



ORCA

June 17, 2025

VIA WEBSITE SUBMISSION

U.S. Securities and Exchange Commission
Crypto Task Force Staff
100 F Street, NE
Washington, D.C. 20549-0213
crypto@sec.gov

Re: Response to the Crypto Task Force's Request for Comment:
Regarding Project Open

Dear Members of the Crypto Task Force:

We write on behalf of Zagreus Services LLC (d/b/a Orca Creative) and its affiliates (collectively, "Orca"). Orca is a developer of the Orca Protocol, a leading decentralized automated market maker ("AMM") on the Solana blockchain network ("Solana").

Orca appreciates the opportunity to submit its viewpoints to the U.S. Securities and Exchange Commission (the "Commission") and the Crypto Task Force. Orca is supportive of Commissioner Peirce's statement of priorities for digital asset regulation and the transparent approach she has advocated. Orca is uniquely well-situated, and has the particularized knowledge, to address many of the questions Commissioner Peirce posed, as discussed below.

I. The Purpose Of This Submission

This submission builds on the April 28, 2025 Project Open submission to the Crypto Task Force by the Solana Policy Institute, Superstate Inc., and Orca. Specifically, this submission elaborates on several sections of the Project Open submission, including the legal classification of AMMs, the potential for AMMs to offer non-custodial and peer-to-protocol functionality to market participants, and how AMMs, when paired with compliant access controls, can accomplish the protections and policy goals traditionally served by securities exchanges and other intermediaries (Items III.A.3, III.B.5, and III.B.7).

This submission also responds to various statements from the Commission and Commissioner Hester Peirce, including her February 21, 2025 statement, "There Must Be Some Way Out of Here,"¹ which calls for, among other things, concrete, detailed input from industry

¹ Commissioner Hester M. Peirce, *There Must Be Some Way Out of Here* (Feb. 21, 2025), <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-rfi-022125>.



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participants regarding how the federal securities laws should accommodate novel blockchain-based technologies; and her May 8, 2025 remarks, “A Creative and Cooperative Balancing Act.”²

Finally, this submission is intended to assist the Commission in identifying a coherent, technology-neutral regulatory framework for decentralized infrastructure that protects investors, preserves market integrity, and fosters continued innovation in the U.S. capital markets.

II. Background on Orca and the Orca Protocol

a. *Orca, The Software Development Company*

Orca is a private software company founded in 2021. Orca started from humble beginnings: just two American software developers initially built Orca Protocol without any venture funding or famous backers. Since then, Orca Protocol has grown to become one of the top AMMs in the Solana ecosystem and more broadly across all blockchains, with approximately 10 million wallets interacting with it and over \$360 billion in transaction volume. Orca continues to focus on operating and developing software that enhances users’ experience with Orca Protocol.

b. *The Orca Protocol*

Orca Protocol is an AMM that runs on Solana. AMMs are a core innovation in decentralized finance (“DeFi”). AMMs allow users to trade crypto assets against a pool of tokens directly on blockchain networks, without relying on traditional intermediaries or centralized order books. Like other AMMs, Orca Protocol is non-custodial and operates permissionlessly, with all transactions being initiated by users and executed autonomously by smart contract code.

Since its inception in 2021, Orca Protocol has grown to become one of the most trusted and widely used AMMs on Solana, maintaining a four-year track record without any protocol security breaches and an effective bug bounty program. Orca Protocol’s AMM is also open-source or source available: anyone can inspect or audit the codebase. And in fact, all of Orca Protocol’s codebase has been subject to numerous third-party security audits by established firms.³ The software is inherently transparent and reliable.

Orca Protocol is non-custodial by design. This means that users retain full control over their assets. User assets are not custodied by the protocol, Orca or any other third party.

The key to AMMs is token liquidity pools. Liquidity pools are smart contract-based reserves of token pairs that enable decentralized trading. Liquidity providers (“LPs”) supply these

² Commissioner Hester M. Peirce, *A Creative and Cooperative Balancing Act* (May 8, 2025), <https://www.sec.gov/newsroom/speeches-statements/peirce-iismgd-050825>.

³ https://drive.google.com/file/d/1u0ja4_3GoogVWVU9prMezDrBaqE5BxdW/view



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pools with each of the two tokens comprising the liquidity pool's token pair on a non-custodial basis. Orca Protocol uses a concentrated liquidity AMM model, which allows LPs to allocate supplied assets within specific price ranges, which enhances capital efficiency.

AMMs use a pricing mechanism that balances trades algorithmically based on pool composition. Generally, liquidity pools represent the quantity of assets that users in the aggregate are willing to have swapped at prices determined using a constant-product market maker formula ($x*y = k$), which automatically rebalances with trades as the ratios of various assets fluctuate. Orca Protocol's concentrated liquidity AMM utilizes this constant product formula, but within individual price bands. Because the relative price of the assets can be changed only through trading, divergences between the Orca Protocol price and external prices create market opportunities. The combination of the formula, plus the rebalancing mechanism, ensures that Orca Protocol prices always trend toward the market price.

Orca Protocol provides user-friendly tools and analytics to help LPs manage positions, monitor yields, and optimize strategies, while allowing them to withdraw liquidity at any time. The creator of a liquidity pool may set the fee value for transactions in that pool. Of the fees that are generated by a liquidity pool, approximately 87% are reserved for LPs as remuneration for providing liquidity, 12% are reserved for Orca Protocol, and 1% are donated to charitable causes.

Although Orca has been involved in developing Orca Protocol, Orca Protocol itself is autonomous and self-executing. Orca lacks the ability to approve or block any swaps on Orca Protocol. All of the core operations of Orca Protocol, such as approving swaps, adding new liquidity pools, and providing liquidity, are directed by users and implemented automatically according to self-executing code. If Orca ceased operations tomorrow, users could continue interacting with Orca Protocol as they do today given its autonomous, decentralized architecture.

Orca assists in operating a non-exclusive web-based user interface ("Orca UI") for users to interact with Orca Protocol. The Orca UI essentially translates blockchain and smart contract code into a more user-friendly format, allowing users to more easily self-direct activity with Orca Protocol. When using the Orca UI, users can connect a compatible Solana wallet. Once connected, users can swap tokens, provide or remove liquidity in concentrated liquidity pools, and monitor their positions. The Orca UI provides technical functionality to assist users in drafting transactions for signature through users' own wallet applications, and displays information about the protocol. It does not intermediate trades or control or take custody of user assets.

The Orca UI is not the only way to access Orca Protocol. Other ways include direct interaction with the smart contracts, third-party interfaces, or custom-built integrations. Orca does not receive any fees in connection with the Orca UI.



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c. Key Differences Between A DEX And A Traditional Exchange

A DEX and a traditional exchange differ fundamentally in their structure, user experience, risk profile, and control over assets. A traditional exchange, such as a stock exchange, alternative trading system, or centralized crypto asset exchange, is necessarily operated by a centralized entity. That entity is an intermediary to users' transactions. The centralized exchange matches buy and sell orders using a traditional order book, and usually provides fiat currency integration.

In contrast, Orca Protocol is peer-to-protocol software built on blockchain technology, where trades are executed directly between users through autonomous, self-executing smart contracts without serving any custodial or intermediary functions. Users use their self-custodial wallets – software that helps them manage the private keys controlling their assets – in order to connect with Orca Protocol's smart contracts and swap against a liquidity pool, exchanging one asset in the pool for the other. The swaps take place on-chain. Orca never takes possession or custody of users' tokens during a swap and never approves or declines any transaction. Unlike a traditional exchange, Orca Protocol's AMM does not involve third-party custody, a central order book, or a private order matching engine, and users do not need to match with individual counterparties to complete a swap. Nor is there a clearing agency or any need for an intermediary or depository; the swaps are automatically processed by Orca Protocol's AMM smart contracts and added to Solana's updated ledger of who controls which assets by a vast network of Solana validators.

Crucially, each and every transaction is user-directed. Users retain full control of their assets at all times and trade directly from their own wallets, which enhances privacy and eliminates custody risk. Given the architecture of Orca Protocol's AMM, Orca does not have the ability to modify user balances, does not execute trades on behalf of users, does not operate an order book, does not match buyers and sellers, does not have access to the non-public traditional personal identifying information customarily collected by centralized exchanges, and does not act as counterparty to any trades. Notably, neither Orca nor Orca Protocol involve any "agency" or "discretion" in connection with user activity – concepts central to the functional analysis and regulatory classification of centralized intermediaries under existing law.

III. The Legal Landscape Pertaining To DEXs And Non-Custodial Software

The Commission has pursued several enforcement actions involving non-custodial crypto wallets, primarily alleging that developers of non-custodial wallet software were operating as unregistered broker-dealers.

First, the Commission brought an enforcement action against Coinbase, Inc. and Coinbase Global, Inc. (collectively, "Coinbase"), alleging that Coinbase acted as an unregistered broker by offering self-custody cryptocurrency wallets that allowed users to swap tokens through the use of third-party services. In March 2024, a federal district court dismissed the Commission's claim



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that Coinbase’s non-custodial wallet service constituted an unregistered broker. The court found that because users retained full control over their assets and initiated all transactions independently, Coinbase’s wallet service did not meet the definition of a broker under the Securities Exchange Act of 1934 (“Exchange Act”). *SEC v. Coinbase Inc.*, 726 F.Supp.3d 260, 304-308 (S.D.N.Y. 2024).

Second, the Commission sued Consensys Software, Inc., alleging its MetaMask wallet’s token swapping and staking features amounted to unregistered broker-dealer services by routing orders to DEXs and promoting specific platforms. The Commission, however, dismissed this suit with prejudice in early February 2025.

To date, the Commission’s exchange-related enforcement actions have focused primarily on centralized exchanges, such as Binance, Kraken, and Coinbase, with allegations that those exchanges were acting as unregistered securities exchanges or broker-dealers. The Commission has dismissed or stayed each of these actions following the formation of the Crypto Task Force.

Based on publicly-available information, we also understand that the Commission issued a Wells Notice to Uniswap Labs, a developer of the Uniswap Protocol, for potential violations of law. In February 2025, however, it was reported that the Commission terminated its investigation into Uniswap Labs and the Uniswap Protocol.

In light of the results of recent enforcement outcomes, judicial interpretations, and legislative developments, we submit that the consensus is that properly designed DeFi tools – those that are non-custodial, non-discretionary, and fully user-directed – do not fit within the existing framework of U.S. securities laws. These tools may be more appropriately addressed to a tailored regulatory regime, akin to consumer product oversight, that emphasizes transparency and user protection without stifling innovation.

IV. Autonomous Smart Contracts That Facilitate Transactions Do Not Fall Within Any Existing SEC Classifications

Orca Protocol does not currently support transactions involving securities. Nevertheless, even if users engage in transactions involving securities via Orca Protocol, neither Orca Protocol nor Orca falls within any existing regulatory classifications under the Exchange Act.

a. Orca Protocol Is Not An Exchange

Orca Protocol is not a “securities exchange” within the meaning of the Exchange Act. An “exchange” is “any organization, association, or group of persons, whether incorporated or unincorporated, which constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities ... and includes the market place and the market facilities maintained by such exchange.” 15 U.S.C. § 78c(a)(1). Rule 3b-16 further clarifies that,



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to qualify as an exchange, an organization must (1) bring together the orders of “multiple buyers and sellers” and (2) use “established, non-discretionary methods (whether by providing a trading facility or by setting rules) under which such orders interact . . .” 17 C.F.R. § 240.3b-16(a). Orca Protocol does not fall within the plain language of the definition.

No Marketplace For Securities. Orca Protocol is not a “market place . . . for bringing together purchasers and sellers of securities.” 15 U.S.C. § 78c(a)(1). The Exchange Act’s definition of “exchange” extends to marketplaces designed *for the purpose of* facilitating securities transactions, but not marketplaces where securities transactions are incidental or unintentional.⁴

Orca Protocol is used to trade digital assets of any kinds, including non-securities such as wrapped Bitcoin, wrapped Ethereum, stablecoins, and meme coins. Orca Protocol supports the file format for fungible tokens on the Solana network, and the Protocol is currently used exclusively for non-securities transactions.

No Group of Persons or Maintainer. Orca Protocol is not “an organization, association, or group of persons.” 15 U.S.C. § 78c(a)(1). Orca Protocol is an autonomous smart contract protocol: software that operates autonomously, and nothing more. It is unlike centralized exchanges in that there is no person or entity that “constitutes, maintains, or provides” the deployed instance of Orca Protocol on the Solana network. 15 U.S.C. § 78c(a)(1); *see* 17 C.F.R. § 240.3b-16(a).

No Marketplace or Facility. Orca Protocol is not a “market place” or “facility.” 15 U.S.C. § 78c(a)(1)-(2). Orca Protocol, like other AMMs, does not provide a single, centralized market, but rather enables users to engage with software in a self-directed manner through peer-to-protocol decentralized transactions. Although Orca Protocol enables peer-to-protocol interactions, it does not provide a centralized or structured market environment where buyers and sellers are brought together to negotiate or execute securities trades. Rather, a buyer or seller interacts with the AMM alone. Nor is there any mechanism to “bring together” multiple parties to agree on a price; prices are set algorithmically.

No Discretion or Intermediation. Since Orca Protocol is autonomous, there is no person, entity, or place acting as an intermediary “bringing together purchasers and sellers.” 15 U.S.C. § 78c(a)(1). Instead, users of Orca Protocol are connected with its automated market making function coded into the autonomous protocol. In other words, a user connects with the smart contracts underlying Orca Protocol to trade against the liquidity pool. Users create the terms of

⁴ The Commission itself endorsed this interpretation in the Proposing Release for its now-terminated proposal to amend Rule 3b-16 of the Exchange Act, explaining that “a system that displays trading interest and provides only connectivity among participants without providing a trading facility to match orders or providing protocols for participants to communicate and interact would not meet the criteria of Rule 3b-16(a)” because “such providers are not specifically designed to bring together buyers and seller[s] of securities or provide procedures or parameters for buyers and sellers [of] securities to interact.” 87 Fed. Reg. 15496, 15507-08 (Mar. 18, 2022).



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their own trades against liquidity pools. Orca Protocol also does not match “orders,” nor provide a centralized order book.⁵

b. The Orca UI Is Not An Exchange

The Orca UI is not an “exchange” under the Exchange Act. First, the Orca UI does not bring together the orders of multiple buyers and sellers. 17 C.F.R. § 240.3b-16(a)(1). Rather, the Orca UI is just software that enables a user one way to connect their wallet and formulate messages to Orca Protocol. The actual swapping of tokens does not occur on the Orca UI; the swap takes place in a direct interaction between the user’s wallet and the blockchain. During this process, the user never relinquishes control of the token to the Orca UI. If a user elects to make a swap, it is the user’s wallet that submits the code to the blockchain, not the interface – and the swap itself is not executed on Orca UI, but on Orca Protocol.

Second, the Orca UI does not “[u]se[] established, non-discretionary methods . . . under which . . . orders interact with each other. . . .” 17 C.F.R. § 240.3b-16(a)(2). The Orca UI is not an order book and does not provide access to one. It does not match counterparties or orders. It also does not execute any transactions or take any actions of an exchange. Rather, each individual user of the Orca UI controls all key aspects of their transaction, including selecting the input token and output token.

c. Orca Protocol Is Not A Broker

A “broker” is “any person engaged in the business of effecting transactions in securities for the account of others.” 15 U.S.C. § 78c(a)(4)(A).

In evaluating whether a person acted as a broker, courts consider a list of non-exclusive factors, including whether that person is (1) helping an issuer identify potential purchasers of securities; (2) soliciting securities transactions (including advertising); (3) negotiating between issuers and investors; (4) providing advice, recommendations, or valuation as to the merit of an investment; (5) taking, routing, or matching orders, or facilitating the execution of securities transactions; or (6) handling investor funds or securities in connection with securities transactions.

⁵ An AMM also does not qualify as an exchange under the catch-all definition of a “market place or facilities . . . for otherwise performing with respect to securities the functions commonly performed by a stock exchange as that term is generally understood.” 15 U.S.C. 78c(a)(1). As discussed throughout this letter, AMMs are fundamentally different from exchanges. Unlike a traditional exchange, Orca Protocol does not have the ability to modify user balances, does not custody user assets, does not execute trades on behalf of users, does not operate an order book, does not match buyers and sellers, does not have access to the non-public traditional personal identifying information customarily collected by exchanges, and does not act as counterparty to any trades. An AMM has the capacity to operate beyond the control of any person; it is not equivalent to a traditional exchange.



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Even if users were to engage in securities transactions using Orca Protocol, Orca Protocol is not a broker. It does not act as an agent or intermediary on behalf of buyers and sellers, does not provide advice about investments, and does not take custody of user assets or execute trades based on user instructions in a discretionary manner. It also does not effect transactions, which typically requires active intermediation, such as soliciting trades, routing orders, or executing on behalf of others.

Instead, Orca Protocol is autonomous software with which users interact directly, and which algorithmically determines prices and execute trades on the blockchain based on predefined rules and available liquidity. Unlike brokers, which match buyers and sellers or execute trades for clients in a manner that includes predictive elements, discretion, or strategic behavior, Orca Protocol simply provides the infrastructure for peer-to-protocol trading without soliciting, negotiating, advising, or exercising any control or discretion over any individual transactions. Users retain full control of their assets throughout the process, and all actions are initiated and executed by the users themselves through Orca Protocol's autonomous self-executing code. All execution decisions are automated and deterministic, governed by code rather than discretionary judgment. *See Coinbase*, 726 F.Supp. at 306-308.

d. *Orca Is Not A Broker By Offering The UI*

Orca does not act as a broker by making the Orca UI available to users, even if any user transactions taking place utilizing the Orca UI are securities. Software that allows a user to connect to a source of liquidity to send, receive, or swap tokens on a non-custodial basis, without collecting any fees, does not satisfy the definition of a broker.

The Commission's case against Coinbase demonstrates that Orca is not a broker by supporting maintenance of the Orca UI. In *Coinbase*, the Commission alleged that Coinbase Wallet – a noncustodial wallet with similar functionality to the Orca UI – allowed users to connect with external sources of liquidity to send, receive, or swap tokens. *Coinbase*, 726 F.Supp.3d at 304. The Commission also alleged that Coinbase regularly solicited investors through advertisements on its website and social media, provided pricing information, routed user orders across platforms, and charged fees on certain digital asset swaps. *Id.* at *6, *34. The court in *Coinbase* held that the Commission's limited allegations, "alone or in combination," were "insufficient to establish 'brokerage activities' under the definition of broker and relevant case law." *Id.* at *34-35.

Likewise here, the Orca UI does not exhibit the hallmarks of brokerage activity, such as order routing, control or custody of user assets, negotiation of transaction terms, transaction based compensation (as opposed to technology services fees), or solicitation, nor do its functionalities otherwise provide a basis for broker classification under the Exchange Act.



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e. Neither Orca Protocol Nor Orca Is A Dealer

Under the Exchange Act, a “dealer” is defined as any person engaged in the business of buying and selling securities for their own account, through a broker or otherwise, as part of a regular business. 15 U.S.C. § 78c(a)(5). Dealers typically act as principals, buying and selling securities from their own inventory and often providing liquidity to the market. To be considered a dealer, the activity must be conducted as a regular business, not merely as occasional or personal trading.

Neither Orca Protocol, nor Orca by supporting maintenance of the Orca UI, is a dealer because they do not engage in the business of buying and selling assets for their own account as part of a regular business, nor do they exercise discretionary control over trades. Instead, Orca Protocol is comprised of autonomous smart contracts that allow users to supply liquidity to a liquidity pool, or swap tokens within a liquidity pool, whose prices are set by mathematical formulas. Orca Protocol does not take ownership of assets or act as a counterparty; it simply provides the infrastructure for users to transact peer-to-protocol against pooled liquidity that is supplied by independent LPs. In contrast to dealers, who make markets by quoting prices and trading from their own inventory, Orca Protocol executes swaps according to pre-set rules, with all transactions initiated and controlled by users.

Similarly, the Orca UI is merely a front-end tool (one of many supported by various independent third parties) that enables users to interact with smart contracts comprising Orca Protocol, without performing any dealer functions.

f. Orca Protocol Is Not A Clearing Agency

A clearing agency or clearing intermediary is a designated third-party entity that intermediates between buyers and sellers in financial markets to validate, finalize, and settle transactions. 15 U.S.C § 78c(a)(23). A clearing agency typically ensures that both parties fulfill their contractual obligations by managing the correct and timely transfer of funds and securities, collecting and maintaining margin, regulating delivery of assets, and reporting trading data.

Orca Protocol does not interpose itself between counterparties, assume settlement risk, manage or control user funds, take custody or possession of user funds, or provide any assurance beyond the algorithmic execution of trades. Transactions are settled instantly and deterministically by smart contracts, without using clearing services. All transactions are executed instantly and automatically by the smart contract, with settlement occurring directly on-chain and without any intermediary involvement. And users control their own assets and can withdraw them from liquidity pools at their sole discretion.



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In sum, under the existing Exchange Act framework, neither Orca Protocol, the Orca UI, nor Orca fits the functional or legal definition of an exchange, broker, dealer, clearing agency, or any other securities intermediary. Accordingly, regulating Orca Protocol under the securities laws would be both legally unsupported and misaligned with the architecture and purpose of DeFi protocols.

V. Policy Considerations Support Treating Orca Protocol As A Consumer-Facing Tool, Not A Securities Intermediary

Regulating AMMs as securities intermediaries is both unworkable and counterproductive for at least two core reasons. First, AMMs lack the centralized control, custody, and discretion that define securities intermediaries. AMMs are decentralized, autonomous smart contracts that facilitate peer-to-protocol trading without any central operator, discretionary decision-making, or ongoing managerial control. Unlike traditional securities intermediaries, which are designed to exercise oversight, apply compliance measures, and manage post-trade obligations, AMMs operate solely through code, on an entirely non-custodial basis, and allow users to interact directly with liquidity pools on a permissionless basis. This makes it practically infeasible – but also unnecessary – to impose or enforce intermediary obligations that are standard for securities intermediaries.

Second, attempting to regulate AMMs as securities intermediaries would also undermine the core policy objectives of DeFi – namely, to remove centralized points of control and democratize access to permissionless services. Treating AMM protocols as securities intermediaries would drive DeFi development – and the trading of tokenized securities – offshore, as well as stifle U.S. innovation and potential market growth. Rather than forcing AMMs into traditional regulatory categories, a principle-based framework recognizing transparency, autonomy, and user control would better serve user protection and innovation goals alike.

VI. The Trading Of Tokenized Securities On AMMs Aligns With Commission Priorities

Tokenized securities refers to the use of blockchain or distributed ledger technology to maintain the record of ownership of traditional securities, such as stocks and bonds, by formatting these assets as tokens on a blockchain.⁶ The trading of tokenized securities on AMMs is well aligned with the Commission’s priorities, offering a fundamentally different risk profile and set of economic realities compared to traditional exchanges and broker-dealers.

User-Directed, Transparent Market Structure. Unlike transactions on centralized platforms, AMM transactions are entirely user-directed: individuals initiate and execute trades themselves, interacting directly with smart contracts rather than relying on intermediaries. This

⁶ See Commissioner Hester M. Peirce, *A Creative and Cooperative Balancing Act* (May 8, 2025), <https://www.sec.gov/newsroom/speeches-statements/peirce-iismgd-050825>.



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model eliminates many of the risks and access concerns that animate existing exchange and broker rules, as there is no central authority with discretionary power over transactions or custody of assets. Further, the structure of AMMs, based on algorithmic pricing and peer-to-protocol interactions, diverges sharply from the centralized order book and principal-agent dynamics of traditional markets. This structure inherently eliminates conflicts of interest associated with payment for order flow, internalization, or discretionary trade execution – *i.e.*, the core concerns that have historically animated the Commission’s regulatory priorities.

A key advantage of AMMs is the unparalleled transparency afforded by blockchain technology. Every transaction, price movement, and participant interaction is recorded on a public, immutable ledger, providing unlimited, real-time access to market data. This level of transparency ensures that all users – and the Commission itself – have equal access to comprehensive information about trading activity. The public blockchain data effectively reduces or eliminates the potential for information asymmetries or unfair practices that the Commission is typically focused on preventing.

Furthermore, enabling users to transact peer-to-protocol through AMMs does not conflict with the policy objectives of Rule 611’s order protection requirements, as such transactions do not constitute “regular way” contracts. 17 CFR § 242.611(b)(3). Moreover, the inherent real-time price transparency of blockchain-based transactions ensures that natural market forces will bring prices on AMMs into alignment with those on registered exchanges and alternative trading systems.

Public Benefits. AMMs benefit the public. The use of AMMs like Orca Protocol could save U.S. investors untold value by removing the unnecessary fees and costs associated with traditional intermediaries. AMMs work autonomously, and hence offer users 24/7 liquidity. As compared to order books, liquidity pools can offer lower spreads and a higher depth of pricing, further benefiting users who wish to transact in traditionally illiquid assets. On-chain trading can also reduce settlement times from T+1 to near-instantaneous finality, and significantly lower fees by eliminating brokerage commissions and clearing costs.

Protocol-Level Compliance. AMMs are capable of integrating advanced compliance technologies to address regulatory concerns around market access and participant eligibility respecting tokenized securities. For example, on blockchains like Solana, blockchain and smart contract-level technology controls can be used to ensure only certain whitelist wallets that have undergone Know Your Customer verification can ever send or receive a particular type of token.

This allows, for instance, trading in tokenized securities on Orca Protocol to be restricted to permissioned users, while preserving the core benefits of DeFi. These technological solutions make it possible to achieve regulatory objectives without reverting to the centralized control models of traditional finance.



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Competitive Global Landscape. The flexibility of AMMs is particularly important given that traditional market intermediaries, such as broker-dealers, may be unable to participate in trading tokenized securities due to the impossibility of complying with existing regulatory frameworks, unless specific exemptions are granted. Without clarity and adaptability in the U.S., there is a significant risk that innovation and capital will migrate abroad, undermining American leadership in financial technology.

Security. Risks to users on AMMs are minimized by design. Protocols like Orca Protocol eliminate intermediaries and enhance user autonomy. Orca's robust security record, transparent codebase, and continuous auditing have protected users from exploits for the duration of Orca's existence, and the open nature of blockchain data further mitigates concerns. Orca Protocol has never experienced a hack or exploit since inception. Orca Protocol's AMM smart contracts are publicly verifiable, continuously audited, and subject to third-party formal verification processes. This transparency materially reduces systemic and operational risk, while empowering the community to audit and report vulnerabilities in real-time.

Disclosures. As Congress appears to recognize, any future regulatory framework applicable to AMMs like Orca Protocol should be grounded in consumer protection, rather than rigid frameworks designed for centralized intermediaries. Furthermore, in her May 8, 2025 remarks, Commissioner Peirce prudently noted that AMM developers could be required to provide material disclosures to users. Orca submits that it could offer disclosures concerning initial protocol and user interface design, Orca's operations and governance roles, any potential conflicts of interest, security and technology audits, prior security incidents, and the identities of the founding team and key employees.

In sum, enabling the trading of tokenized securities on AMMs like Orca Protocol offers a secure, transparent, and compliance-capable pathway that advances the Commission's investor protection mandate, promotes fair and efficient markets, and supports the evolution of financial infrastructure through innovation. A forward-thinking regulatory approach that embraces these tools will reinforce U.S. leadership in financial technology and ensure that public markets remain inclusive, competitive, and resilient.

Orca respectfully requests that the Commission confirm its agreement with the conclusions set forth in this letter, issue staff guidance or a formal policy statement recognizing these principles, or otherwise provide exemptive and/or no-action relief.



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We appreciate the Crypto Task Force's desire to engage transparently on issues relating to digital assets, and in particular, the matters discussed above. We look forward to being a resource to the Crypto Task Force, and continuing this productive dialogue with the Staff.

Respectfully,

/s/ Christopher P. Montagano

Christopher P. Montagano, Esq., Chief Legal Officer, Orca

cc:

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