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April 14, 2026

Via Electronic Submission

Commissioner Hester M. Peirce and Members of the Crypto Task Force
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-0213

Re: Automated Market Makers, Tokenized Securities, and Technology Neutrality

Commissioner Peirce and the Crypto Task Force:

Galaxy Digital Inc. ("**Galaxy**") appreciates the opportunity to submit this letter to the Crypto Task Force regarding the application of the federal securities laws to automated market makers ("**AMMs**") used for trading tokenized securities. In light of recent letters from other market participants advancing contrary viewpoints, this letter explains why, for the defined class of AMMs discussed below, (i) AMMs are not "exchanges" and liquidity providers are not "dealers," as each are defined under the Securities Exchange Act of 1934 (the "**Exchange Act**") and (ii) the regulatory policies and goals advanced by the Exchange Act and the rules thereunder are not undermined as a result.[1] While we believe unnecessary as a matter of law, the Commission could provide a clear pathway for tokenized securities trading on these AMMs, such as through the innovation exemption we previously proposed to you in a no-action request and as further discussed in this letter.

As we have previously discussed with you, we have enabled an onchain version of our GLXY Class A common stock, which we refer to as "**tokenized GLXY**." Tokenized GLXY is the same security as GLXY. It confers all the same financial and legal rights as Galaxy's existing traditional shares of GLXY stock.[2]

We believe that tokenized securities like tokenized GLXY offer many potential benefits for investors and markets, including:

- **Faster settlement times**. Blockchain technology can reduce settlement times from days to seconds or less.
- **Cost reduction**. Eliminating unnecessary levels of intermediation and streamlining back-office processes can lower costs for investors and market participants.
- **Increased transparency**. Public blockchain-based AMMs produce an auditable, tamper-evident record of trading activity accessible to regulators, auditors, and market participants

[1] *See, e.g.*, SIFMA, *Automated Market Makers and the Consistent Application of Securities Market Regulations* (Mar. 30, 2026), https://www.sec.gov/files/ctf-written-input-sifma-033026.pdf; Citadel Securities, *Tokenized U.S. Equity Securities & DeFi Trading Protocols* (Dec. 2, 2025), https://www.sec.gov/files/citadel-securities-120225.pdf.
[2] We have also written publicly about tokenized GLXY. *See* our white paper, *Introducing Tokenized GLXY* (Sept. 3, 2025), https://www.galaxy.com/insights/research/tokenized-glxy (the "**Tokenized GLXY White Paper**").

in real time, reducing information asymmetries and supporting more robust compliance and surveillance than current offchain infrastructure.

- **Access to decentralized trading**. Tokenized securities may be able to be traded and otherwise transacted in through decentralized mechanisms originally designed for non-security digital assets, with no or fewer intermediaries, and operational 24 hours a day.

Realizing these benefits, however, requires a regulatory posture that engages with onchain architecture as it exists and as it develops, rather than demanding it replicate offchain structures. Yet market incumbents repeatedly invoke a mantra that regulation should be "technology neutral." While we agree with this concept in principle—that regulation should seek to ensure the same regulatory outcomes regardless of the technology being used—these incumbents are disingenuously invoking it to argue for its opposite. They claim that the principle means rules drafted for one technological architecture must be mechanically transposed onto another for which they were never designed—hamstringing emerging technologies and forcing square pegs into round holes. Stripped of its framing, the incumbent position is that the Commission should not permit an onchain model for tokenized securities, unless it first reproduces the intermediary structure of the legacy offchain model. That is not neutrality; it is incumbency.[3]

The Commission has confronted this pattern before. In recent years, "tech neutrality" was invoked alongside a "come in and register" posture that, in practice, demanded conformity to existing frameworks that were neither designed for nor workable in onchain contexts.[4] This approach was pursued in lieu of carefully considering how regulation could be adapted for new data processing and communications techniques.[5] We commend the Commission's recent recognition that genuine neutrality requires regulatory pathways suited to the technology at hand, and we urge it not to retreat from that course at the urging of incumbents whose business models depend on the prior approach.[6]

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[3] Commissioner Peirce has already recognized this dynamic, satirically describing "T-Squared" or "Terrified TradFi" as he or she is "hitting the send button on his latest missive to the SEC" telling the SEC that "[a]ll the existing securities rules are working great! Do not change them for those upstart crypto firms." Commissioner Hester M. Peirce, *Bees, Ts, and NFTs: Remarks at the Coin Center Dinner* (Sept. 26, 2025), https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-coin-center-dinner-092525.

[4] *See, e.g.*, Chair Gary Gensler, *Office Hours with Gary Gensler: The SEC & Cryptocurrencies* (Aug. 16, 2021), https://www.sec.gov/newsroom/speeches-statements/office-hours-gary-gensler-sec-cryptocurrencies ("To be clear, I think that the SEC should be technology neutral."); Chair Gary Gensler, *Kennedy and Crypto* (Sept. 8, 2022), https://www.sec.gov/newsroom/speeches-statements/gensler-sec-speaks-090822 (". . . come in, talk to us, and register.").

[5] Exchange Act § 11A(a)(1)(B), (2) (Congressional findings that "[n]ew data processing and communications techniques create the opportunity for more efficient and effective market operations" and that it "is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure" among other things, for there to be "an opportunity… for investors' orders to be executed without the participation of a dealer" and directing the SEC to take these findings into account in its market structure rulemaking).

[6] We commend the Commission's recognition of the flaws in its prior approach and its efforts to chart a new course. *See, e.g.*, Commissioner Hester M. Peirce, *New Paradigm: Remarks at SEC Speaks* (May 19, 2025), https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-sec-speaks-051925-new-paradigm-remarks-sec-speaks ("First, the Commission's approach to crypto in recent years has evaded sound regulatory practice and must be corrected."); Chairman Paul S. Atkins, Commissioner Hester M. Peirce, *Number Go Down and Other Schadenfreude* (Feb. 18, 2026), https://www.sec.gov/newsroom/speeches-statements/atkins-peirce-021826-number-go-down-other-

Technology neutrality also requires its inverse: where technologies differ in material respects, regulators should not pigeonhole them into identical requirements drawn from a different architectural context. The proper focus is regulatory outcomes—investor protection, market integrity, and price transparency—and the proper posture is to permit new technologies that achieve those outcomes through different means. Outcome equivalence, not structural equivalence, is what neutrality demands.[7]

This letter proceeds in four steps:

- first, it defines the narrow class of AMMs at issue and explains why those protocols are not intermediaries in the sense contemplated by the Exchange Act;
- second, it explains why such AMMs are not "exchanges" and why liquidity providers on them are not "dealers" under the Exchange Act;
- third, it proposes guardrails the Commission could adopt if it elects to provide conditional interpretive or exemptive relief; and
- fourth, it addresses the principal policy objections that have been raised.

I. AMMs Are Not Intermediaries

Tokenized securities, like other digital assets, can trade on decentralized exchanges ("**DEXs**"). For purposes of this letter, however, we focus on "AMMs," a narrower category of DEXs, and only a subset of AMMs that satisfy the following four criteria, which are described further below:

(1) absence of discretionary control,

(2) transparency and verifiability,

(3) self-executing settlement, and

(4) neutral access.

DEXs are generally autonomous code that operates on blockchain networks and allows users to directly trade their digital assets with one another, *without intermediaries*, while maintaining custody of their assets in their own self-hosted wallets.[8] DEXs do not determine to "list" assets. As

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schadenfreude ("I would like to consider an innovation exemption to enable TradFi incumbents and crypto-native firms to experiment. For example, people trading certain tokenized securities through automated market makers, even though no one person or group of persons may be controlling that mechanism.").

[7] The Commission has a long history of recognizing new technologies and creating pathways in its rules to account for them, where the same regulatory objectives could be met in a different manner, for example: permitting (and eventually mandating in most cases) issuers to use electronic filings in place of paper submissions, permitting broker-dealers to use electronic recordkeeping in place of banker boxes of paper, recognizing "notice and access" to electronic disclosures as satisfying delivery requirements—even over the objections of incumbent paper producers whose business models depended on high-volume paper mailings.

[8] DEXs may have been initially designed and released by a developer; however, once launched, the DEX code operates autonomously and algorithmically, without the need or even ability for a person to manually intervene in its functioning. Some DEXs have mechanisms through which a decentralized group of persons that hold "governance" tokens relating to the protocol have the ability to vote to change certain parameters (like permitted fee levels) on a going-forward basis, but not impact any live-trading functionality.

a general matter, any digital asset that meets a particular DEX's code requirements (e.g., tokens that utilize the Solana Program Library token standard for DEXs deployed on Solana) could theoretically trade through that DEX. We refer to these as "compatible" tokens. The DEX cannot and does not know or distinguish whether the particular token is a digital commodity or digital security, so long as it is compatible.

Most DEXs generally operate without a central limit order book. The most commonly used DEXs operate through "automated market maker" or "AMM" mechanisms.[9] These AMM systems enable decentralized trading of digital assets by aggregating digital asset trading pairs using smart contracts. With AMM protocols, users referred to as "**Liquidity Providers**" (or "**LPs**") transfer two digital assets—digital asset A and digital asset B—into the smart contract, with the sum of all such digital assets from all LPs making up the "liquidity pool" for that trading pair. Assets deposited into a liquidity pool are maintained in the smart contract for that pool, which has its own smart contract address. The smart contract address for a particular liquidity pool is effectively that pool's wallet address.

A user can trade with the AMM's liquidity pool by sending digital asset A (or digital asset B) into the smart contract, which automatically returns digital asset B (or digital asset A) at a market price determined by the AMM's publicly available algorithm, subject to a pre-set transaction fee for that liquidity pool. Rather than earning a spread between a bid and offer, Liquidity Providers are compensated by sharing (generally pro rata) in the transaction fees paid to that trading pair's liquidity pool. AMMs are transparent with respect to their available assets and prices, and use a mathematical algorithm built into the pool's smart contract to price the assets in the pool based on the relative supply of each asset in the pool. As more users purchase digital asset A with digital asset B, the supply of digital asset A in the pool decreases relative to digital asset B, increasing digital asset A's price relative to digital asset B.

In practice, digital asset A and digital asset B will also trade on a number of centralized exchanges and other AMMs. To the extent the price of digital asset A or digital asset B on the AMM diverges from the price available on centralized markets or other AMMs, arbitrageurs will trade in one or the other market to take advantage of the price discrepancy, and in doing so, cause a price equilibrium.

Unlike on centralized exchanges (whether traditional security or digital commodity), there is no central intermediary controlling the AMM or its liquidity pools, such as through maintaining an order book or clearing transactions. Instead, self-executing, blockchain-based smart contracts enable digital asset trading to occur directly between market participants who transfer their assets into a smart contract, retaining control over their private keys, rather than turning control over to a centralized exchange acting as custodian. The need for a centrally maintained order book and a specific trading counterparty is eliminated. Users can execute any trade instantly, at a price

[9] There exists a segment of DEXs that utilize limit order books, but as noted this letter is focused on AMMs that employ liquidity pool protocols to facilitate the instantaneous execution of exchanges directly between users' wallets. Examples of these are Orca on Solana and Uniswap on Ethereum and several other blockchain networks.

transparently determined by the AMM's smart contracts, which interact with the user-sourced liquidity pools.

The following example illustrates how Liquidity Provider economics function. When a Liquidity Provider provides liquidity to a pool, "**liquidity tokens**" are minted and sent to the Liquidity Provider's wallet address, representing the proportion of the pool's liquidity that the Liquidity Provider provided. Liquidity tokens represent the Liquidity Provider's right to claim its (i) balance of digital assets in the liquidity pool plus (ii) earned transaction fees. Assuming ETH is valued at 2,000 USDC, if a Liquidity Provider supplies 1 ETH and 2,000 USDC to a liquidity pool that, following the deposit, has a total of 10 ETH and 20,000 USDC in the pool, the Liquidity Provider would initially receive liquidity tokens representing 10% of the liquidity pool.[10] After some time of users trading with the liquidity pool and fees being accrued, the total liquidity pool may hold 11 ETH and 22,000 USDC. Assuming no added or withdrawn liquidity and that the market price (and thus relative market value of ETH to USDC) has not changed, the Liquidity Provider could redeem its liquidity tokens for 10% of the liquidity pool, redeeming 1.1 ETH and 2,200 USDC.[11]

AMMs are designed to algorithmically ensure that, at all times, each liquidity pool has sufficient assets to permit the immediate redemption of liquidity tokens by Liquidity Providers in exchange for the Liquidity Provider's balance (although the relative balance and dollar value of these assets may have changed). This redemption may be effected by a Liquidity Provider at any time by sending an instruction to the protocol, and without any other individual or entity needing to take any action. For a fully autonomous AMM, the initial developer of the AMM has no control or responsibility with respect to any aspect of a redemption of liquidity tokens.

The DEX marketplace is diverse and new ideas for market structures are regularly being proposed, tested, and launched. But for purposes of this letter, the term "AMM" refers to a protocol that exhibits each of the following characteristics:

- **Absence of Discretionary Control**. Trading on the AMM operates according to pre-programmed, deterministic, publicly available instructions embedded in self-executing smart contracts with publicly accessible source code. No entity, individual, or group of individuals under common control, including the protocol developers, possess the capability to unilaterally modify, halt, or influence transaction settlement, execution, matching, or the functioning of the underlying code once deployed.[12]

[10] In some AMMs, as transaction fees accrue, those fees get added to the liquidity pool; in others, they are held outside of the pool.

[11] This example assumes any accrued liquidity fee earnings are held outside of the pool. The provision of liquidity is more complex for some AMMs, in which Liquidity Providers can specify the asset pair price range in which they wish to contribute their assets to the liquidity pool, thereby concentrating the liquidity provided and constructing individualized price curves that reflect their own preferences. The method of calculating a Liquidity Provider's pro rata ownership of the liquidity pool and share of fees would differ in these more complex models, but the general concept—that the liquidity tokens represent the Liquidity Provider's balance plus earned fees—remains unchanged.

[12] Some DEXs, including AMMs, maintain public governance processes by which holders of governance tokens for the protocol may vote to change limited, particular parameters. AMMs with such functionality would not cease to be "AMMs" for purposes of this letter so long as the governance process is disclosed, transparently documented, and no one person

- **Transparency and Verifiability**. All operational logic, including transaction execution, pricing algorithms, liquidity provision, settlement finality, and the governance process, is source-available, transparent, auditable, and publicly verifiable at all times. Transparency includes full public access to the codebase and source availability, allowing external validation of the absence of undisclosed discretionary controls.
- **Self-Executing and Deterministic Settlement**. The protocol executes all transactions autonomously without human intervention or discretion. Once initiated, transactions via the protocol cannot be blocked, censored or reversed by any identifiable central intermediary, administrator, or other party (except to the extent the token's own smart contract implements its own restrictions—such as allowing the token to only be held by whitelisted addresses, or prohibiting it from being held by restricted addresses).
- **Neutrality and Non-Discriminatory Access**. The protocol provides open, neutral, and broad access to all eligible participants, without preferential treatment granted by any central or identifiable administrative body.

An AMM that exhibits each of these characteristics is autonomous technology, not an "intermediary" of the sort contemplated for regulation under the Exchange Act.

II. AMMs Are Not "Exchanges" and Liquidity Providers Are Not "Dealers"

Below we make two related assertions. First, as a matter of statutory interpretation, (i) an AMM that meets the criteria described in Section I and supports trading in tokenized securities (such as tokenized GLXY) does not operate as an "exchange" under the Exchange Act, and (ii) a Liquidity Provider on such an AMM does not operate as a "dealer" under the Exchange Act. Second, while we believe unnecessary as a matter of statute, if the Commission believes additional certainty is warranted, it should provide a clear pathway for tokenized-securities trading on these AMMs.

A. AMMs Are Not "Exchanges"

The federal securities laws require that an "exchange" register as a national securities exchange with the Commission and comply with strict rules around its structure, governance, operations, and rulemaking. An exchange is also a self-regulatory organization that is required to regulate its members, who themselves must be registered broker-dealers.

An "exchange" is defined under Section 3(a)(1) of the Exchange Act as:

> "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 or for otherwise performing with respect to securities the functions commonly performed by a stock

or group of persons under common control has the technological ability to unilaterally implement changes to the protocol.

exchange as that term is generally understood, and includes the market place and the market facilities maintained by such exchange."

Additionally, Exchange Act Rule 3b-16(a) provides a test to determine whether a platform meets the above definition. Subject to exceptions, the rule provides that an "organization, association, or group of persons" meets the definition where it:

(i) brings together the orders for securities of multiple buyers and sellers; and
(ii) 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.

AMMs do not fit within the scope of the "exchange" definition for two primary reasons.

First, an AMM that operates through autonomous code, not controlled by a person or group, is not "constitute[d], maintain[ed], or provide[d]" by an "organization, association, or group of persons."[13] The developers who initially wrote and deployed the code do not "constitute, maintain, or provide" the protocol in any ongoing sense once it is live: they cannot modify it, halt it, or direct its operation, and the protocol functions identically whether they remain involved or disappear entirely. Congress specifically tied "exchange" status to particular persons engaging in particular activities, not functions themselves. Attributing the regulatory obligations that flow from exchange registration to a grab bag of disparate actors, as others have suggested,[14] would impose duties on persons who have no capacity to discharge them and would advance none of the policy objectives the exchange registration regime was designed to serve.[15]

Second, consistent with the plain language of the statute, the SEC historically interpreted the definition of "exchange" as limited by the statutory definition's reference to "the functions commonly performed by a stock exchange *as that term is generally understood*."[16] This view was affirmed by the Seventh Circuit Court of Appeals.[17] Although the SEC under the prior administration proposed to amend Rule 3b-16 and, in

[13] Exchange Act § 3(a)(1).
[14] *See, e.g.*, SIFMA, *Automated Market Makers and the Consistent Application of Securities Market Regulations*, *supra* note 1 (suggesting regulatory obligations should apply to "developers, governance bodies, liquidity providers, and user interfaces" in some places, while in other places referring to "[f]oundations, developers, DAOs, and front-ends.").
[15] Indeed, an allegation that it is unlawful (as acting as an unregistered national securities exchange would be) to write and release code, where a person does not operate or control the system, raises serious constitutional questions under the First Amendment. *See, e.g.*, *Universal City Studios Inc. v. Corley*, 273 F.3d 429 (2d Cir. 2001) ("Communication does not lose constitutional protection as 'speech' simply because it is expressed in the language of computer code."); *Junger v. Daley*, 209 F.3d 481, 485 (6th Cir. 2000) ("Because computer source code is an expressive means for the exchange of information and ideas about computer programming, we hold that it is protected by the First Amendment.").
[16] *See Delta Government Options Corp.*, 55 Fed. Reg. 1,890, 1,894 (Jan. 12, 1990) (finding that the "Delta System" was not an "exchange" because the "fundamental characteristic" of an exchange is "centralized trading and providing purchasers and sellers . . . buy and sell quotations on a regular or continuous basis so that [they] have a reasonable expectation that they can regularly execute their orders at those price quotations").
[17] *Board of Trade of the City of Chicago v. SEC*, 923 F.2d 1270, 1272 (7th Cir. 1991) ("Unless the petitioners can be permitted to add their own punctuation to the statute, we do not think that their reading is any more persuasive, even at the literal level, than the Commission's reading, which places the provision of a marketplace or of other facilities for bringing securities traders together among those functions performed by a stock exchange as the term is generally understood, and *thus subjects* '*provid[ing] a market place or facilities*' *to the qualifying force of* '*generally understood.*'" (emphasis added)).

so doing, expressed the view that the definition of exchange is *not* limited by this statutory language,[18] members of the current Commission have rightfully indicated strong disagreement with that proposal (including its interpretation of this phrase within the definition of "exchange")[19] and the Commission has since withdrawn the proposal.[20]

Commissioner Peirce's dissent to the proposed amendments to Rule 3b-16 articulates the correct reading: the definition of exchange is narrowly focused on entities performing the functions traditionally associated with stock exchanges. While the notion of what is "generally understood" is not frozen in 1934, to be an "exchange," a system's mechanism must be generally understood to perform stock-exchange functions.[21] Given their autonomous functioning, lack of intermediaries, and lack of collection or interaction of bids and offers, AMMs do *not* perform the commonly understood functions of a stock exchange and are thus not within the statutory definition of "exchange."

Although we believe that qualifying AMMs fall outside the statutory definition of "exchange," the same conclusion is reinforced by policy considerations. Permitting such AMMs to operate without exchange registration would not defeat the objectives of the Exchange Act, while attempting to impose the full exchange framework on an autonomous protocol would in important respects be unworkable.

- **Decentralized**: AMMs operate through autonomous code. Trades execute with no intermediaries controlling their functioning and with no person or group having the ability to control what assets are traded through the system.

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[18] SEC, *Supplemental Information and Reopening of Comment Period for Amendments Regarding the Definition of "Exchange"* (Apr. 14, 2023) (arguing that "[t]he statutory definition of "exchange" is written in the disjunctive"). Although the Commission cited this "disjunctive" argument when adopting the existing Rule 3b-16 to capture alternative trading systems ("**ATSs**"), viewing AMMs as "functions commonly performed by a stock exchange" would stretch the statute much farther than capturing ATSs. Exchange Act Release No. 40760 (Dec. 8, 1998) at n.544. *See also infra* note 19.

[19] *See, e.g.*, Commissioner Hester M. Peirce, *Rendering Innovation Kaput: Statement on Amending the Definition of Exchange* (Apr. 14, 2023), https://www.sec.gov/newsroom/speeches-statements/peirce-rendering-inovation-2023-04-12 ("In the Chicago Board of Trade opinion, the court suggested that the Commission has broad authority to define the term 'exchange.' At the same time, the amendments proposed last year by the Commission seem materially different in quality from the interpretation upheld by the court in that case or the amended interpretation that the Commission adopted in 1998. Neither of these interpretations came anywhere as close as the proposal does to stretching the boundaries beyond any reasonable interpretation of the statutory definition, which is grounded in a concept of 'stock exchange as that term is generally understood.' 15 U.S.C. § 78c(a)(1) (emphasis added). Unlike either of those prior interpretations, the definition as proposed to be amended last year seems to extend to systems well beyond anything generally understood to be an exchange, an impression heightened by the Commission's refusal either in that release or in this reopener to provide any clarity around what the outer bounds of the amended definition might be."); Chairman Paul Atkins, *Remarks at the Investor Advisory Committee Meeting*, Securities and Exchange Commission (Dec. 4, 2025), https://www.sec.gov/newsroom/speeches-statements/atkins-remarks-iac-120425 ("The previous Commission attempted to address on-chain markets through a brute-force redefinition of 'exchange' to include even basic 'communication protocols,' and then subjecting whatever was captured by that new definition to the full panoply of our regulatory framework for exchanges. That approach lacked limiting principles, expanded the SEC's reach beyond what Congress intended, and ultimately created uncertainty that chilled innovation.").

[20] SEC, *Notice of Withdrawal of Proposed Rules* (June 12, 2025), https://www.sec.gov/files/rules/final/2025/33-11377.pdf.

[21] *See Am. Bankers Ass'n v. S.E.C.*, 804 F.2d 739, 754 (D.C. Cir. 1986) (rejecting argument that changes in "factual 'context' [may] actually 'require[]' deviation from [a] statutory definition" because it would be "too big a step" to allow the Commission to redefine statutory terms on that basis).

- **Permissionless and Agnostic Trading**: Any compatible digital asset that meets the relevant technical standards can be traded on an AMM solely because market participants choose to trade it—without intervention by a centralized operator and regardless of whether the asset is a security. Because AMMs typically involve no intermediary operators, there is no centralized entity to regulate or upon whom to impose the various obligations registered exchanges are subject to.
- **User-Controlled Execution**: AMM trades are fully user-initiated and executed directly through smart contracts, without reliance on intermediaries. This AMM architecture—built around transparent, algorithmic pricing and automated market-making—differs fundamentally from the order book and quotation models of traditional markets. Many of the policy objectives underpinning the regulatory framework for national securities exchanges are intended to manage potential conflicts of interest between exchanges, their members, and investors. But an AMM's peer-to-protocol model removes the risk that a person with discretionary power over the system could act improperly as a result of potential conflicts of interest.
- **Transparency**: AMMs provide a high degree of pre- and post-trade transparency. The contents of each liquidity pool, the pricing formula, the resulting transactions, and non-trade-related changes to the pool are observable onchain. Those features can materially reduce information asymmetries and can in some respects achieve through architecture the transparency that legacy rules were designed to compel.

Regulation NMS Rule 611 warrants separate discussion. Although the wisdom of Rule 611's "trade through" provisions has long been debated and it appears the Commission is reevaluating it,[22] we do not believe AMMs facilitating trading in tokenized securities would undermine the policy goals Rule 611 was intended to achieve.

First, arbitrage opportunities between a traditional security that trades in the national market system and its tokenized counterpart that trades on AMMs would naturally keep prices closely aligned. More fundamentally, the primary policy basis underlying Rule 611 was to encourage market participants to post displayed limit orders by providing market participants with confidence that their displayed limit orders would not be "traded through."[23] But AMM markets are entirely displayed and pricing is formulaic—the concept of traditional displayed limit orders on a central limit order book simply does not apply. There are no quotes on an AMM that could be traded

[22] *See, e.g.*, Dissent of Commissioners Cynthia A. Glassman and Paul S. Atkins to the Adoption of Regulation NMS (June 9, 2005), https://www.sec.gov/files/rules/final/34-51808-dissent.pdf; Commissioner Paul S. Atkins, *Remarks at the Roundtable on Trade-Through Prohibitions* (Sept. 18, 2025), https://www.sec.gov/newsroom/speeches-statements/atkins-091825-remarks-roundtable-trade-through-prohibitions; Office of Information and Regulatory Affairs, RIN: 3235-AN50, https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=202504&RIN=3235-AN50 ("The Division is considering recommending that the Commission propose amendments to Rule 611.").

[23] *See, e.g.*, Regulation NMS, Exchange Act Release No. 51808 (June 9, 2005) ("Rule 611 is designed to promote market efficiency and further the interests of both investors who submit displayed limit orders and investors who submit marketable orders. Price protection encourages the display of limit orders by increasing the likelihood that they will receive an execution in a timely manner and helping preserve investors' expectations that their orders will be executed when they represent the best displayed quotation"; "The Commission therefore believes that the Order Protection Rule is needed to encourage greater use of limit orders.").

through. As a practical matter, because the pricing of transactions on AMMs is algorithmically determined based on the pool's liquidity, and an AMM would not be programmed to check the best bid or offer in the national market system before executing a trade, it is not possible to impose prohibitions on AMMs that would prevent them from trading through quotes displayed on other markets.

Beyond these policy considerations, registration as a national securities exchange is not merely unnecessary for AMMs—it is structurally impossible. There is no person who can cause an autonomous protocol to register, file rule changes, supervise members, or perform any of the other affirmative obligations that exchange registration entails. Nor are AMMs organized or governed in the manner required for registered exchanges. A regulatory framework that demands the impossible is not a framework; it is a prohibition. Chairman Atkins has appropriately recognized that the Commission should not be in the business of stifling promising innovation simply because that innovation does not fit into preexisting regulatory structures.[24]

Members of the current Commission have also recognized the broader benefits of tokenization for the securities markets, including operational efficiency, transactional transparency, faster settlement, and increased investor access;[25] have emphasized that century-old regulatory frameworks should not be permitted to stifle innovation in technologies that could improve

[24] *See, e.g.*, Atkins, *Remarks at the Investor Advisory Committee Meeting*, *supra* note 19 ("The previous Commission attempted to address on-chain markets through a brute-force redefinition of 'exchange' to include even basic 'communication protocols,' and then subjecting whatever was captured by that new definition to the full panoply of our regulatory framework for exchanges. That approach lacked limiting principles, expanded the SEC's reach beyond what Congress intended, and ultimately created uncertainty that chilled innovation. . . . A durable rulebook must recognize this spectrum without forcing square pegs into round holes."); Chairman Paul Atkins, *American Leadership in the Digital Finance Revolution*, Securities and Exchange Commission (July 31, 2025), https://www.sec.gov/newsroom/speeches-statements/atkins-digital-finance-revolution-073125 ("Decentralized finance software systems—like automated market makers—facilitate automated, non-intermediated financial market activity. Federal securities laws have always assumed the involvement of intermediaries that require regulation, but this does not mean that we should interpose intermediaries for the sake of forcing intermediation where the markets can function without them.").

[25] Commissioner Hester M. Peirce, *Getting Smart—Tokenization and the Creation of Networks for Smart Assets: Opening Remarks for Tokenization Roundtable* (May 12, 2025), https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-crypto-roundtable-tokenization-051225 ("Removing securities from siloed databases and tokenizing them on open, composable crypto networks mobilizes them and makes them usable in new and enhanced ways. Stablecoins, the first application of tokenization to achieve scale, demonstrate the efficiency and accessibility improvements that may arise from the use of crypto networks. Tokenization may provide similar benefits to the securities markets, such as increased operational efficiency, transactional transparency, liquidity, and accessibility; faster settlement; and greater investor opportunity.").

traditional intermediated models;[26] and have affirmed that code is protected speech and that liability for misuse should fall on users, not developers.[27]

B. Liquidity Providers on AMMs Are Not "Dealers"

Liquidity Providers on qualifying AMMs are traders, not dealers. They trade for their own accounts, have no customers, do not solicit orders, do not hold themselves out as available to buy or sell securities for others, do not quote two-sided markets, and do not exercise pricing discretion over the protocol. Those features place them on the trader side of the longstanding dealer-trader distinction.

The term "dealer" is defined in section 3(a)(5)(A) of the Exchange Act as "any person engaged in the business of buying and selling securities . . . for such person's own account through a broker or otherwise." To exclude ordinary investors and traders from being considered dealers, Section 3(a)(5)(B) explicitly excludes from the "dealer" definition "a person that buys or sells securities . . . for such person's own account, either individually or in a fiduciary capacity, but not as a part of a regular business." This exclusion is the foundation of the longstanding "dealer-trader distinction," which separates persons engaged in the business of dealing from persons trading for their own investment purposes.

As noted above, to incentivize users to contribute tokens to an AMM's liquidity pools, Liquidity Providers receive a small fee when others trade with that pool. Liquidity pools obviate the need for third-party middlemen to actively operate as market makers, constantly adjusting their quotes, like in traditional central limit order book markets. Instead, Liquidity Providers deposit their assets into the pool and can passively earn their pro rata share of fees from others' trading with the AMM.

The clearest analogy for a passive Liquidity Provider is a securities lender. A securities lender makes its own assets available to borrowers, earns lending fees, remains exposed to price movements on the underlying instrument, and is not—and has never been—considered a dealer solely based on this activity. A Liquidity Provider who deposits tokens into a pool to passively earn fees from others' trading occupies functionally the same position. Some Liquidity Providers may take a more active

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[26] Chairman Paul Atkins, *Remarks at the Crypto Task Force Roundtable on Decentralized Finance*, Securities and Exchange Commission (June 9, 2025), https://www.sec.gov/newsroom/speeches-statements/atkins-remarks-defi-roundtable-060925 ("The idea of self-executing software code that is accessible to everyone, but controlled by no one, and that enables private, peer-to-peer transactions may sound like science fiction. But, blockchain technology makes possible an entirely new class of software that can perform these functions without an intermediary. I do not believe that we should allow century-old regulatory frameworks to stifle innovation with technologies that could upend and most importantly improve and advance our current, traditional intermediated model. We should not automatically fear the future.").

[27] Commissioner Hester M. Peirce, *DeFining the American Spirit* (June 9, 2025), https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-defi-roundtable-060925 ("Also resonant with the American spirit is the ability of people to publish written material without permission. Code is protected speech. Because the First Amendment protects someone who writes a DeFi software protocol and publishes it, the SEC has no authority to demand pre-publication approval rights even for code that could be used to exchange securities. The SEC must not infringe on First Amendment rights by regulating someone who merely publishes code on the basis that others use that code to carry out activity that the SEC has traditionally regulated. If somebody else subsequently violates the law using the software protocol, the user—not the developer of the software—should face the music.").

approach, rebalancing and shifting the prices at which they are willing to trade various assets. This too is functionally similar to investors who take more active trading strategies for their own accounts. Neither category constitutes dealing.

Liquidity Providers on AMMs also do not meet the other indicia of dealer status: they do not "hold themselves out" to the public as being available to buy or sell (indeed, they are pseudonymous), they do not have regular clientele, they do not actively solicit clients, and they do not actively quote two-sided markets or offer any other services to other market participants.

Recent federal court decisions confirm this view. In two companion cases, the Northern District of Texas found a lack of customers to be strong evidence that a person is not acting as a dealer.[28] In fact, one of these cases was brought by a digital asset trade association specifically to challenge Rule 3a5-4, on the ground that the rule's expansive reading of "dealer" would sweep in Liquidity Providers, effectively eliminating the dealer-trader distinction.[29] The court agreed and vacated the rule as arbitrary and capricious, holding that it would "void" the longstanding dealer-trader line.[30]

While Liquidity Providers should not be within the statutory definition of "dealer" as a matter of law, the policy objectives of dealer regulation would also not be undermined by declining to regulate Liquidity Providers as dealers. The Commission has highlighted the regulatory benefits of dealer registration as related to: (i) limitations on financial risk taking, (ii) regulatory reporting, and (iii) prevention of fraudulent and deceptive practices.[31] None of these is implicated by Liquidity Provider activity on AMMs:

- **Financial risk taking**: The SEC's rules are designed to limit dealers' financial risk taking because of the potential harm to customers or the market if a customer's dealer became insolvent. But Liquidity Providers do not have customers—they trade for their own account and do not hold customer funds or securities—and so the financial risks they take are theirs alone to bear. The market as a whole similarly would not be harmed by the failure of a particular Liquidity Provider. Because anyone holding a particular token can act as a Liquidity Provider by depositing the tokens into an AMM's liquidity pools, no special skill is needed that cannot be replaced by other ordinary investors, and a failure of a Liquidity Provider would not cause any larger market disruption. Beyond financial risk, various other rules that apply to dealers and are intended to protect customers, such as FINRA rules pertaining to best execution, are similarly inapplicable, as

[28] *Nat'l Ass'n of Private Fund Managers v. SEC*, No. 4:24-cv-00250-O, 2024 WL 4858589 (N.D. Tex. Nov. 21, 2024); *Crypto Freedom Alliance of Texas v. SEC*, No. 4:24-cv-00361-O, 2024 WL 4858590 (N.D. Tex. Nov. 21, 2024).
[29] *Crypto Freedom Alliance of Texas*, *supra* note 28.
[30] Commissioner Peirce had reached the same conclusion in her dissent to the Rule 3a5-4 rulemaking, stating "[a]lthough the Commission and its staff have previously stated that liquidity provision may be indicative of dealing activity, it has not to my knowledge ever before stated categorically that liquidity provision alone by a person trading for its own account constitutes dealing activity . . . ." Commissioner Hester M. Peirce, *Dealer, No Dealer? Statement on Further Definition of "As a Part of a Regular Business" in the Definition of Dealer and Government Securities Dealer in Connection with Certain Liquidity Providers* (Feb. 6, 2024), https://www.sec.gov/newsroom/speeches-statements/peirce-statement-dealer-trader-020624-dealer-no-dealer-statement-further-definition-part-regular-business-definition-dealer-government.
[31] SEC, Proposed Rule: Further Definition of "As a Part of a Regular Business" in the Definition of Dealer and Government Securities Dealer, Release No. 34-94524 (Mar. 28, 2022), https://www.sec.gov/files/rules/proposed/2022/34-94524.pdf.

Liquidity Providers do not have customers, and in any event have no role or ability to determine prices on AMMs—which are algorithmically set.

- **Regulatory reporting**: As noted above, AMMs are entirely transparent with respect to their available assets and prices at all times, meaning all transactions conducted by a Liquidity Provider are publicly recorded and accessible. To the extent regulators want to analyze this data, it is available to them regardless of dealer registration.
- **Fraudulent and deceptive practices**: All securities market participants, whether or not registered as dealers, are subject to the Exchange Act's anti-fraud rules, which prohibit fraudulent activity and market manipulation. Liquidity Providers engaging in fraudulent, deceptive or manipulative acts involving tokenized securities would be particularly discoverable as all data regarding their onchain activities is publicly available.[32]

III. Conditions for AMM Trading Can Further Reduce the Risks

Galaxy acknowledges that the use of AMMs for the trading of tokenized equity securities, particularly of securities that also trade in the national market system, is novel and raises policy considerations—even if as a statutory matter, AMMs are not "exchanges" and Liquidity Providers are not "dealers." The SEC should provide a clear pathway for tokenized securities trading on AMMs, and if necessary to address policy concerns, the SEC could condition any interpretive or exemptive relief (an "**innovation exemption**") in a manner than both protects investors and gives the Commission practical experience with tokenized securities trading on AMMs. As you know, we have previously requested that the SEC staff grant no-action relief along these lines.

First, an innovation exemption could be limited to a whitelisted model similar to that used for tokenized GLXY:

- The tokenized securities could be restricted to whitelisted wallets—that is, wallets registered to individuals or entities who have onboarded with a transfer agent and satisfied the transfer agent's KYC and AML requirements—with smart contracts that ensure that attempts to transfer the tokenized security to non-whitelisted addresses fail. The transfer agent thus would maintain a record of all owners of the tokenized security, which could be combined with the records for the traditional security to form the master securityholder file.
- The transfer agent could be required to have the technological capability to transfer tokenized securities to replace lost or stolen tokens or correct erroneous transfers.
- The issuer and transfer agent could be required to only whitelist, and thus permit the tokenized security to trade on, AMMs that exhibit each of the factors described in Section I of this letter.[33]

[32] For tokenized securities like tokenized GLXY, where all security tokenholders must be whitelisted, potential misconduct would be especially discoverable, as the identities of Liquidity Providers would be known to the issuer (and thus available in any Commission investigation).

[33] As discussed above, each liquidity pool on an AMM has a smart contract address in which tokens are held. AMMs therefore could be restricting from holding a tokenized security unless the address of the liquidity pool has been whitelisted. An issuer would still have full visibility into the identity of its record owners at all points in time. Although the

Second, if the Commission concludes that a pilot-style volume cap would be useful, it could condition any innovation exemption on such a limit. One possible formulation would be that the average trading volume of tokenized securities on AMMs, in any four of the preceding six calendar months, not exceed 35% of the aggregate trading volume (i.e., the total of (i) the tokenized security on AMMs *plus* (ii) shares of the traditional common stock trading in the national market system).

Third, the innovation exemption could require issuers to ensure that the following information will be publicly available, which may be through third-party operated blockchain explorers or analytics as appropriate, and provided to the Staff on a quarterly basis (either directly or by directing the Staff to where such information is available):

- disclosures regarding the mechanics and operation of the tokenized security and each AMM on which the tokenized security is supported, along with reasonable advance notice of any material changes to the operation or trading of the tokenized security;
- the name of each supported blockchain and the smart contract address for the tokenized security on each supported blockchain;
- the total number of shares of (i) the traditional security that have been converted to a tokenized security and (ii) tokenized securities that have been reconverted to the traditional security;
- the then-current outstanding number of shares of the tokenized security, both in aggregate and as a percentage of the number of the issuer's stock (traditional and tokenized) outstanding;
- the volume, price (in then-dollar-value equivalent) and time of each transaction in the tokenized security, including the average daily volume of transactions in the tokenized security;
- the name and smart contract address of each approved AMM; and
- an easily accessible dashboard for viewing the above onchain information.[34]

Fourth, the innovation exemption could require issuers to make any other information and data maintained in its systems related to the tokenized security available to Staff upon request.

IV. Addressing Additional Policy Concerns

A. Pseudonymous Architecture Does Not Preclude KYC and AML Compliance

Some commenters have argued that the pseudonymous nature of public blockchains is in direct tension with core securities law requirements that depend on identifiable participants. This argument conflates protocol-level architecture with the compliance obligations that attach at

tokenized security would be held in an AMM's liquidity pool smart contract, the blockchain data (visible through public blockchain explorers) would indicate the number of tokenized securities attributable to each wallet address that holds such tokenized security through the liquidity pool.

[34] For example, Galaxy has created a publicly accessible Dune dashboard to track the supply of tokenized GLXY and other metrics. *See* Dune, *$GLXY Onchain Stock Stats*, https://dune.com/glxyresearch_team/glxy-class-a-common-stock-token.

regulated access points. The internet itself is pseudonymous at the protocol level; securities regulation addresses that reality by imposing obligations on registered intermediaries like brokers, custodians, and transfer agents.

It also bears emphasis that the whitelisting structure described in Section III would address the concerns most heavily relied upon by these commenters. Where every wallet that can hold a tokenized security is tied to a KYC-verified identity known to a regulated transfer agent, the asserted gaps in AML enforcement, market manipulation surveillance, and bad-actor identification simply do not exist.

B. Public Blockchains Can Advance Reporting and Transparency Objectives

Some commenters argue that AMM-based trading lacks the post-trade execution quality reporting and consolidated price transparency that characterize the regulated equity markets, pointing to the absence of Rule 605 reports, National Best Bid and Offer infrastructure, and trade reporting facility integration as gaps that would impair price discovery and best execution analysis.

This argument inverts the actual transparency comparison between the two systems. The Commission and SROs found it necessary to adopt rules imposing these transparency obligations on market participants *because* the market was otherwise opaque. Even compared to these transparency requirements, public blockchains produce more comprehensive, more timely, and more universally accessible trade and quote data than the consolidated tape and securities information processors ("**SIP**") infrastructure of the national market system. Every transaction executed on an AMM is recorded on the underlying blockchain in real time, with the full state of the AMM's liquidity pool—including liquidity depth, pricing curve parameters, and the precise execution price for any given trade size—publicly observable both before and after execution. There is no latency advantage available to subscribers of premium data feeds, no two-tier system in which professional participants receive faster access than retail investors, and no proprietary data licensing regime that restricts access to those willing to pay exchange data fees. A regulator, an academic researcher, an investor, or a journalist can reconstruct the complete trading history of any AMM pool from publicly available blockchain data without permission, fees, or vendor relationships. And they do—suspicious trading or trading anomalies, when they do occur, are regularly noticed and publicized.

The actual question these incumbents raise is not whether the data exists to support market integrity and transparency—it plainly does, in greater volume and with greater accessibility than equivalent data from registered exchanges and broker-dealers. Their real demand instead seems to be that the data should be input into the existing reporting infrastructure such as the SIPs and trade reporting facilities that were developed for the traditional systems they use. That is a technical integration question, not a transparency issue.

The deeper irony is that several of the transparency problems that these incumbents identify in traditional equity markets—fragmented data feeds, latency advantages for sophisticated participants, opaque routing decisions, and the difficulty of reconstructing execution quality across

venues—are problems that public blockchain infrastructure solves natively. If the Commission's goal is genuine pre- and post-trade transparency, AMM-based trading on public blockchains should be regarded as an *improvement* over the traditional market, not a departure from it. These incumbents' framing assumes that the existing reporting architecture is the standard against which transparency must be measured; the better view is that the existing reporting architecture is an artifact of the technological constraints that prevailed when it was designed, and that public blockchain infrastructure offers a meaningfully better path to the policy outcomes that consolidated reporting was intended to achieve.

C. "MEV" and Market Manipulation Concerns Are Overstated and Can Be Managed

Some commenters also raise "MEV" as a "unique danger" to onchain trading, thus necessitating extensive regulatory intervention over AMMs. One letter implies that MEV is the onchain equivalent of "fraudulent use of material non-public information" that regulatory authorities in traditional markets investigate and enforce, and presses the truism that "[t]echnological architecture does not excuse conduct that would otherwise violate securities laws." Yet, they implicitly acknowledge that MEV does not, in fact, involve any misuse of non-public information and thus likely does not violate the securities laws, since any of the sort of conduct they are referring to can only be based on public mempool information.

Even if not illegal, we agree that the forms of MEV that they point to can be problematic and are undesirable. But the concerns this commenter raises are overstated. Significant MEV events that receive attention tend to be outlier events that, particularly given the large size of trades involved, could and should have been easily avoided, such as through slippage limit settings standard to AMMs, or trading through systems that avoid the public mempool. Regardless, in practice, putting aside the headline-inducing trading mishaps, the actual cost of even the sort of undesirable MEV incidents they refer to are vanishingly small compared to the trading activity.[35] The purported concern that investors "may systematically get worse prices than the on-screen quote" due to MEV lacks credibility where, for the large transactions of the type where MEV may impose more than negligible costs, in the traditional market, investors regularly calculate execution quality based on how much worse their execution was than the quote on the screen. Further, if MEV of the type described were viewed as legally impermissible, in the model we propose, because every security token holder would be whitelisted, the issuer (and thus a regulator) would be able to determine precisely the identity of the person who engaged in the activity.

These commenters also argue that AMMs lack sufficient manipulation controls. But manipulation is illegal regardless, and given the transparency of onchain trading, it is easily identifiable. And like with MEV, the whitelisting model we propose means the SEC would be able to determine precisely the identity of the person who engaged in the activity.

[35] Public sources indicate that, over the past 30 days on the Solana network, approximately 7,000 SOL was extracted by sandwich attacks—on approximately 14 billion in traded volume—meaning that, in the aggregate, sandwich attacks imposed a cost of approximately 0.0000005%. *See* Sandwiches, https://sandwiched.me/sandwiches (last accessed Apr. 14, 2026).

V. Conclusion

Tokenization offers meaningful benefits to investors and markets, and AMMs offer a technologically distinct but functionally legitimate path for those tokenized securities to trade. The federal securities laws regulate intermediaries, not architectures, and a properly conceived application of technology neutrality requires the Commission to evaluate AMMs by reference to the actual intermediaries involved and whether the regulatory *objectives* can be met, not by whether the particular regulatory *means* meant to meet those objectives in the markets that came before them are embedded into the technology.

For the reasons set out above, an AMM meeting the criteria described in Section I and facilitating trading in a tokenized security (such as tokenized GLXY) should not be required to register as an exchange under Section 5 of the Exchange Act and a Liquidity Provider depositing such a security into an AMM liquidity pool should not be required to register as a dealer under Section 15(a). While we believe unnecessary as a matter of statute, if the Commission believes additional certainty is warranted, it should provide a clear pathway for tokenized securities trading on these AMMs, such as through the innovation exemption proposed in this letter.

Galaxy appreciates the Commission's engagement with these issues and the recent recognition that genuine technology neutrality requires regulatory pathways suited to the technology at hand. We would welcome the opportunity to discuss this letter further with the Crypto Task Force and the Division of Trading and Markets at the Commission's convenience.

Thank you again for your consideration and efforts to support American innovation.

Sincerely,

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