMMs, respectively, on various the Ethereum layer 1 and Base layer 2 blockchains during the stress event on October 10 and a comparison date with "normal" trading activity revealed key insights.[28]

First, CLOBs are more price efficient than existing AMMs during non-stress periods for a high-velocity asset, whose trading behaves like an S&P 500 security. This is most likely due to market makers moving to the market and adjusting their liquidity provision.

[27] See Proposal, Section II.A.1.
[28] See appendix for supporting analysis.

It is worth noting that the AMM on Base exhibited this resilience without traditional market safeguards such as limit up-limit down bands and circuit breakers. These tools are one particular way to manage volatility in an intermediated, venue-segmented equity market, but they do not stop price discovery. They mainly shift it into other venues or instruments and are most effective when dislocations are driven by microstructure failures (*e.g.*, dealers stepping away, stale quotes, or routing errors), not by fundamentals.

DeFi AMMs use a different set of tools, including continuously-posted pool curves, transparent fee tiers, and user-set slippage tolerances, which mean that liquidity remains available through the entire price path, while large trades mechanically pay more to liquidity providers as volatility rises. In practice, that combination can reduce the risk of abrupt quote withdrawal or "air pockets" just when prices are moving fastest without relying on discretionary halts or centralized judgment calls about when investors should be prevented from trading.

Second, AMMs are more resilient than CLOBs during stress periods. AMMs exhibit cheaper and more stable liquidity provision during stress. This is most likely due to liquidity providers being liquidity insensitive and protected by high fixed fees against adverse selection, while market makers on CLOBs are more likely to step away during stress periods. Notably, AMMs show this resilience without traditional market safeguards such as limit up-limit down bands and circuit breakers.

Third, onchain frictions, gas fees, AMM pool fees, and execution speed, directly determine the cost of arbitrage and are fundamental to price alignment. An AMM on a low-cost, fast execution chain like Base maintains price alignment with CLOBs much better than an AMM with the same parameters on a chain with higher gas fees and slower execution, like Ethereum.

These conclusions underscore that AMMs achieve the objectives of Rule 611 by architecture, not mandate, and that they are valuable alternative trading infrastructure to CLOBs.

III. Tokenized Equity on Open Networks Advances Global Capital Formation and Market Access

The Proposal Does Not Fully Account for Global Demand

The Proposal's economic analysis is thorough on the domestic structure of trading, but it is silent on global demand, which is the largest margin available to United States capital formation. Foreign holdings of U.S. equities stood at approximately $19.86 trillion as of June 30, 2025, and that ownership is overwhelmingly institutional and concentrated in

advanced economies.[29] Investors in Lagos, Jakarta, and Sao Paulo hold almost none of it, not for lack of demand, but for lack of rails. Brokerage access, correspondent banking, and settlement infrastructure stop at borders that an open network does not recognize. Tokenized equity on open networks extends the demand curve for U.S. equity to anyone with a smartphone, in any fraction, at any hour. Section 3(f) of the Exchange Act directs the Commission to weigh capital formation,[30] and tokenized equity on open networks directly advances that goal. It can expand the demand for U.S. listed equities by giving investors around the world a simpler, lower-cost, fractional access to those markets. If tokenized rails unlock global retail participation at scale, deeper liquidity and broader demand will reduce many of the concerns that arise in today's closed financial system. The market is already moving in this direction, evidenced by trading hours getting longer and settlement getting faster. Round-the-clock, global access to open networks is the logical next step.

Allowing tokenized equity trading to fall outside the 611 framework would promote a more diverse and resilient market structure by allowing different trading technologies to develop alongside the traditional system. When the paperwork crisis of the late 1960s buried Wall Street back offices in undelivered stock certificates, Congress and the Commission responded by immobilizing the paper in a central depository and layering intermediaries, and rules to govern them, on top. The Commission's own 1971 report described that structure as an interim measure on the way to "the ultimate achievement of a certificateless society."[31] The interim became permanent, and by the time information technology made a more direct system feasible, the intermediated architecture and its regulatory apparatus were locked in. Open networks are the certificateless society the Commission foresaw, but with better infrastructure than it could then have imagined.

Technological Innovation Outside the Reach of NMS Offers Diversification of Macroprudential Risk

There is a further macroprudential stability advantage to diversifying methods of trade execution. If any piece of the redesigned traditional system proves mis-tuned, a structurally different venue stands ready to absorb the distortion rather than amplify it. The lesson of past crises is to design financial flows so that systems do not fail the same

[29] From the Unbanked to the Unbrokered (Coinbase Institute, Jan. 2026); U.S. Dep't of the Treasury, Foreign Portfolio Holdings of U.S. Securities as of June 30, 2025 (final survey results, Apr. 30, 2026) (measuring foreign holdings of U.S. equities at $19,860 billion within $35,349 billion of total foreign holdings of U.S. securities).
[30] 15 U.S.C. 78c(f).
[31] Study of Unsafe and Unsound Practices of Brokers and Dealers, Report and Recommendations of the Securities and Exchange Commission, H.R. Doc. No. 92-231 (1971) (framing the immobilization of certificates as a step toward a "certificateless society"); see Tuongvy Le & Austin Campbell, Crypto and the Evolution of the Capital Markets (discussion draft May 12, 2025), https://ssrn.com/abstract=5250986 (tracing how the immobilization model adopted as an interim response to the paperwork crisis of the late 1960s became the permanent basis of United States securities settlement).

way at the same time. Open blockchains trading tokenized equity can complement the traditional system by carrying its flow if it fails.

Question 7 asks what impacts market technologies, including those relating to routing and connectivity, had on Rule 611. Rule 611 presumed one technology, the central limit order book, and protected it. Now, open networks exist in competition with order books, rendering Rule 611 wholly unnecessary. Accordingly, the Commission should confirm that Rule 611 does not apply to open networks to give investors clarity that they may transact over their technology of choice.

IV. Recommendations

Confirm the Plain-Text Meaning of the Definitions of "Trading Center" and "Exchange"

> **Recommendation:** The Commission should confirm that venues operating as open, permissionless networks, where immutable smart contracts execute peer-to-peer transfers and no operator exercises discretion over matching, pricing, or access, are not "trading centers" and display no "protected quotations" under Rule 600(b), and that such venues are not "exchanges" under Section 3(a)(1) of the Exchange Act and Rule 3b-16.

The Proposal would rescind Rules 611 and 610(e) and adopt conforming amendments to Rule 600(b) that would delete the trade-through, protected quotation, automated quotation, and related definitions.[32] This is the correct step, but the Commission should add one clarifying statement to foreclose inappropriate interpretations of the plain text of the definitions of "trading center" and "exchange."

The confirmation matters because certainty is the difference between building in the United States and building around it. All truly open blockchain tokenized equity trading today occurs outside the United States, and continued definitional ambiguity is the single strongest force keeping it there. Developers, liquidity providers, and regulated firms deciding where to deploy capital need to know whether an open-network venue is a regulated intermediary in waiting. As we describe above, Rule 611 does not and cannot, based on a plain reading of its text, apply to trades on AMMs. The Commission should affirm this and give the DeFi market this clarity.

This modest clarification creates no new category or regime, but it would preclude the re-litigation of settled text. Stating the conclusion in the final rule matters because rule

[32] Proposal, Section IV.B (conforming amendments to Rule 600(b), including deletion of the trade-through, protected quotation, automated quotation, automated trading center, manual quotation, and intermarket sweep order definitions).

text endures across administrations, and it provides clarity for companies who rely on the rulebook.[33]

Recognize an Investor's Choice to Self-Custody Within the Existing Duty of Best Execution

Recommendation: The Commission should recognize that an investor's choice of self-custodied, peer-to-peer execution of tokenized equity with instant settlement finality, is a legitimate investment objective that a broker-dealer may honor consistent with the duty of best execution under FINRA Rule 5310.

Consider a hypothetical customer describing to their broker a desire to own securities directly, either out of mistrust of regulated intermediaries or out of the simple desire of direct ownership. The broker may be reluctant to raise tokenized equity ownership in DeFi, or to take the conversation further if raised by the customer, out of a concern that the broker may face subsequent liability under best execution obligations. Firms may institute policies discouraging this execution technology altogether given the lack of attention self-custody receives in formal FINRA guidance. This would deprive customers of sovereignty over their assets in favor of the potential for saving a few cents on trade execution, without presenting that choice to the investor.

The Proposal would replace per-trade price protection with the broker-dealer's duty of best execution as the operative safeguard. We support that proposal, and no new framework is needed. The duty has always weighed price, speed, likelihood of execution, and size. Rule 611 was the anomaly that elevated one factor into a mandate.

An investor who holds assets in self-custody and transacts peer-to-peer is not neglecting execution quality. That investor is exercising it across the full set of attributes they rationally value, including the risk of custody by third party intermediaries, a settlement being final in seconds, having access to markets that do not close, buying positions in any fraction, and being shielded from an intermediary's failure, restriction, or discretion. Self-custody dissolves the intermediary-trust problem much of the federal securities apparatus exists to police. An investor who opts for self-custody is choosing a different allocation of risks, protocol-level risks included, and is pricing that choice for themself.

The recognition of this choice is necessary because, with Rule 611 gone, best execution carries the full weight of execution regulation, and the duty follows the customer's

[33] Even if any definition could be stretched to reach an open-network venue, and it cannot, the Commission would hold ample authority to except the activity: under Rule 611(d), 17 CFR 242.611(d), while the rule remains in effect, and under Section 36 of the Exchange Act, 15 U.S.C. 78mm, generally. The Proposal itself removes the staff delegation to grant Rule 611(d) exemptions as part of dismantling the rule's machinery. See Proposal, Section IV.B.2 (removing paragraph (82) of Rule 30-3). Coinbase requests no such relief because none is needed.

instruction. FINRA Rule 5310 requires reasonable diligence to reach the most favorable terms under the circumstances, and the terms and conditions of the order are among the circumstances.[34] What broker-dealers currently lack is certainty that honoring a customer's deliberate choice of self-custody counts as compliance with the duty rather than deviation from it. Without that certainty, regulated intermediaries will decline to serve the instruction, and the investor's choice will be honored only offshore. One sentence in the adopting release would supply the certainty at no cost to any other investor's protections.

The recognition also answers the concern that rescission would leave retail investors unprotected at the moment of execution. It would not. When dispersed execution venues compete for trades in decentralized environments, technology evolves at an exponential pace to the retail investor's benefit.

Conclusion

Rule 611 was a mandate built for one technology at one moment. We support the Commission's proposal to retire it. We ask the Commission to further recognize that execution in autonomous protocols on open blockchains are not subject to Reg NMS. Coinbase appreciates the opportunity to comment and stands ready to provide any further technical assistance the Commission or its staff would find useful.

[34] FINRA Rule 5310(a)(1) (requiring "reasonable diligence" to ascertain the best market so that the resultant price is "as favorable as possible under prevailing market conditions," with the determination made on the facts and circumstances, including the character of the market for the security, the size and type of transaction, and the terms and conditions of the order).

Appendix – AMM Resilience[35]

To illustrate the resilience of AMMs during stress events, the October 10, 2025 market crash provides an informative case study. That market crash is best understood as the AMM analogue of the May 6, 2010 "flash crash," when major U.S. equity indices fell about 9% within minutes before rapidly rebounding as liquidity and arbitrage flows re-entered the market. In the 2010 event, a one-sided order imbalance, algorithmic feedback loops, and a temporary withdrawal of displayed liquidity produced a short-lived dislocation that was quickly corrected once prices moved far enough to attract new buyers and arbitrageurs. The move in ETH on October 10, 2025 shows the same basic pattern in an AMM setting: a transient, flow-driven overshoot followed by rapid mean-reversion as on- and offchain venues re-aligned.

Findings

Figure 1 below shows the price of ETH on Binance's centralized exchange ("CEX") on each October 10, 2025, the day of the market crash, and October 1, 2025, a reference date exhibiting typical price activity. Binance's CEX relies on a central-limit order book ("CLOB"), as is common in today's centralized crypto and equity markets alike.

[35] Chart data sourced in part from Coinmetrics.

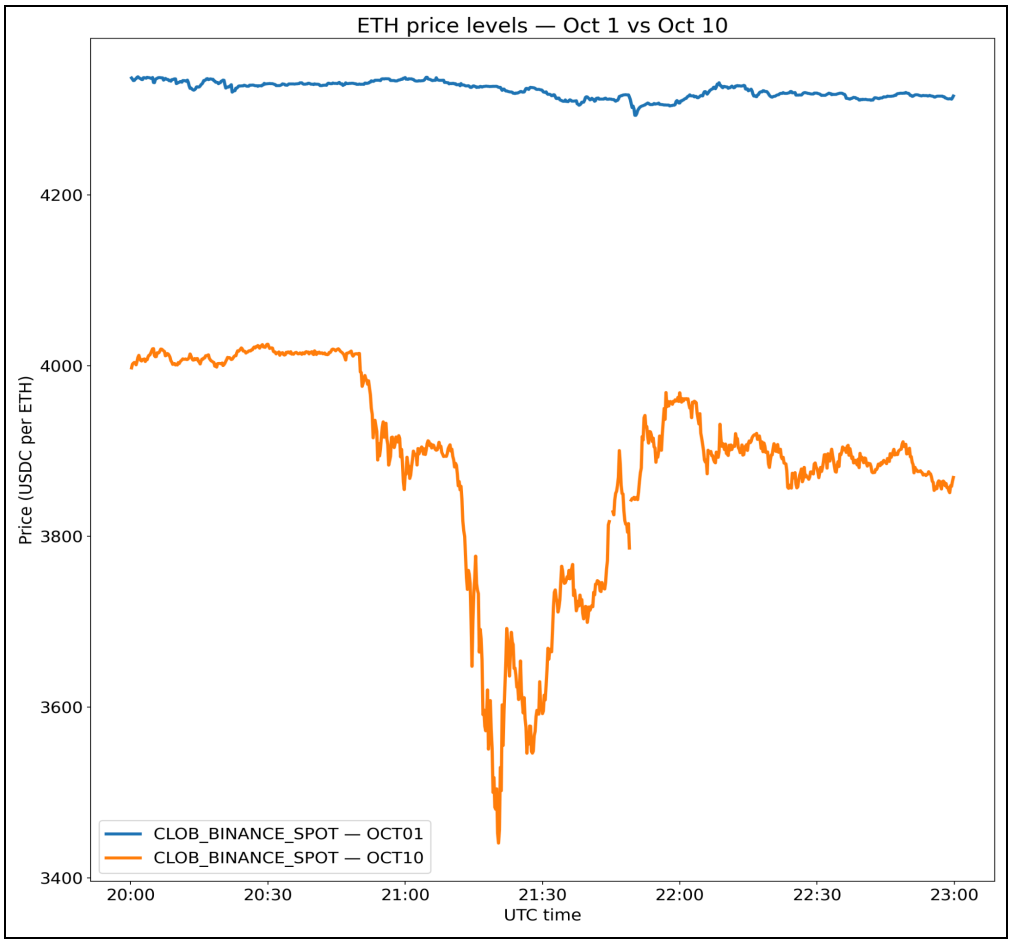

Figure 1: ETH Spot Price Levels, Oct. 1 vs. Oct 10, 2025

On October 1, 2025, the ETH price remained fairly steady. On October 10, 2025, the ETH price declined rapidly, only to rebound almost as rapidly.

Figures 2 and 3 below illustrate the fixed cost of trading on a CLOB and an AMM, Figure 2 on the reference date, and Figure 3 on the market crash date. The figures show bid-ask spreads for ETH on various CLOBs and the pool fee on two Uniswap AMMs, one on the Ethereum L1 blockchain and one on the Base L2 blockchain.

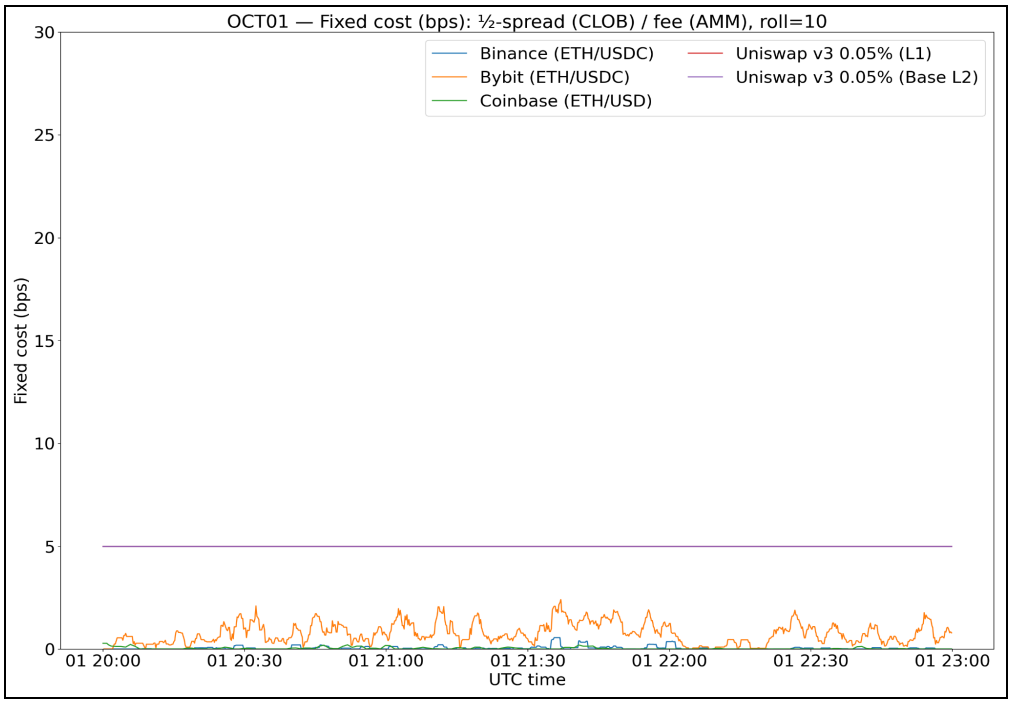

Figure 2: Fixed Cost to Trade ETH on CLOBs vs. AMMs, Oct. 1, 2025

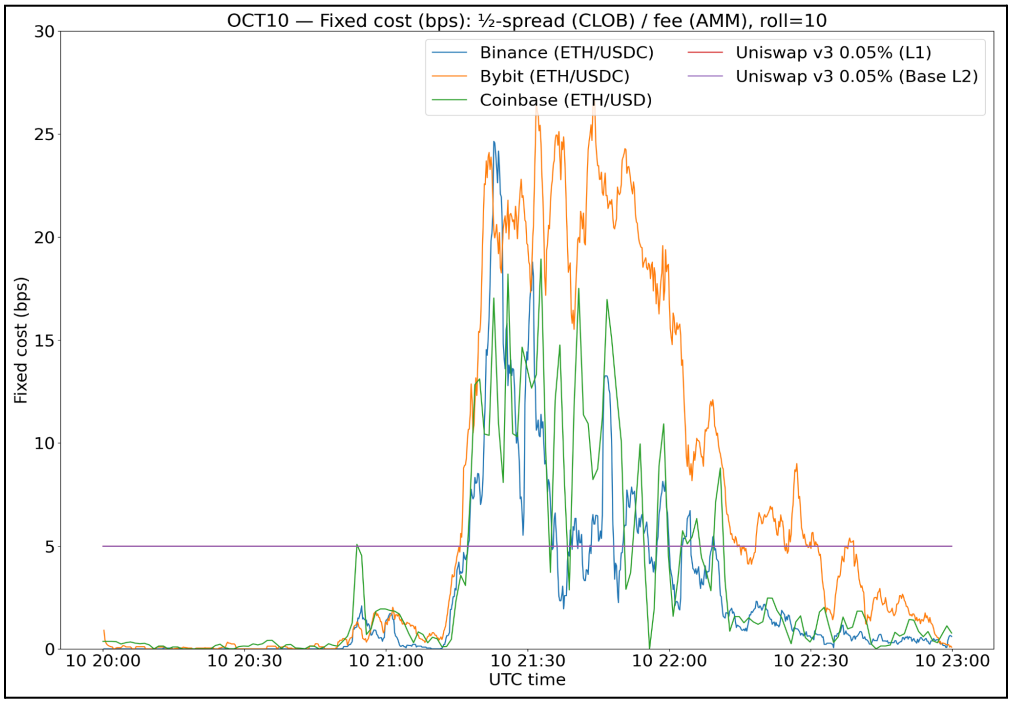

Figure 3: Fixed Cost to Trade ETH on CLOBs vs. AMMs, Oct. 10, 2025

On October 1, 2025, bid-ask spreads on CLOBs remained low, clearly below the 5 basis point fixed fee on AMMs. This shows that, in terms of fixed cost, trading during non-stress times was more efficient on CLOBs than AMMs.

On October 10, 2025, however, as volatility spiked, bid-ask spreads on CLOBs widened meaningfully, surpassing the 5 basis point fixed fee on AMMs. This shows that, in terms of fixed cost, trading during stress times was more efficient on AMMs than CLOBs.

Figures 4 and 5 below illustrate the variable cost of trading on a CLOB and an AMM, Figure 4 on the reference date, and Figure 5 on the market crash date. The figures show the slope of the order book for ETH on various CLOBs and the curvature of two Uniswap AMMs, one on the Ethereum L1 blockchain and one on the Base L2 blockchain. They thus show how an order would "walk the book" on a CLOB, or the slippage the same-sized transaction would incur on an AMM.

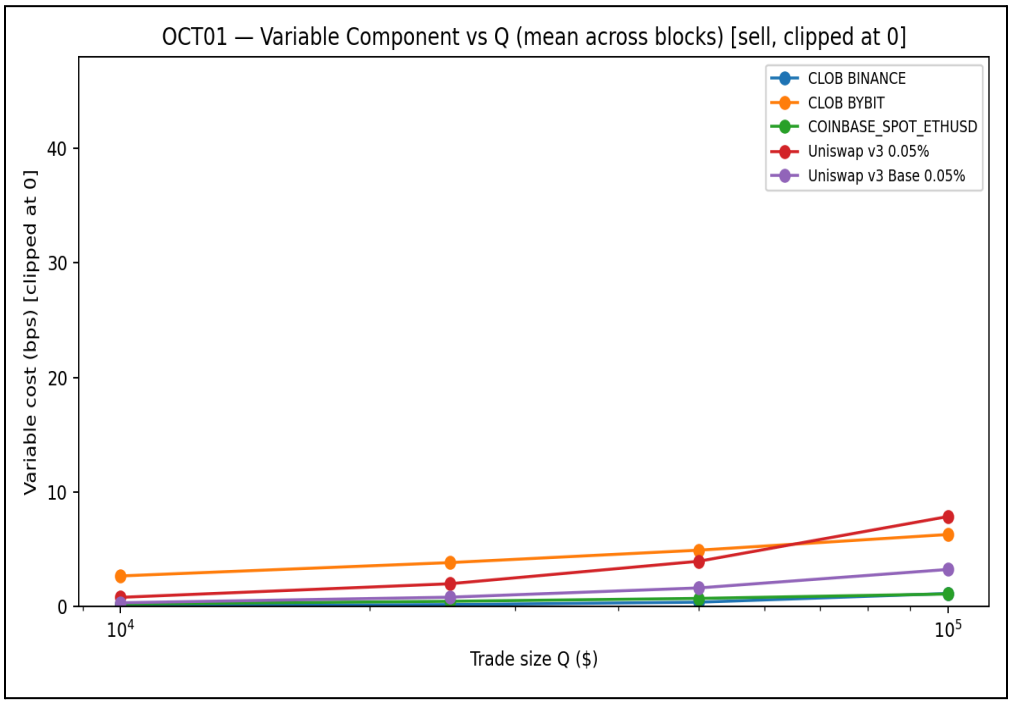

Figure 4: Slope of CLOBs, Curvature of AMMs, October 1, 2025

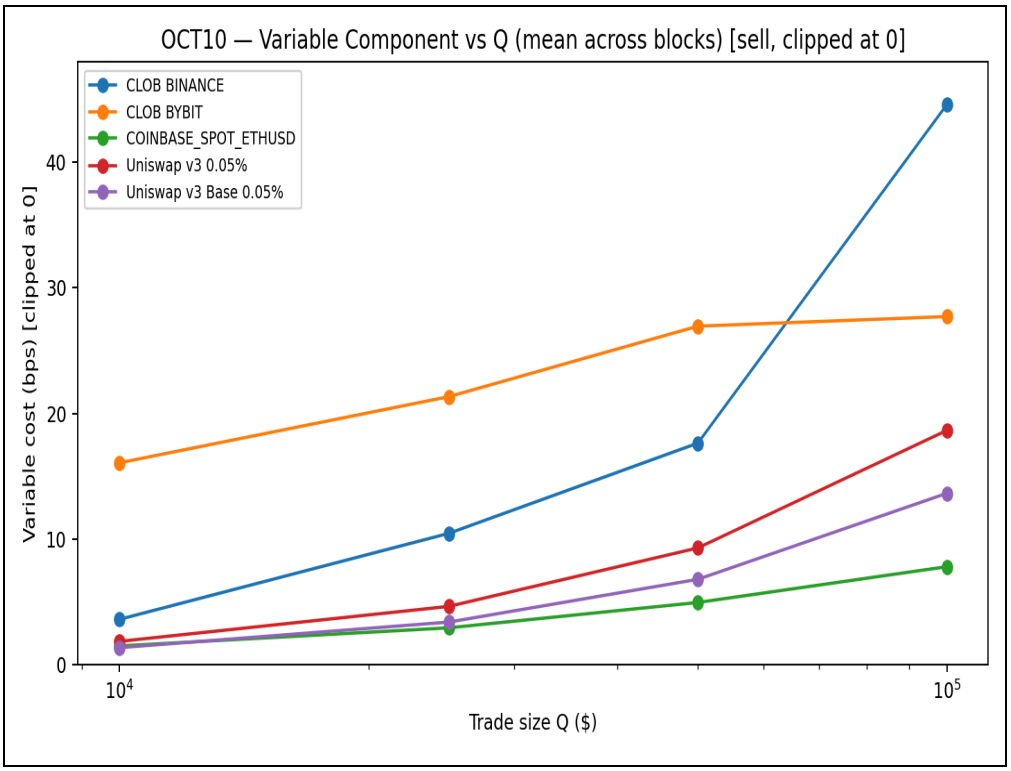

Figure 5: Slope of CLOBs, Curvature of AMMs, October 10, 2025

On October 1, 2025, the slope of CLOBs and curvature of AMMs was relatively similar and flat, with Binance's and Coinbase's CLOBs showing the lowest variable cost, followed by the Uniswap AMM on Base.

On October 10, 2025, fixed cost was higher across the board, but jumped most meaningfully on Binance's and Bybit's CLOBs, with the slope of Binance's CLOB increasing dramatically. The slope of Coinbase's CLOB and the curvature of the Uniswap AMMs, especially on Base but also on Ethereum, stayed comparatively flat.

Figure 6 below shows the price difference between Binance's CLOB and each of the other CLOBs and AMMs during the market crash on October 10, 2025.

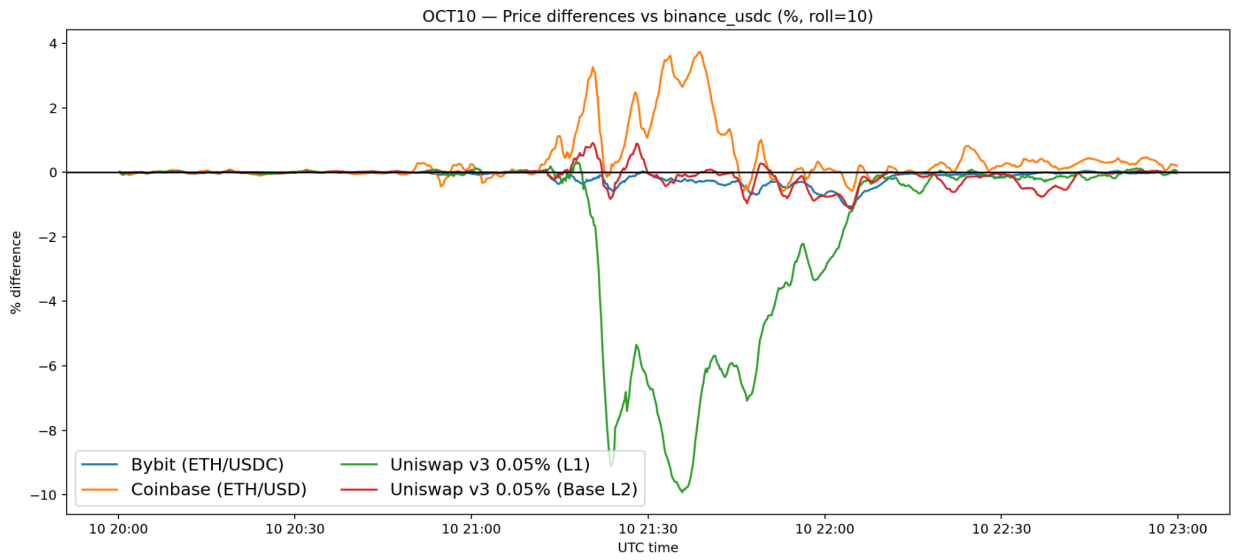

Figure 6: Price Differences Between Binance CLOB and other CLOBs and AMMs, Oct. 10, 2025

When the price of ETH on Binance's CLOB dropped and then recovered rapidly on October 10, 2025, the price on Bybit's CLOB and on the Uniswap AMM on Base stayed closely aligned, while the price on the Uniswap AMM on Ethereum fell further and the price on Coinbase's CLOB didn't fall as far.

Figure 7 below shows the gas prices on Ethereum and Base on October 10, 2025.

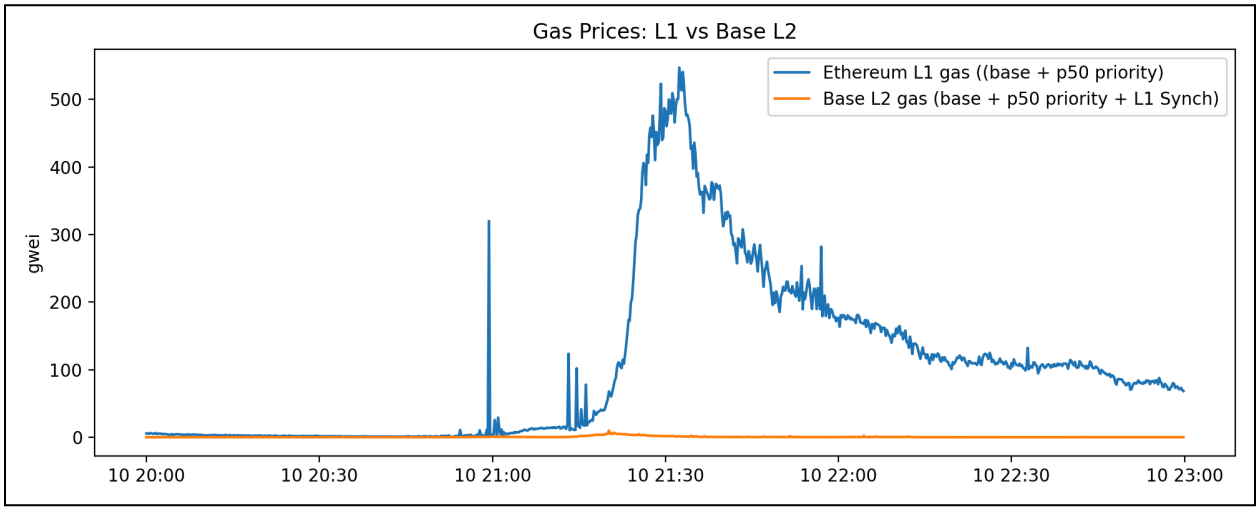

Figure 7: Gas Prices on Ethereum vs. Base, Oct. 10 During the Oct. 10, 2025 Crash

During the market crash on October 10, 2025, gas fees spiked to extremely high levels on Ethereum, but stayed close to unchanged on Base.

Conclusions

Together, the above charts allow us to draw several conclusions about trading on CLOBs and AMMs.

First, CLOBs are more price efficient than existing AMMs during non-stress periods for a high-velocity asset, whose trading behaves like an S&P 500 security. This is most likely due to market makers moving to the market and adjusting their liquidity provision.

Second, AMMs are more resilient than CLOBs during stress periods. AMMs exhibit cheaper and more stable liquidity provision during stress. This is most likely due to liquidity providers being liquidity insensitive and protected by high fixed fees against adverse selection, while market makers on CLOBs are more likely to step away during stress periods.

It is worth noting that the AMM on Base exhibited this resilience without traditional market safeguards such as limit up-limit down bands and circuit breakers. These tools are one particular way to manage volatility in an intermediated, venue-segmented equity market, but they do not stop price discovery. They mainly shift it into other venues or instruments and are most effective when dislocations are driven by microstructure failures (*e.g.*, dealers stepping away, stale quotes, or routing errors), not by fundamentals.

DeFi AMMs use a different set of tools, including continuously-posted pool curves, transparent fee tiers, and user-set slippage tolerances, which mean that liquidity remains available through the entire price path, while large trades mechanically pay more to liquidity providers as volatility rises. In practice, that combination can reduce the risk of abrupt quote withdrawal or “air pockets” just when prices are moving fastest without relying on discretionary halts or centralized judgment calls about when investors should be prevented from trading.

Third, onchain frictions, gas fees, AMM pool fees, and execution speed, directly determine the cost of arbitrage and are fundamental to price alignment. This third point is illustrated clearly by Figures 6 and 7, where the consistently low gas fees on Base and the spike in gas fees on Ethereum directly explain the severe price dislocation on the AMM on Ethereum, but the close alignment between the AMM on Base, and Binance’s CLOB.

Lastly, the likely reason that the price on the AMM on Base followed the price on Binance’s CLOB rather than Coinbase’s CLOB, where prices recovered a lot quicker, is that there is less friction for market makers engaging in arbitrage outside the U.S. compared to in the U.S. We expect this to change as regulatory barriers in the U.S. are lowered.