SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106402; File No. 4-927]

Order Granting Temporary Conditional Exemptive Relief, Pursuant to Section 36(a)(1) of the Securities Exchange Act of 1934, from the Definition of "Exchange" in Section 3(a)(1) of the Exchange Act for the Use of Certain Distributed Ledger Trading Venues for Tokenized NMS Stocks and from the Definition of "Dealer" in Section 3(a)(5) of the Exchange Act for Certain Liquidity Providers for Tokenized NMS Stocks, and Request for Comment

September 17, 2026.

I. Introduction

The Securities and Exchange Commission ("Commission" or "SEC") hereby issues these temporary, conditional exemptions to facilitate the permissioned trading of tokenized NMS stock using innovative automated market makers ("AMMs") and liquidity pools (together referred to as "AMM Liquidity Pools"). Specifically, the Commission hereby issues to "Tokenized Securities Venues" ("TSVs") an exemption from the definition of "exchange" in section 3(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act") ("TSV Exemption"). The Commission also hereby issues an exemption from the definition of "dealer" in section 3(a)(5) of the Exchange Act to certain liquidity providers in an AMM Liquidity Pool that supply liquidity in the form of tokenized NMS stock ("Covered Firm Exemption").

A TSV is an organization, association, or group of persons that brings together buyers and sellers of Tokenized NMS Stock by: (1) providing one or more AMM Liquidity Pool(s) for permissioned participants to interact and agree to terms of a trade and (2) setting standards for persons to access trading on such AMM Liquidity Pool(s). For purposes of this order ("Order"), "Tokenized NMS Stock" means an NMS stock[1] that is (1) a security tokenized[2] by, or on behalf of, the issuer of the underlying NMS stock; or (2) a security tokenized by a third party that is unaffiliated with the issuer of the underlying NMS stock.[3] "Tokenized NMS Stock" does not include securities where a third party issues a crypto asset representing its own security that provides synthetic exposure to an underlying security, such as a tokenized linked security or a tokenized security-based swap.[4]

Over the past several years, advancements in distributed ledger[5] technology have facilitated innovations in trading across non-security crypto assets.[6] These innovations have enhanced access and efficiencies for buyers and sellers to discover prices, interact, find counterparties, and execute trades in these assets. Additionally, distributed ledger technology

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1 "NMS stock" means any NMS security other than an option. 17 CFR 242.600(b)(65). "NMS security" means any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan, or an effective national market system plan for reporting transactions in listed options. 17 CFR 242.600(b)(64).

2 Tokenization is the process of creating a digital representation of a tangible or intangible asset using distributed ledger technology. *See* Statement on Tokenized Securities, Division of Corporation Finance, Division of Investment Management, Division of Trading and Markets, dated Jan. 28, 2026, *available at* https://www.sec.gov/newsroom/speeches-statements/corp-fin-statement-tokenized-securities-012826-statement-tokenized-securities ("Statement on Tokenized Securities"), at n. 3. The statement, and any other staff statement referenced in this release, is not a rule, regulation, guidance, or statement of the Commission, and the Commission has neither approved nor disapproved its content. Staff statements have no legal force or effect: they do not alter or amend applicable law, and they create no new or additional obligations for any person. *See id.* at n. 2.

3 *See generally id.* (stating that "tokenized securities" generally fall in such categories). *See also id.* at nn. 5, 11, 13-15 and accompanying text.

4 *See id.* at n. 16 and accompanying text. In addition, Tokenized NMS Stock eligible for trading on a TSV does not include rights and warrants.

5 A "distributed ledger" is technology in which data is shared across a network that creates a public digital ledger of verified transactions or information among network participants and cryptography is used to link the data to maintain the integrity of the public ledger and execute other functions. Section 2(8) of the Guiding and Establishing National Innovation for U.S. Stablecoins Act, Pub. L. No. 119-27, 139 Stat. 419 (2025) ("GENIUS Act").

6 A "crypto asset" is any digital representation of value that is recorded on a cryptographically secured distributed ledger. The foregoing definition of "crypto asset" is identical to the definition of "digital asset" in section 2(6) of the GENIUS Act. A "non-security crypto asset" is a crypto asset that itself is not a security. *See* Securities Exchange Act Release No. 11412 (Mar. 17, 2026), 91 FR 13714, 13716 (Mar. 23, 2026) ("Crypto Asset Interpretative Statement").

and related applications have led to developments in the tokenization of securities.[7]

Increasingly, retail investors, institutional investors, and professional securities market participants are seeking to buy and sell Tokenized NMS Stock on trading venues that use distributed ledger applications.[8] Such distributed ledger applications include smart contracts[9] that automate transactions in crypto assets, such as smart contracts within an AMM Liquidity Pool. An AMM consists of a smart contract (or smart contracts) that enforces terms of trading, including setting token prices based on the ratio of the quantities of the assets committed to a liquidity pool. AMM smart contracts act in tandem with liquidity pool smart contracts. A liquidity pool is a portfolio of crypto assets that is algorithmically bound and traded based on the terms of the smart contracts that compose the AMM Liquidity Pool.

Distributed ledger technology and associated applications, including smart contracts, can be employed in various other ways in connection with crypto assets. For example, smart contracts can be programmed with permissioning criteria to allow certain participants to access trading in certain crypto assets, AMM Liquidity Pools, or both. While AMM Liquidity Pools for non-security crypto assets generally operate on a permissionless basis, certain market participants have expressed the desire to provide access to trading of Tokenized NMS Stock on a permissioned basis and using AMM Liquidity Pools selected by such market participants.

Section 36(a)(1) of the Exchange Act grants the Commission the authority to "conditionally or unconditionally exempt any person, security, or transaction . . . from any

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7 *See, e.g.*, Statement on Tokenized Securities; Crypto Asset Interpretative Statement at section III.E.

8 A "distributed ledger application" means any executable software that is deployed to and maintained on a distributed ledger and composed of source code that is publicly available, including a smart contract or network of smart contracts.

9 A "smart contract" is a self-executing contract or program that (A) is stored using distributed ledger technology and (B) automatically executes or enforces digital asset transactions upon the occurrence of explicit, pre-determined conditions encoded in the contract or program, without intervention, other than to provide data, by any entity or natural persons.

provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors."[10]

For the reasons discussed below, the Commission finds it appropriate in the public interest and consistent with the protection of investors to issue a temporary exemption, under section 36(a)(1) of the Exchange Act, from the definition of "exchange" to a TSV, subject to conditions.

Additionally, the Commission finds it appropriate in the public interest and consistent with the protection of investors to issue a temporary exemption from the definition of "dealer" under section 3(a)(5) of the Exchange Act to any liquidity provider in an AMM Liquidity Pool that supplies liquidity in the form of Tokenized NMS Stock using proprietary capital and may also be engaged in additional activities that are indicia of dealing activity, such as quoting pricing to customers or entering into agreements to provide committed capital ("Covered Firm"), subject to conditions.

On January 21, 2025, Acting Chairman Mark T. Uyeda established the Crypto Task Force to help provide greater clarity on the application of the Federal securities laws to the crypto asset markets.[11] The Crypto Task Force's focus is to support, among other things, the Commission's efforts to draw clear regulatory lines; appropriately distinguish securities from non-securities; craft tailored disclosure frameworks; provide realistic paths to registration for

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10 *See* 15 U.S.C. 78mm(a)(1).

11 *See* U.S. Securities and Exchange Commission, Crypto Task Force, https://www.sec.gov/about/crypto-task-force. Acting Chairman Mark T. Uyeda designated Commissioner Hester M. Peirce to lead the Crypto Task Force. *See* Crypto Task Force Designation Letter from Acting Chairman Mark T. Uyeda (Feb. 4, 2025), *available at* https://www.sec.gov/files/crypto-task-force-designation-letter.pdf. On April 21, 2025, Chairman Paul S. Atkins was sworn into office. *See* U.S. Securities and Exchange Commission, *Paul S. Atkins Sworn In as SEC Chairman* (Apr. 21, 2025), *available at* https://www.sec.gov/newsroom/press-releases/2025-68.

crypto asset offerings and intermediaries subject to the Federal securities laws; and ensure that investors have the information necessary to make informed investment decisions.[12] To this end, the Crypto Task Force has hosted a series of roundtables, including an April 11, 2025 roundtable on secondary market trading,[13] and requested and received written input from,[14] and held meetings with, members of the public.[15]

In addition, on January 23, 2025, the White House issued an executive order, stating the policy to "support the responsible growth and use of digital assets, blockchain technology, and related technologies," including by "providing regulatory clarity and certainty built on technology neutral regulations, frameworks that account for emerging technologies, transparent decision making, and well-defined regulatory boundaries."[16] Pursuant to the executive order, in July 2025, the President's Working Group on Digital Asset Markets released a report entitled, "Strengthening American Leadership in Digital Financial Technology" that, among other things, provides a framework for regulatory reforms relating to crypto asset markets.[17] In connection with the release of the PWG Report, Chairman Paul S. Atkins launched "Project Crypto," a Commission-wide initiative to modernize rules and regulations under the Federal securities laws

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12 *See* U.S. Securities and Exchange Commission, Crypto Task Force, https://www.sec.gov/about/crypto-task-force.

13 *See* U.S. Securities and Exchange Commission, Crypto Task Force Roundtables, "Between a Block and a Hard Place: Tailoring Regulation for Crypto Trading," https://www.sec.gov/about/crypto-task-force/crypto-task-force-roundtables.

14 *See* U.S. Securities and Exchange Commission, Crypto Task Force Written Input, https://www.sec.gov/about/crypto-task-force/crypto-task-force-written-input.

15 *See* U.S. Securities and Exchange Commission, Crypto Task Force Meetings, https://www.sec.gov/about/crypto-task-force/crypto-task-force-meetings.

16 Exec. Order No. 14,178 ("Strengthening American Leadership in Digital Financial Technology"), 90 FR 8647 (Jan. 31, 2025).

17 *See* The President's Working Group on Digital Asset Markets, Strengthening American Leadership in Digital Financial Technology, dated July 30, 2025, *available at* https://www.whitehouse.gov/wp-content/uploads/2025/07/Digital-Assets-Report-EO14178.pdf ("PWG Report").

in accordance with the President's Working Group's recommendations to enable America's financial markets to move onchain.[18]

This Order is informed by the extensive feedback the Commission and its staff have received from the public to date, including from the Crypto Task Force's roundtables, written input, and meetings.[19] Some of the feedback addressed various risks and benefits associated with the trading of tokenized securities using distributed ledger technology and the ability of the Commission's current regulatory regime to address them.[20] Based in part on this feedback, the Commission has determined to issue temporary exemptions to allow permissioned trading of Tokenized NMS Stock on a TSV, subject to conditions. Public feedback has informed the formulation of the exemptions, including the scope, term, and breadth of the exemptions. As described in detail below, the exemptions are carefully scoped to ensure that they further the goals of protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation. The conditions applicable to TSVs, which are tailored to activities that are akin to activities that currently occur on registered national securities exchanges and alternative trading systems ("ATSs") pursuant to SEC rules, are informed by the Commission's extensive experience regulating securities trading and are designed to ensure the relief is in the public interest and consistent with the protection of investors.

Set to expire five years after publication, this Order is intended as an interim, targeted measure to facilitate the trading of Tokenized NMS Stock using distributed ledger technology,

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18 *See* Chairman Paul S. Atkins, "American Leadership in the Digital Finance Revolution," July 31, 2025, *available at* https://www.sec.gov/newsroom/speeches-statements/atkins-digital-finance-revolution-073125. For purposes of this Order, "onchain" refers to transactions or data that are processed and recorded directly on a crypto network, "offchain" refers to transactions or data that are processed and recorded outside of a crypto network, and a "crypto network" is a blockchain or similar distributed ledger technology network.

19 *See supra* notes 13-15.

20 *See id.*

subject to the limitations and conditions specified herein, while the Commission considers the need for future rulemaking or other related actions. Although the Commission may determine to undertake rulemaking in the future, this Order is intended to address the immediate concerns of market participants seeking to establish a TSV while maintaining appropriate investor protections and allowing the Commission to proceed in a deliberate manner as it considers potential regulatory changes or other actions. The Commission anticipates that experience with the Order, both in the form of public input and the practical application of the exemptions, which are time-limited and subject to enumerated conditions, will help inform any future Commission actions in this area, including rulemaking. As an initial step in that process, the Commission solicits public comment about possible modifications to the exemptive relief provided in this Order and potential next steps.[21] The Commission looks forward to continued public engagement to help the Commission further assess the efficacy and sufficiency of the temporary exemptions.

A. Definition of Tokenized Securities Venue

A TSV is defined as an organization, association, or group of persons that brings together buyers and sellers of Tokenized NMS Stock by: (1) providing one or more AMM Liquidity Pool(s) for permissioned participants to interact and agree to terms of a trade and (2) setting standards for persons to access trading on such AMM Liquidity Pool(s).

First, a TSV can make available for trading only a Tokenized NMS Stock[22] that is trading

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[21] *See infra* section VI.

[22] The Order does not provide an exemption for purposes of the Investment Company Act of 1940 ("Investment Company Act"). Activities related to tokenized investment companies may raise issues under the Investment Company Act, such as multi-class issues under section 18 of the Investment Company Act and the application of section 22(d) and rule 22c-1.

in a pair[23] with another Tokenized NMS Stock, a non-security crypto asset (e.g., a payment stablecoin issued by a permitted payment stablecoin issuer),[24] or a tokenized money market fund.[25] Any non-security crypto asset or tokenized money market fund must be directly paired and traded alongside a Tokenized NMS Stock to be eligible for trading on a TSV. The TSV Exemption does not limit the type of non-security crypto asset a TSV can pair with a Tokenized NMS Stock. A TSV will determine which Tokenized NMS Stock, non-security crypto assets, and tokenized money market funds can trade on a TSV, subject to conditions as discussed herein.

Second, a TSV provides one or more AMM Liquidity Pool(s) for verified or credentialed users and liquidity providers ("TSV Participants") to interact and agree to terms of a trade. An AMM Liquidity Pool typically operates pursuant to programmed rules and algorithms to set the prices of assets offered to users based on the ratio of assets committed by liquidity providers in the AMM Liquidity Pool. Liquidity providers commit assets to the liquidity pool and, in return, receive liquidity pool tokens ("LP tokens") that are proportionate to the percentage of assets they have contributed to the liquidity pool.[26] A user willing to buy and sell particular assets can obtain prices and sizes either directly from the AMM Liquidity Pool or from an offchain

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23 A trading "pair" on a TSV can include two or more legs. Each such leg must be a Tokenized NMS Stock, non-security crypto asset, or tokenized money market fund.

24 The terms "payment stablecoin" and "permitted payment stablecoin issuer" have the meanings set forth in section 2 of the GENIUS Act. A "payment stablecoin" does not include a digital asset that is a security, as defined in section 2 of the Securities Act of 1933 ("Securities Act"), section 3 of the Exchange Act, or section 2 of the Investment Company Act. *See* section 2(22) of the GENIUS Act. Payment stablecoins issued by a permitted payment stablecoin issuer categorically will not be securities by operation of statute after the effective date of the GENIUS Act, which is the date that is the earlier of 18 months after its date of enactment (July 18, 2025) or the date that is 120 days after the date on which the "primary Federal payment stablecoin regulators" (as such term is defined in section 2(25) of the GENIUS Act) issue any final regulations implementing the GENIUS Act. *See* sections 17 and 20 of the GENIUS Act. This Order does not provide any interpretation as to whether TSVs are, or could be, "digital asset service providers," as the term is defined in the GENIUS Act. *See* section 2(7) of the GENIUS Act.

25 Money market funds are a type of fund registered under the Investment Company Act and regulated pursuant to Rule 2a-7 under the Investment Company Act.

26 *See* PWG Report at 23, n. 61.

functionality.[27] As users trade against offered prices derived from liquidity providers' assets, or as liquidity providers add or remove their assets from the AMM Liquidity Pool, the AMM smart contract rebalances the price of the assets offered for trading in the AMM Liquidity Pool. Generally, thereafter, asset allocation among liquidity providers is updated and the value that the LP token represents will fluctuate based on the proportion of assets in the pool. Liquidity providers normally earn a fee as an incentive for depositing assets in the liquidity pool, which is paid by users who interact with the liquidity pool.

AMM Liquidity Pool business models and pricing mechanisms vary, generally depending on the protocol from which they are derived. TSVs can also use distributed ledger applications in conjunction with AMM Liquidity Pools to, for example, set fees or halt trading. AMM Liquidity Pools consist of distributed ledger applications that are encoded with non-discretionary rules under which TSV Participants interact and agree to the terms of a trade for a Tokenized NMS Stock.[28] A TSV that designates or controls an AMM Liquidity Pool as the means and location for trading Tokenized NMS Stock "provides" the AMM Liquidity Pool for purposes of the TSV definition. For example, a TSV provides an AMM Liquidity Pool by selecting and designating the AMM Liquidity Pool as the means and location for TSV Participants to trade.[29] A TSV may also provide an AMM Liquidity Pool by exercising control over certain aspects of an AMM Liquidity Pool, including, for example, by deploying an AMM smart contract for trading a given pair of assets, setting or altering the rules or parameters of the pool, determining

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27 The TSV Exemption is limited to activity performed through the functionalities and systems provided by a TSV.

28 A TSV may consist of various functionalities that operate collectively to bring together buyers and sellers. If a TSV provides the use of a functionality to enter, display, or agree to terms of a trade on an order (*e.g.*, a website, browser extension, or other software application), such functionality would be considered part of the TSV for purposes of the TSV Exemption.

29 A person that solely performs the administrative act of encoding a smart contract to whitelist an AMM Liquidity Pool would not be providing an AMM Liquidity Pool.

the fees for the pool, and/or having the ability to pause trading in the pool.

Third, a TSV sets standards for persons to access trading on an AMM Liquidity Pool. A TSV dictates which person(s) can access trading on the AMM Liquidity Pool. This includes, for example, the ability of TSV Participants to enter, display, and receive displayed orders, interact with counterparties, and agree to terms of a trade.[30] A TSV sets standards to allow only permissioned TSV Participants to access trading and to buy and sell Tokenized NMS Stock on the TSV. Permissioning access to trading a Tokenized NMS Stock on the TSV can, for example, help ensure that TSV Participants trading against each other are not subject to economic and trade sanctions and do not present illicit finance risks. Applicable identification or eligibility screening processes may be done through, for example, active, offchain management or onchain protocols.

The permissioning criteria for trading set by a TSV to grant access or limit levels of access may be enforced using a distributed ledger application in different ways. For example, an AMM Liquidity Pool used by the TSV may be encoded with criteria or a list of persons to ensure that only certain "white-listed" or "allow-listed" crypto asset wallet participant addresses (i.e., wallet addresses that meet certain credentialing requirements) gain access to trading in the TSV.[31] Alternatively, a Tokenized NMS Stock could be encoded with criteria to only allow transfers of the Tokenized NMS Stock to crypto wallet addresses of persons that meet the TSV's

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[30] Under the TSV Exemption, a TSV is not limited to using only orders and may offer TSV Participants the use of other trading interest, such as indications of interest or requests for quotes, which are generally non-firm trading interest. For purposes of the TSV Exemption only, "trading interest" collectively refers to orders, quotes, indications of interest, and requests for quotes. For context, other Commission requirements – including Form ATS-N for ATSs that trade NMS stock ("NMS Stock ATSs"), which was adopted in 2018 – apply to both orders and non-firm trading interest. *See* Form ATS-N, Part II, Item 1 (providing examples of "trading interest" including quotes, conditional orders, or indications of interest). *See also* Securities Exchange Act Release No. 83663 (July 18, 2018), 83 FR 38768 (Aug. 7, 2018).

[31] If a third-party service provider performs permissioning services, such as verification-related services, for example, at the direction of or on behalf of the TSV, the TSV, not such third-party service provider, would be responsible for ensuring that the TSV services comply with the conditions of the TSV Exemption.

credentialing requirements.

B. Exemption from the Definition of "Exchange" and Scope

Today, permissioned AMM Liquidity Pools are unavailable for trading Tokenized NMS Stock, which may be a result of ambiguity surrounding the regulatory status of a TSV and how a TSV trading Tokenized NMS Stock could comply with the Federal securities laws. Federal securities laws and Commission rules today may not fully accommodate the use of a trading venue that incorporates AMM Liquidity Pools for trading Tokenized NMS Stock without requiring potentially burdensome changes to its business model. Given the nature of the TSV business model and the unique characteristics of trading tokenized securities, a TSV may face substantial challenges as a national securities exchange or ATS for Tokenized NMS Stock under Regulation NMS.[32] For example, as prices on AMM Liquidity Pools are generally set based on the ratio of the quantities of the assets in a liquidity pool without directly considering external pricing, a TSV using an AMM Liquidity Pool may be unable to comply with the trade-through requirements of Rule 611 under Regulation NMS.[33] Additionally, there may be challenges for a TSV to meet the requirements of Rule 602(a) under Regulation NMS, which requires a national securities exchange to establish and maintain procedures and mechanisms for collecting and processing quotation information, including best bids and offers, from its member broker-dealers and making such information available to vendors; and to establish and maintain procedures for ascertaining and disclosing to other members of the exchange the identity of the responsible broker or dealer who made such bid or offer and the quotation size associated with it.[34] For

32 17 CFR 242.600-614.

33 17 CFR 242.611(a). On June 11, 2026, the Commission proposed to rescind the trade-through rule for NMS stocks, the provision regarding locking and crossing quotations for NMS stocks, and certain defined terms. *See* Securities Exchange Act Release No. 105655 (June 11, 2026), 91 FR 36656 (June 17, 2026).

34 17 CFR 242.602(a).

example, determining the best bids and offers of a TSV may be challenging where a TSV may be composed of multiple distinct liquidity pools that contain different pair combinations for a Tokenized NMS Stock and where a TSV disseminates prices that are based on a particular ratio of such assets in each pool. Further, a TSV might be encumbered by being required to identify best bids and offers of a particular broker or dealer given that AMM pricing and asset allocation among liquidity providers is continually updated based on the proportion of assets in the pool. In addition, pricing from an AMM Liquidity Pool may include quoting Tokenized NMS Stock in finer increments than the minimum pricing increments required by Rule 612, and compliance with such rule by, for example, rounding pricing, may have ramifications on AMM pricing and affect arbitrage.[35] In addition to such potential compliance challenges, certain features of distributed ledger technology, such as the transaction, price movement, and participant interaction transparency provided by AMMs, may potentially obviate the need for certain regulations.

Considering questions surrounding the application of securities regulations to a TSV, the Commission hereby issues, subject to the conditions set forth herein, a temporary exemption from the definition of "exchange" to a TSV,[36] finding it necessary and appropriate in the public

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[35] Depending on the decimal conventions of the blockchain network used for tokenization, a Tokenized NMS Stock (and its crypto asset pair) could be quoted at a price and volume using six to 18 decimal places. *See*, *e.g.*, Decimal Precision, Chainscore Labs, *available at* https://chainscorelabs.com/glossary/token-standards-erc-20-721-1155-and-beyond/fungible-tokens/decimal-precision; Decimal Calculator, *available at* https://www.tokendecimals.com.

[36] 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 or for otherwise performing with respect to securities the functions commonly performed by a stock exchange as that term is generally understood, and includes the market place and the market facilities maintained by such exchange." 15 U.S.C. 78c(a)(1). Exchange Act Rule 3b-16(a) provides a functional test to assess whether a trading platform meets the definition of an exchange and, if so, triggers the requirement to register as a national securities exchange pursuant to section 5 of the Exchange Act and comply with the requirements applicable to exchanges. *See* 17 CFR 240.3b-16(a); 15 U.S.C. 78f. Under Rule 3b-16(a), "an organization, association, or group of persons shall be considered to constitute, maintain, or provide 'a market place or facilities for bringing together purchasers and sellers of

interest and consistent with the protection of investors.[37] TSVs and the use of distributed ledger technology under this exemption can offer several benefits to various market participants. TSVs provide another choice of venue for permissioned buyers and sellers to come together to trade Tokenized NMS Stock. In addition, TSVs offer the potential to benefit investors by enabling investor self-custody, around-the-clock trading, fractional ownership of shares, and near instantaneous settlement. Further, TSVs' use of distributed ledger technology to permission access to trading could facilitate investor verification to, for example, help assure investors that their counterparties are not subject to economic sanctions and may not present elevated money-laundering risks. TSVs' use of distributed ledger technology may also strengthen their controls by improving auditability and recordkeeping, thereby advancing investor protection and market integrity. The use of such technology may also lower operating, recordkeeping, and transaction costs,[38] and improve efficiencies.[39] Additionally, distributed ledger technology may provide greater transparency, potentially reducing information asymmetries in furtherance of investor

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securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange,' if such organization, association, or group of persons: (1) brings together the orders for securities of multiple buyers and sellers; and (2) uses established, non-discretionary methods (whether by providing a trading facility or by setting rules) under which such orders interact with each other, and the buyers and sellers entering such orders agree to the terms of a trade." 17 CFR 240.3b-16(a).

37 Because the evaluation of whether an organization, association, or group of persons is an exchange depends on facts and circumstances, no presumption that a TSV is an exchange shall arise on the basis of reliance on the TSV Exemption.

38 For example, a TSV's use of distributed ledger technology may enable proxy communications with company shareholders at a lower cost than is otherwise available today.

39 *See, e.g.,* Sarah Dean, Kevin McCabe, Aleksander Psurek and Nalin Bhatt, *Modeling Arbitrage with an Automated Market Maker* 3-4 (GMU Working Paper in Economics No. 22-48, 2022), *available at* https://ssrn.com/abstract=4247283 ("Since traders in [centralized exchanges] must be matched with one another to trade, an incomplete contract may occur, where one party decides to renege on the exchange at the last minute. This is not possible with AMMs because they eliminate the matching of two parties. Instead of an order book, AMMs are smart contracts, which are agreements built from code that automatically run when certain conditions are met. They allow users to create, hold, and trade digital assets, and can solve the incomplete contract problem with their automatic fulfillment. Once a trader makes an acceptable buy or sell offer to an AMM it is immediately executed; therefore, there is no opportunity for a party to leave the contract unfulfilled.").

protection.

Section 11A(a)(2) of the Exchange Act directs the Commission, having due regard for the public interest, the protection of investors, and the maintenance of fair and orderly markets, to facilitate the establishment of a national market system for securities (which may include subsystems for particular types of securities with unique trading characteristics).[40] Pursuant to the TSV Exemption, TSVs will make available Tokenized NMS Stock for trading using AMM Liquidity Pools, which generally do not directly consider external pricing or executions. As discussed above, a TSV could not comply with the requirements of Regulation NMS[41] without significant modifications to its trading model, which may adversely impact TSV Participants. Given that we are exempting TSVs from the definition of "exchange," a TSV that meets the conditions of the TSV Exemption would not be considered an exchange for purposes of the Exchange Act and would not be required to register as a national securities exchange nor operate under the exemption from such registration available to an ATS.[42] As a result, such TSV would not be considered a trading center or a market center under Regulation NMS,[43] and thus the rules under Regulation NMS applicable to exchanges, ATSs, trading centers, and market centers would not apply to such TSV.[44] Trading activity conducted through TSVs pursuant to the conditional and time-limited TSV Exemption will help the Commission evaluate the impact of trading Tokenized NMS Stock using AMM Liquidity Pools and the TSV trading model on the national market system and determine whether and how trading activity in Tokenized NMS

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40 15 U.S.C. 78k-1(a)(2).

41 17 CFR 242.600-614.

42 *See* 15 U.S.C. 78e, 15 U.S.C. 78f, and 17 CFR 242.301-304.

43 17 CFR 242.600(b)(106), 17 CFR 242.600(b)(55).

44 *See*, *e.g.*, 17 CFR 242.605, 17 CFR 242.610, 17 CFR 242.611, 17 CFR 242.612, and 17 CFR 242.613.

Stock on TSVs should be integrated into the national market system.

The TSV Exemption does not apply to securities activity conducted outside the TSV. Such securities activity may be subject to Commission registration requirements, as applicable, and rules and regulations under the Federal securities laws. An organization, association, or group of persons that is registered with the Commission for securities activity unrelated to a TSV could be eligible to operate under the TSV Exemption but must keep any registered activity separate from the operation of the TSV. For example, a registered entity may operate an affiliate[45] in compliance with the conditions of the TSV Exemption, provided the operation of the TSV affiliate is kept separate from any registered activity.

This Order does not provide an exemption from any other applicable laws, including but not limited to the anti-fraud and anti-manipulation provisions of the Federal securities laws, such as the obligations under section 10(b) of the Exchange Act[46] and Rule 10b-5 thereunder.[47] As set forth in statute and relevant rules, regulations, and judicial decisions thereunder, such Federal securities law requirements will apply to securities activities performed on a TSV.[48] In addition, as stated below, the TSV must be a U.S. person and thus must comply with economic and trade sanctions programs administered and enforced by the Office of Foreign Assets Control ("OFAC").

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45 For purposes of this Order, "affiliate" shall mean, with respect to a specified person, any person that, directly or indirectly, controls, is under common control with, or is controlled by, the specified person. "Control" is defined for purposes of this Order to mean the power, directly or indirectly, to direct the management or policies of a TSV, whether through ownership of securities, by contract, or otherwise. The definitions of "affiliate" and "control" are aligned with definitions in rules under the Exchange Act. *See* 17 CFR 242.300(c) and (f).

46 *See* 15 U.S.C. 78j(b).

47 *See* 17 CFR 240.10b-5.

48 This Order also does not relieve a TSV or a TSV Participant from any applicable registration requirements for securities transactions under the Securities Act.

The TSV Exemption cannot be relied upon if the organization, association, or person within a group that comprises a TSV is subject to a statutory disqualification, as defined in section 3(a)(39) of the Exchange Act,[49] unless that organization, association, or person has been permitted by the Commission or any relevant self-regulatory organization ("SRO"), by order, rule, or otherwise, to continue its membership in or participation with such SRO or its association with a member of an SRO or other Commission registrant notwithstanding that organization, association, or person's statutory disqualification. Any such organization, association, or person who has not received such permission from the Commission or the relevant SRO cannot rely on the TSV Exemption as there is an increased potential for that person to adversely affect the public interest by, for example, creating an unreasonable risk of harm to investors or the markets without additional regulatory oversight of such person.

Finally, TSV Participants, which include users and liquidity providers, may consist of a variety of market participants, such as retail investors (i.e., natural persons), institutional investors, or registered entities such as broker-dealers. As a wide range of market participants may desire increased investor choice, including the ability to trade Tokenized NMS Stock on a TSV,[50] it is in the public interest not to limit the types of participants that may trade on TSVs under the TSV Exemption. The TSV Exemption does not apply to nor address the regulatory or registration status of securities activities performed by TSV Participants. Depending on their securities activities, TSV Participants may be subject to SEC and SRO registration requirements, as applicable, and rules and regulations under the Federal securities laws, including the rules of

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49 *See* 15 U.S.C. 78c(a)(39).

50 *See* PWG Report at 18-19 (discussing the types of market participants that use digital assets).

any SRO of which they are a member and anti-money laundering/countering the financing of terrorism ("AML/CFT") compliance requirements.

A TSV must comply with all of the conditions set forth herein.[51] The Commission welcomes feedback regarding the application of the TSV Exemption and related conditions to particular facts and circumstances. Staff will be available to answer questions and may publish responses to frequently asked questions, as needed.

II. Conditions of the TSV Exemption

The exchange regulatory framework is designed to promote fairness, efficiency, and transparency by applying requirements rooted in investor protections and fair and orderly market principles. As discussed above, pursuant to section 36(a)(1) of the Exchange Act,[52] the Commission is granting a temporary exemption to TSVs from the definition of an "exchange," subject to the conditions set forth herein.

The conditions of the TSV Exemption are designed to mitigate risks and challenges that might arise from a TSV performing exchange activities outside the protections offered by the exchange regulatory framework and the national market system. A TSV that meets the conditions of the TSV Exemption would not be subject to the exchange regulatory framework and therefore would not be subject to the same books and records, examinations, and other oversight requirements applicable to national securities exchanges and ATSs. Without appropriate conditions, the TSV Exemption could introduce certain risks or challenges that may otherwise be addressed by rules applicable to a national securities exchange or an ATS. For instance, TSVs could provide TSV Participants differing levels of transparency regarding, for

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51 *See infra* section II.

52 *See* 15 U.S.C. 78mm(a)(1).

example, permissioning, fees, and trading services, which could put some TSV Participants at an informational disadvantage. More generally, the use of distributed ledger technology could present cybersecurity and manipulation risks that, if not disclosed, could go unknown to TSV Participants.[53] In addition, fair and orderly markets could be impeded if, in the absence of a requirement to stop trading, a TSV continues to trade a Tokenized NMS Stock in the event of a stoppage of trading in the underlying security on the primary listing exchange. The conditions attendant to this Order are designed to address these types of risks and challenges, facilitate transparency and fair and orderly markets, and ensure that the TSV Exemption is in the public interest and consistent with the protection of investors.

A. TSV Distributed Ledger Applications

To ensure transparency, distributed ledger applications (i.e., smart contracts) used by a TSV must be auditable, public, and deployed on a public, permissionless distributed ledger.[54] "Permissionless" generally means that anyone can read or write to the distributed ledger without authorization.[55] Requiring distributed ledger applications to be deployed on a public, permissionless distributed ledger will provide information that could help TSV Participants understand how their trades are effected on a TSV.

In addition, requiring that the distributed ledger application be auditable, public, and

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53 *See* PWG Report at 38 (stating that, similar to traditional markets, digital asset markets face risks from fraud, manipulation, and illicit conduct, and that "[s]mart contracts may introduce certain risks due to potential coding errors, inadequate testing or auditing of code, or security vulnerabilities that can be exploited, leading to unauthorized transfers or loss of funds"). *See also* Campbell R. Harvey, Joel Hasbrouck, and Fahad Saleh, *The Evolution of Decentralized Exchange: Risks, Benefits, and Oversight*, Research Policy, Volume 55, Issue 3 (2026) (discussing types of front-running that can occur on AMMs).

54 TSVs are welcome to engage with Commission staff on questions regarding whether the distributed ledger on which their distributed ledger applications are deployed satisfies the requirements of this condition. The Commission encourages market participants, including TSVs that may not meet one or more of the conditions of the TSV Exemption, to engage with the Commission staff on whether additional relief from any requirement of the federal securities laws is necessary, or the conditions should be otherwise modified.

55 A permissioned AMM Liquidity Pool can be deployed on "permissionless" blockchain.

deployed on a public, permissionless distributed ledger will enhance TSV transparency, support market integrity, and reduce systemic and operational risk by empowering participants and third parties to audit and report vulnerabilities, as well as help TSV Participants better assess the risks of trading on a particular TSV.

B. U.S. Persons

To be eligible for the TSV Exemption, a TSV must be a U.S. person.[56] U.S. persons are required to comply with economic and trade sanctions programs administered and enforced by the OFAC, including, but not limited to, the prohibition from engaging in transactions with persons on the Specially Designated Nationals and Blocked Persons ("SDN") List and the requirement to block property of SDNs that are in the U.S. person's possession or control.[57] Requiring a TSV to be a U.S. person, and thereby to comply with OFAC prohibitions and requirements as a U.S. person, should help mitigate the risk of illicit actors accessing the U.S. financial system and deter behavior that undermines U.S. national security or foreign policy.

C. Public Notice

To qualify for the TSV Exemption, at least 30 calendar days before operating, a TSV must publish a copy of a notice ("Notice") prominently on its publicly available website that

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56 A "U.S. person" means any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States. *See, e.g.,* 31 CFR 560.314 (Iranian Transactions and Sanctions Regulations (ITSR)); 31 CFR 598.318 (Foreign Narcotics Kingpin Sanctions Regulations); 31 CFR 591.312 (Venezuela Sanctions Regulations).

57 "All U.S. persons must comply with OFAC sanctions, including all U.S. citizens and permanent residents regardless of where they are located, all individuals and entities within the United States, and all U.S. incorporated entities and their foreign branches." Basic Information on OFAC and Sanctions, *available at* https://ofac.treasury.gov/faqs/11. *See also* 31 CFR 500-599.

includes the information described below.[58] Such Notice must be written in plain English and presented in a clear, concise, and understandable manner. Within one business day of the publication of the Notice, the TSV must provide the Commission written notice at tradingandmarkets@sec.gov that it intends to operate pursuant to the TSV Exemption, including the means for contacting the TSV (e.g., an email address and phone number) and the location of the Notice (e.g., website URL). Such Notice will help inform market participants and the Commission about when the TSV begins to operate.[59]

A TSV must, in the same form and location as the initial Notice, publish a revised Notice: (1) within five business days to disclose that it has commenced or ceased making any Tokenized NMS Stock available for trading, paused or resumed trading in connection with the volume thresholds under the TSV Exemption, or received a timely Notice of Issuer Objection;[60] (2) 20 calendar days in advance of any material change to the operations of the TSV or to the disclosures in the Notice; (3) no later than 30 calendar days following the end of any calendar quarter to describe any non-material change to the operations of the TSV or to the disclosures in the Notice; and (4) within five business days of the discovery of any materially inaccurate or incomplete information in the Notice, including in any previous revisions to the Notice.[61]

Pursuant to the TSV Exemption, a TSV must provide the Commission written notice within one business day of publishing any revised Notice on its website. The TSV must

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58 *See infra* section III. With respect to all notices required by conditions of the TSV Exemption, if a TSV comprises a group of persons, one person from that group can be designated to provide notice on behalf of all such persons.

59 *See infra* section III.

60 *See infra* sections II.D, II.F.

61 Each revision to the Notice must indicate which of these categories the change that is being made falls under, and if the change has not yet been made, the date such change will go into effect.

maintain all versions of its Notice on its website.[62]

Revised Notices will provide market participants and the Commission with current information about whether the TSV has commenced, ceased, paused, or resumed trading in a Tokenized NMS Stock; material changes to the TSV operations and Notice disclosures that are forthcoming; and non-material changes that have been made to the operations of the TSV or its Notice disclosures. By providing advance notice of material changes, the revised Notice will allow market participants to protect their interests and consider whether the use of the TSV, as modified, would be consistent with their trading objectives. Furthermore, requiring a revised Notice to correct any materially inaccurate or incomplete information in the Notice will help ensure the disclosure of accurate information to market participants that rely on the Notice disclosures.

D. Issuer Notice and Notice of Issuer Objection

Before making available for trading a Tokenized NMS Stock that is tokenized by a third party unaffiliated with the issuer of the underlying NMS stock, a TSV must provide written notice to the issuer of the underlying NMS stock ("Issuer Notice").[63] Trading of a Tokenized NMS Stock on the TSV may not commence until at least 30 calendar days from the date when the issuer receives the Issuer Notice.[64]

If the issuer provides, on or prior to the 30th calendar day following receipt of the Issuer Notice, written notice to the TSV that it objects to a Tokenized NMS Stock that was

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62 The TSV may identify the changes in a marked document or "redline" to help market participants and the Commission easily review changes it is making in any revision.

63 Issuer Notice must be sent to the physical or email address for the issuer's principal executive offices listed on the cover page of the issuer's Exchange Act reports. Issuer Notice must include the TSV's current and accurate contact information for the issuer to provide any notice of its objection.

64 A TSV can obtain confirmation of whether and when an issuer received an Issuer Notice by, for example, requesting a return receipt/proof of delivery or a receipt notification depending on whether the Issuer Notice was sent to the issuer's physical or email address.

tokenized by a third party unaffiliated with the issuer being made available for trading on the TSV ("Notice of Issuer Objection"), the TSV cannot make such Tokenized NMS Stock available for trading on the TSV. Within five business days, the TSV must amend the public Notice[65] to inform the public that it has received the Notice of Issuer Objection.

An issuer's ability to object to the trading of a Tokenized NMS Stock that was tokenized by a third party unaffiliated with the issuer on a TSV will enable the issuer of the underlying NMS stock to consider the balance of potential benefits and risks accompanying trading of its Tokenized NMS Stock on a TSV. For example, an issuer of the underlying NMS stock may be concerned about the risk of maintaining its shareholder register related to onchain transfers or the potential price dislocation or adverse effects on the price of the underlying NMS stock, particularly given that prices disseminated by an AMM Liquidity Pool are most likely based only on the ratio of the quantities of assets in that liquidity pool.

A TSV operating under the TSV Exemption that fails to provide Issuer Notice, or makes available for trading the Tokenized NMS Stock of an issuer that has delivered a Notice of Issuer Objection to the TSV in the manner set forth above, would not meet the conditions of the TSV Exemption with respect to trading such Tokenized NMS Stock.

E. No Primary Issuance and Rights of the Holders of the Tokenized NMS Stock Traded

All offers and sales of Tokenized NMS Stock under the TSV Exemption must be registered under the Securities Act or conducted pursuant to an exemption from the registration requirements of the Securities Act. No primary issuance or initial offerings of securities are permitted on a TSV under the TSV Exemption.

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65 *See infra* section III.j.

A TSV must verify that the Tokenized NMS Stock made available for trading on the TSV provides holders the same rights and privileges as does traditional NMS stock of an equivalent class. A Tokenized NMS Stock would be deemed to provide the same rights and privileges as does traditional NMS stock if, among other things, it conveys the same interest in the company that holders of the underlying NMS stock have, a right to receive the same dividends that the company issues to holders of the underlying NMS stock, a right to exercise the same voting rights that holders of the underlying NMS stock may exercise, and a right to receive the same share of the residual assets of the company upon liquidation as holders of the underlying NMS stock receive. For example, regardless of the mechanism used to pass through any voting rights of the underlying NMS stock, a TSV can only make available for trading an NMS stock tokenized by a third party that is unaffiliated with the issuer of the underlying NMS stock if the third party distributes or otherwise makes available to holders of the Tokenized NMS Stock any related proxy materials or other issuer communications at no cost to the issuer or the shareholders.

F. Limitations on Number of Symbols and Volume of Tokenized NMS Stock Traded

Tokenized NMS Stock traded on a TSV under the TSV Exemption is subject to limitations on the number of symbols and volume traded. Tokenized NMS Stock is divided into two tiers: Tier 1 ("Tier 1 Tokenized NMS Stock") and Tier 2 ("Tier 2 Tokenized NMS Stock"). Tier 1 and Tier 2 Tokenized NMS Stock comprise the NMS stocks in Tier 1 and Tier 2, respectively, of the National Market System Plan to Address Extraordinary Market Volatility

("Limit Up-Limit Down Plan" or "LULD Plan").[66]

Tier 1 Tokenized NMS Stock traded on a TSV under the TSV Exemption cannot exceed 75 symbols traded and 0.25 percent of the average daily share volume during the prior month in the relevant NMS stock as reported by an effective transaction reporting plan.[67] Tier 2 Tokenized NMS Stock traded on a TSV under the TSV Exemption cannot exceed 250 symbols traded and 2.5 percent of the average daily share volume during the prior month in the relevant NMS stock as reported by an effective transaction reporting plan. The percentage of the average daily share volume during the prior month for a given security shall be calculated using the average daily share volume of a given Tokenized NMS Stock traded on the TSV as the numerator, and the average daily share volume of the NMS stock (as reported by an effective transaction reporting plan) as the denominator.[68] When calculating volume for purposes of compliance with the TSV Exemption, a TSV must aggregate its trading volume with that of its affiliated TSVs for a given Tokenized NMS Stock. Similarly, when calculating the number of symbols traded for purposes of compliance with the TSV Exemption, the TSV must aggregate its

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66 The Commission approved, on a pilot basis, the LULD Plan in 2012. *See* Securities Exchange Act Release No. 67090 (May 31, 2012), 77 FR 33531 (June 6, 2012) (Order Granting Accelerated Approval of Proposed Rule Changes as Modified by Amendments No 1, Relating to Trading Halts Due to Extraordinary Market Volatility). The Commission approved the LULD Plan on a permanent basis in 2019. *See* Securities Exchange Act Release No. 85623 (Apr. 11, 2019), 84 FR 16086 (Apr. 17, 2019). There have been subsequent amendments to the LULD Plan. *See, e.g.,* Securities Exchange Act Release No. 103845 (Sept. 3, 2025), 90 FR 43254 (Sept. 8, 2025). *See also* https://www.luldplan.com/plans.

67 "[A]s reported by an effective transaction reporting plan" means as reported by the Consolidated Tape Association Plan/Consolidated Quotation Plan (CTA/CQ Plans) and the Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation, and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities Traded on Exchanges on an Unlisted Trading Privilege Basis (UTP Plan) for inclusion in the securities information processor (SIP). These include data from various market centers, including national securities exchanges, FINRA, and broker-dealers.

68 NMS stocks are, by definition, securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan. *See supra* note 1.

number of symbols traded with the number of symbols traded by its affiliated TSVs.[69] This is intended to help avoid a situation in which businesses are structured into multiple TSVs to avoid triggering the volume and symbol limitations.

As noted above, the Tokenized NMS Stock in Tier 1 and Tier 2 are the NMS stocks in LULD Plan Tier 1 and Tier 2. The NMS stock in Tier 1 of the LULD Plan consists of all NMS stocks included in the S&P 500 Index, the Russell 1000 Index, and certain exchange-traded products ("ETPs") that trade over $2,000,000 in notional consolidated average daily volume.[70] Tier 2 NMS stock under the LULD Plan is NMS stock that is not Tier 1 NMS stock and is not rights and warrants.[71] LULD Plan Tier 1 NMS stocks have the largest capitalization of all U.S. equities and are generally more liquid and have higher average daily trading volume than those in Tier 2.[72] The LULD Plan has been in place since 2012, and market participants are familiar with the categorization of LULD Plan Tier 1 and Tier 2 NMS stocks. Using Tier 1 and Tier 2 of the LULD Plan in the TSV Exemption corresponds with an established standard used for NMS stocks and provides a commonly understood and publicly available basis for categorizing the Tokenized NMS Stock offered for trading by a TSV for purposes of applying the TSV

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69 For purposes of determining the trade date for the calculation of daily share volume and the number of symbols, the next trade date will start concurrently with when trades must be reported to the SIP. TSVs should monitor for amendments to the UTP and CTA/CQ Plans for any changes in the SIPs' operating hours and the definition of a trading day.

70 The LULD Plan Appendix A, Schedule 1 lists the ETPs that are currently eligible for inclusion as a Tier 1 NMS Stock for purposes of the LULD Plan. *See* https://www.luldplan.com/plans. The LULD Plan Appendix A, Schedule 1 is generally updated semi-annually. For purposes of the TSV Exemption, Tier 1 Tokenized NMS Stock includes all Tokenized NMS Stock included in the S&P 500 Index, the Russell 1000 Index, and eligible ETPs as provided by the LULD Plan. *See id.*

71 Tier 2 Tokenized NMS Stock includes all Tokenized NMS Stock other than those in Tier 1.

72 Based on staff analysis of equity consolidated market data feeds for 2025, the daily weighted average trading volume for LULD Plan Tier 1 NMS stocks and Tier 2 NMS stocks was 3,022,668 shares and 1,207,978 shares, respectively, for the year ending 2025. To calculate the daily averages for the year, staff first calculated monthly daily averages for each NMS stock in the tiers, and then calculated a daily weighted average based on the number of trading days in each month. For avoidance of doubt, the TSV Exemption is using the LULD Plan tiering methodology only to categorize Tokenized NMS Stock; the TSV Exemption does not in any way alter or modify, or propose to alter or modify, the LULD Plan.

Exemption's volume limitations.[73]

Different limits for Tier 1 and Tier 2 Tokenized NMS Stock are designed to better calibrate the trading limits to the types of securities within each tier. As average daily trading volume limits can more easily be exceeded for less liquid securities, Tier 2 Tokenized NMS Stock is subject to higher volume limits under the TSV Exemption than is Tier 1 Tokenized NMS Stock. Separate trading percentage limits for Tier 1 and Tier 2 Tokenized NMS Stock, rather than a single threshold applicable to all Tokenized NMS Stock, are designed to better calibrate the characteristics of stocks that trade in each tier. Because there are also more LULD Plan Tier 2 securities than in LULD Plan Tier 1, it is appropriate to set a higher limit on the number of symbols that can be Tier 2 Tokenized NMS Stock. Furthermore, separate limits on the number of symbols traded for Tier 1 and Tier 2 Tokenized NMS Stock incentivize TSVs to make available for trading Tokenized NMS Stocks that are not only the most liquid securities.

Exceeding the volume limit in any Tokenized NMS Stock will, depending on the circumstances, cause a TSV to not meet the conditions of the TSV Exemption with respect to trading such Tokenized NMS Stock and require the TSV to pause trading in the applicable Tokenized NMS Stock for three months. The Commission recognizes that a TSV may inadvertently exceed a volume threshold, for example, due to a miscalculation in either a numerator or denominator. The first time a TSV exceeds a volume threshold in a Tokenized NMS Stock, it will not be required to take any action, other than to ensure that it does not exceed the volume thresholds going forward. As TSVs are likely new to trading Tokenized NMS Stock,

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73 The NMS stock that comprises Tier 1 and Tier 2 of the LULD Plan are specified in Appendix A to the LULD Plan, which is publicly available on the LULD Plan website. *See* https://www.luldplan.com/plans. For purposes of designing the TSV Exemption, the Commission used the NMS stocks in Tier 1 and Tier 2 of the LULD Plan as the model for Tier 1 and Tier 2 Tokenized NMS Stock. Because the LULD Plan excludes rights and warrants from LULD Tier 1 and Tier 2, Tokenized NMS Stock for purposes of the TSV Exemption excludes rights and warrants.

a stepped compliance approach will allow TSVs to become acclimated with complying with the trading limitations and will not be overly punitive if TSVs initially experience inadvertent errors coming into compliance.[74]

After the first time a TSV exceeds the volume threshold in a given Tokenized NMS Stock, each time the TSV subsequently exceeds the volume threshold in the applicable Tokenized NMS Stock, the TSV must immediately pause trading in such Tokenized NMS Stock for three months.[75] The TSV may resume trading in the same Tokenized NMS Stock three months from the date the TSV exceeded the volume threshold. During such pause, a TSV may continue to trade Tokenized NMS Stocks that have not exceeded the thresholds. Upon approaching a volume threshold but before triggering the threshold, a TSV may choose to pause trading in a Tokenized NMS Stock to avoid triggering the volume threshold. Each time that it has paused trading in a Tokenized NMS Stock in connection with the volume threshold, whether it be TSV-initiated or pursuant to the condition to pause, the TSV must immediately notify its TSV Participants of the pause in trading through any regular means of communication with its TSV Participants (e.g., website, software application, or interface)[76] and must accordingly amend its public Notice[77] within five business days.

The symbol number and trading volume limitations under the conditions of the TSV Exemption are designed to mitigate potential risks to the broader markets as TSV Participants experiment with trading Tokenized NMS Stock on TSVs and as the Commission considers

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74 The stepped compliance approach only applies with respect to the volume limitations and not to the limitations in the number of symbols. A TSV that exceeds the symbol number thresholds would not meet the conditions of the TSV Exemption.

75 Affiliated TSVs must accordingly pause trading in the same Tokenized NMS Stock.

76 A TSV has flexibility to determine an efficient way to disseminate the information to TSV Participants shortly after pausing trading in a Tokenized NMS Stock.

77 *See infra* section III.

rulemaking to address the trading of Tokenized NMS Stock. The thresholds of 0.25 percent for Tier 1 Tokenized NMS Stocks and 2.5 percent of average daily share volume during the prior month for Tier 2 Tokenized NMS Stocks are designed to mitigate potential disruptions in trading in the overall market for the NMS stock (whether tokenized or in traditional format) for the duration of the TSV Exemption. The Commission is mindful of the risk of potential adverse impacts of trading Tokenized NMS Stocks on TSVs on the broader markets for NMS stocks that are required to comply with Regulation NMS. In this regard, the prices of Tokenized NMS Stock trading on a TSV could dislocate from the prices of the NMS stock in traditional format, particularly given that AMM Liquidity Pools generally use the ratio of the quantities of assets in the liquidity pool to determine pricing. The trading volume limitations are designed to help limit the potential impact of any price dislocations between the Tokenized NMS Stock and the NMS stock in traditional format and any adverse effects on market quality for NMS stocks. Finally, the thresholds allow TSV Participants to engage in meaningful trading volume in a Tokenized NMS Stock on a TSV. The conditions to immediately announce a pause on a TSV's website or via any regular means of communication and to amend its public Notice allow TSV Participants to adjust their trading strategies in a timely manner.

G. Transaction Transparency

A TSV must make U.S. dollar-denominated data concerning transactions freely and publicly available in a machine-readable format for all transactions within the past thirty (30) days. The transaction data must be updated within ten (10) minutes of the occurrence of any transaction[78] and include, at minimum, the following: (i) the symbols for each Tokenized NMS

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[78] A TSV, for example, could provide a separate data feed of transaction reports (accessible, for example, via API) or make such information available on a public website or software application. The TSV must provide pricing and transaction data in U.S. dollars using consistent, impartial, and reasonable methods

Stock and paired asset (non-security crypto asset, tokenized money market fund, or Tokenized NMS Stock), (ii) the transaction price, (iii) the transaction size, (iv) the transaction time at the AMM Liquidity Pool,[79] and (v) the transaction direction.[80] In addition, the TSV must provide information pertaining to the AMM Liquidity Pool and its smart contract address, daily asset pair share volume,[81] and end-of-day size of the AMM Liquidity Pool per asset pair.[82]

Registered national securities exchanges and ATSs are subject to certain transaction reporting obligations to facilitate transparency and oversight. With distributed ledger technology, TSVs may provide transparency that could mitigate some of the risks that national securities exchange and ATS transaction reporting obligations are assigned to address. The transaction transparency conditions under the TSV Exemption require that all TSVs provide certain standard information to be eligible for the exemption. A TSV must make such transaction data publicly available to market participants at the same time and on the same terms. Conditioning the TSV Exemption on such transaction data from the TSV being denominated in U.S. dollars and being made publicly available to all market participants at the same time and on the same terms will help reduce information asymmetries and provide market participants with equivalent data to evaluate the TSV and protect their interests. Further, the condition that transaction data be denominated in U.S. dollars will help facilitate compliance by TSVs and TSV

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commonly applied by market participants for converting the value of an asset that is not quoted in U.S. dollars.

79 The transaction time should be reported in UTC time (Coordinated Universal Time), the time standard used for crypto asset transactions. *See* UTC Time Definition, Gate, https://www.gate.com/learn/glossary/utc-time-definition.

80 For each transaction, the direction shall specify the asset within the pair that is being contributed to the AMM Liquidity Pool and the asset that is being withdrawn from the AMM Liquidity Pool.

81 The daily asset pair trading volume is the volume calculated between the time of data publication as determined by the TSV and the previous 24 hours.

82 The end-of-day size of the AMM Liquidity Pool per asset pair is the size calculated at the time of data publication as determined by the TSV.

Participants with other Commission rules and the Federal securities laws, as applicable.[83]

H. Stoppage of Trading

A TSV must stop trading in a Tokenized NMS Stock concurrently with any stoppage of trading in the underlying NMS stock on the primary listing exchange, which includes a halt or a suspension. Stoppages in trading in a Tokenized NMS Stock occur for various reasons, such as, among others, a trading halt in the underlying NMS stock in the event a market-wide circuit breaker is triggered or pending dissemination of material news or a trading suspension of the underlying NMS stock by the SEC, the SRO, or associated with delisting proceedings.

Following any stoppage of trading in a Tokenized NMS Stock, a TSV must immediately notify its TSV Participants of the stoppage through any regular means of communication with its TSV Participants (e.g., website, software application, or interface).[84]

Given the speed of trading and interconnected nature of the markets for Tokenized NMS Stock and the underlying NMS stock, a stoppage of trading at a single entity may quickly create losses and liability for market participants, including TSV Participants and particularly liquidity providers who commit assets to the liquidity pool. The condition to immediately publish stoppages on a TSV's website or via any regular means of communication allows TSV Participants to adjust their trading strategies in a timely manner. The condition to stop trading a Tokenized NMS Stock concurrently with any stoppage of trading in the underlying NMS stock

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83 For example, FINRA Rule 6110 requires FINRA members to "report transactions in NMS stocks, as defined in Rule 600(b) of SEC Regulation NMS, effected otherwise than on or through a national securities exchange to FINRA."

84 A TSV has flexibility to determine an efficient way to disseminate the information to TSV Participants about the stoppage shortly after the stoppage. In addition, the TSV must make and keep current as part of its books and records, for any stoppage of trading by the TSV, the Tokenized NMS Stock that stopped trading, reasons for the stoppage, the start time and end time of the stoppage, the reasons for resuming trading, and the notice(s) it provided to TSV Participants and the public for the stoppage. *See infra* section II.L. In the Notice (discussed below), the TSV must describe the circumstances under which it would stop trading or displaying trading interest, any risk controls, and the circumstances and procedures for resuming trading, accepting trading interest, or displaying trading interest after a stoppage. *See infra* section III.cc.

on the listing exchange will help prevent material price dislocations that could result from continuous trading of a Tokenized NMS Stock while the underlying NMS stock is under a stoppage of trading.

In addition, if the TSV determines on its own accord to stop making available a Tokenized NMS Stock for trading, the TSV must immediately notify TSV Participants.[85] This will provide TSV Participants, including liquidity providers that have committed assets to the liquidity pool, with information that will help them determine how and when to exit their positions.

I. Significant Operational Event

TSVs are dependent on sophisticated technology, which could potentially bring risks of exposure to cybersecurity events from threat actors intent on doing harm, and also operational systems problems that can arise inadvertently. To mitigate adverse effects of any such events, a TSV must immediately notify its TSV Participants,[86] and promptly notify the Commission,[87] of an event that has a significant impact on the operation of the TSV or on its participants ("significant operational event").[88] One example of such significant operational event would be

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85 If the TSV ceases making a Tokenized NMS Stock available for trading for any reason, it also must revise its Notice within five business days. *See supra* section II.C.

86 In the context of a significant operational event, the TSV must notify the TSV Participants of the event upon having a reasonable basis to conclude that the event has occurred. Notice to TSV Participants can be accomplished various ways, including a TSV making information publicly available on its website or its public communication channels (*e.g.*, X.com). As part of the books and records conditions of the TSV Exemption, a TSV must also keep a record of the notice(s) it provided to TSV Participants of the event. *See infra* note 96 and accompanying text.

87 The requirement for prompt notification, as opposed to immediate notification, is designed to provide some limited flexibility to the TSV to keep the Commission apprised of the significant operational event simultaneously as, or shortly after, the TSV notifies the TSV Participants of the occurrence. The TSV must provide notification of a significant operational event to the Commission in writing by email at tradingandmarkets@sec.gov.

88 A significant operational event could take various forms. For example, an event is likely to be a "significant operational event" if it impacts systems (including systems that support distributed ledger applications or entering or disseminating trading interest) by limiting or precluding the TSV from permissioning access or offering trading services to TSV Participants.

a known disruption to the systems that support the TSV, such as functionalities relating to trading, the AMM Liquidity Pool or protocol, or the entry of trading interest. Another example would be a known intrusion,[89] such as a system intrusion, that impacts trading or the assets of TSV Participants or the security of their information.[90]

A TSV must remedy any known significant operational events as soon as reasonably practicable and notify its TSV Participants of the remediation. Notification of potential systems disruptions, for example, will allow TSV Participants to adjust their trading strategies and, in the case of a system intrusion that might put TSV Participants' assets at risk of loss, take precautionary steps to limit any damages. If a system used by a TSV is adversely impacted by a significant operational event, it may disrupt and impede orderly and efficient market operations of Tokenized NMS Stock and the NMS markets more generally. Notifications will allow the Commission to monitor the risks posed by systems that are used by the TSVs and facilitate the Commission's mission of maintaining fair and orderly markets. In addition, such notifications will inform the Commission as it considers establishing an appropriate regulatory framework to help ensure the resiliency of Tokenized NMS Stock markets. Appropriate remedial action following a significant operational event will mitigate potential harm to investors and enhance market integrity.

J. No Leverage

A TSV cannot engage in financing activities, which are generally not exchange activities, and are inappropriate for an entity that is not subject to requirements such as capital and margin

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89 The term "intrusion" includes unauthorized external intrusions as well as unauthorized internal personnel access to the systems and the information residing therein.

90 The notice should provide information about the event, including the nature and the time of the event, the TSV's systems impacted by the event, and the event's impact on TSV Participants and the TSV's market for Tokenized NMS Stock.

rules to help ensure that such activities are conducted in a financially responsible manner. Thus, a TSV cannot borrow, whether secured or unsecured, securities or non-security crypto assets on the TSV, and cannot, directly or indirectly, hypothecate or arrange for or permit the hypothecation of any securities or non-security crypto assets on the TSV. A TSV is not permitted to extend credit to a TSV Participant for the purpose of purchasing a Tokenized NMS Stock on the TSV.

K. No Misrepresentations and Public Disclaimer

A TSV cannot make any statements—public or private—to the effect that it is "registered" with the Commission or that the TSV's activities involving Tokenized NMS Stock and non-security crypto assets or tokenized money market funds used to trade in pairs with Tokenized NMS Stock have been "approved" or "endorsed" by the Commission, or any similar formulation. The TSV must also affirmatively disclose in its public Notice (discussed below) that it is not registered with the Commission. This condition will inform market participants that the TSV is not subject to the investor protection requirements of Commission registration as an exchange.

L. Books and Records

A TSV must make and keep current trading records as well as any information related to compliance with the conditions of the TSV Exemption, including:

a. Information regarding trading interest in Tokenized NMS Stock, including date and time of receipt, size, and price (denominated in U.S. dollars);

b. Information about transactions, including date and time of execution, size, non-security crypto assets or tokenized money market funds traded in pairs with a

Tokenized NMS Stock, cancellations, modifications, and price (denominated in U.S. dollars);

c. Information regarding the methods used to verify or screen TSV Participants and verify the wallet addresses associated with each TSV Participant used to access the TSV;

d. Fees, rebates, and discounts, and any material sources of compensation to the TSV related to activities on the TSV;

e. For any stoppage of trading by the TSV, the Tokenized NMS Stock that stopped trading, reasons for the stoppage, the start time and end time of the stoppage, and the reasons for resuming trading;

f. The average daily share trading volume of each Tokenized NMS Stock traded on the TSV;

g. Events that impact the operation of the TSV or the TSV Participants, such as system intrusions and system disruptions;[91] and

h. All notices submitted to the public, Commission, issuers, and TSV Participants in connection with the TSV Exemption (e.g., public Notice,[92] Issuer Notice,[93] notice of pausing trading in a Tokenized NMS Stock in connection with a volume

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91 The TSV must provide immediately to the TSV Participants, and promptly to the Commission, notice of a significant operational event. *See supra* section II.I. In its books and records, the TSV must make and keep current such events it has reported to the Commission. The books and records must also include details about events that impact the operation of the TSV or the TSV Participants that are not reportable as significant operational events.

92 *See infra* section III.

93 *See supra* section II.D.

threshold,[94] notice of a stoppage of trading in a Tokenized NMS Stock,[95] notice of a significant operational event[96]).

A TSV must preserve all such books and records while the TSV Exemption is effective and for a period of three years after the end of the TSV Exemption, maintain such books and records in the United States, and make promptly available all books and records of the TSV to the Commission staff in both a human-readable format and a reasonably usable electronic format[97] upon request. A TSV must consent to examinations of its books and records by the Commission staff at any time, including for ongoing compliance with the conditions of the TSV Exemption.[98] Under the TSV Exemption, records from a distributed ledger would satisfy such books and records requirements if they can be readily accessed by the Commission in a human-readable format and a reasonably usable electronic format.

The books and records requirements will facilitate the Commission's ability to determine compliance with the conditions of the TSV Exemption. These books and records requirements are similar to those required of registered national securities exchanges and ATSs and tailored to the activities of a TSV. The books and records conditions are also intended to provide the Commission with prompt access to information needed to help determine whether fraudulent or manipulative activity has occurred and whether additional steps are necessary to halt such activity.

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94 *See supra* notes 75-77 and accompanying text.

95 *See supra* note 84 and accompanying text.

96 *See supra* notes 86-88 and accompanying text.

97 A human-readable format would be a format that can be naturally read by a human, and a reasonably usable electronic format would be a format that is common and compatible with commonly used systems for accessing and reading electronic records.

98 *See generally* section II.

III. Information Included in the Public Notice

To operate under the TSV Exemption, the TSV must publish and, as necessary, revise a public Notice as set forth above.[99] As described herein, the Notice will include information designed to help market participants understand how to access and trade on a TSV and protect their interests. In addition, the information will help the Commission oversee securities activities of the TSV and monitor developments in the trading of Tokenized NMS Stock. Accordingly, the following information must be in the Notice:

a. *Disclaimer*: State that: (i) the TSV is not registered with the Commission in any capacity for the activities performed under the TSV Exemption and the Commission has not passed upon the merits or accuracy of the disclosures in the Notice; (ii) the TSV is not subject to the fair access requirements applicable to registered national securities exchanges and ATSs subject to Rule 301(b)(5) of Regulation ATS[100] and that unfair and unreasonably discriminatory denials or limitations of access of TSV Participants by the TSV are not subject to SEC review; and (iii) the TSV is not subject to Regulation NMS.

b. *Use of the Exemption*: The TSV must acknowledge that its use of the TSV Exemption is subject to Commission oversight and that operating a TSV in a

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99 *See supra* section II.C.

100 National securities exchanges must maintain standards for access, and provide fair procedures for disciplining members, denying membership, barring of any person from becoming associated with a member, and prohibiting or limiting access to services. 15 U.S.C. 78f(b). ATSs that are subject to the fair access requirements of Rule 301(b)(5) of Regulation ATS are required to establish reasonable written standards for access to the ATS and apply those standards to all prospective and current subscribers in a fair and non-discriminatory manner. 17 CFR 242.301(b)(5).

manner inconsistent with the TSV Exemption could result in a Commission enforcement action.

c. *Overview of the Tokenized Securities Venue*: Describe generally the structure and organization of the TSV and its products, services, and operations. Describe the ownership and/or governance structure of the TSV, including both offchain and onchain governance mechanisms, and provide the name of any affiliated TSV. Include, as applicable, a description of any governance rights of LP tokens.

d. *Non-Exempt Activities*: Identify whether the organization, association, group of persons, or any person within a group that comprises the TSV is registered in any capacity with the Commission and, if so, provide a summary of the activities that require such registration with the Commission.

e. *TSV Participants*: Describe the types of persons who are eligible to access and participate on the TSV (e.g., retail investors, institutional investors, liquidity providers, broker-dealers), including the types of persons that can access the TSV by way of a broker-dealer.

f. *Permission Trading Access Eligibility*: Describe the criteria or standards used to grant a person access to the services of the TSV. Describe the procedures for approving access (e.g., white-listing or permissioning) of potential TSV Participants or wallet addresses, including, among others, any procedures to verify a person's identity, and the procedures for providing access based on such approval. Describe any conditions or circumstances for denying or limiting a person from accessing TSV services, including for purposes of compliance with economic and trade sanctions programs administered by OFAC and applicable AML/CFT requirements.

g. *Securities, Non-Security Crypto Assets, and Tokenized Money Market Funds Traded*: Identify the Tokenized NMS Stocks and non-security crypto assets and tokenized money market funds that the TSV makes available for trading in pairs with Tokenized NMS Stock on the TSV.[101] If applicable, indicate whether the TSV has paused trading in a Tokenized NMS Stock in connection with the limitations on the volume traded.[102]

h. *Tokenization of Securities:* Describe the Tokenized NMS Stock traded, including whether they are tokenized by or on behalf of the issuers of the underlying NMS stock, or are tokenized by third parties unaffiliated with the issuers of the underlying NMS stock, and the processes used for tokenizing the Tokenized NMS Stock. Describe any procedures the TSV uses to evaluate the legal status, technical soundness, and operational integrity of each Tokenized NMS Stock it makes available for trading, and the distributed ledger system on which that security is issued and transferred.

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101 By including in the Notice disclosure of Tokenized NMS Stock that is tokenized by a third party unaffiliated with the issuer, the TSV is representing that it has provided Issuer Notice pursuant to section II.D of this Order.

102 *See supra* notes 75-76 and accompanying text.

i. *Tokenization*: Describe the steps (e.g., audits, certifications, attestations) the TSV has taken to verify that the Tokenized NMS Stock provides holders the same rights and privileges as does traditional NMS stock of an equivalent class.[103]

j. *Notice of Issuer Objection:* Identify any issuer of an NMS stock underlying a Tokenized NMS Stock that has provided a timely Notice of Issuer Objection to trading the Tokenized NMS Stock.[104]

k. *Tokenization by the TSV or its Affiliates:* State whether the organization, association, group of persons, or any person within a group of persons that comprises the TSV, the TSV's affiliates, or both, issued or tokenized any Tokenized NMS Stock that is made available for trading on the TSV and identify any such Tokenized NMS Stock. Describe any differences in treatment between Tokenized NMS Stock that is issued or tokenized by any such person and any other Tokenized NMS Stock made available for trading on the TSV.

l. *Trading Activities of the TSV and Its Affiliates*: State whether the organization, association, group of persons, or any person within a group of persons that comprises the TSV, the TSV's affiliates, or both, can directly or indirectly display or enter trading interest on the TSV and, if so, state the capacity in which the TSV, its affiliates, or both, display or enter trading interest into the TSV as a TSV Participant (e.g., as a user or as a liquidity provider). For example, a TSV should state whether any organization, association, group of persons, or person within a

[103] *See supra* section II.E for criteria for when a Tokenized NMS Stock would be deemed to provide the same rights and privileges as the underlying NMS stock.

[104] *See supra* section II.D.

group of persons comprising the TSV that is an issuer of Tokenized NMS Stock that is, or will be, available for trading on the TSV, can directly or indirectly display or enter trading interest on the TSV and the capacity in which it will engage in this activity.

m. *Differences in Treatment of TSV Participants*: Describe any standards, policies, and procedures the TSV uses to differentiate among TSV Participants. Identify and describe any differences in treatment between or among TSV Participants (including any organization, association, group of persons, or any person within a group of persons that comprises the TSV and/or the TSV's affiliates that display or enter trading interest on the TSV). For example, identify and describe differences with respect to access, entry or display of trading interest, onchain or offchain trading procedures, market data, and fees.

n. *Distributed Ledger Technology*: Describe distributed ledger applications and networks of distributed ledger applications used by the TSV including the distributed ledger on which such applications are deployed and any cryptographic protocols employed to verify transactions on the distributed ledger; the smart contract addresses of distributed ledger applications; any use of protocols and applications (e.g., user interfaces, wallets, aggregators, solvers, relayers); and whether those protocols and applications are provided by the TSV, by related parties, or third parties, or a combination thereof. Explain whether the distributed ledger applications are interoperable with third-party service providers. Describe whether and how TSV Participants can access the TSV via custom integrations or direct interaction with smart contracts. Describe any circumstances under which the distributed ledger applications used by the TSV can be upgraded, modified, suspended, overridden, or ceased, the persons (whether unilaterally or in combination) that can upgrade, modify, suspend, override, or cease the distributed ledger applications used by the TSV, and the methods for upgrading, modifying, suspending, overriding, or ceasing the distributed ledger application. Provide the names of any entities and/or the roles of persons permitted to upgrade, modify, suspend, override, or cease each distributed ledger application.

o. *Entry of Trading Interest*: Describe any procedures and functionality made available by the TSV for entering and interacting with trading interest in Tokenized NMS Stock and information solicited from TSV Participants (e.g., slippage tolerance, assets available to trade, price and quantity parameters). Describe the methods by which transactions are approved, confirmed, or verified on the relevant distributed ledger. In addition, describe procedures governing price and size parameters, including, but not limited to, minimum or maximum trade size, any daily trade limits, and any messages or flags provided to users.

p. *AMM Liquidity Pool Trading Procedures*: Describe any procedures for creating, modifying, accessing, and funding liquidity pools provided by the TSV. Describe procedures for purchasing and selling Tokenized NMS Stock using an AMM Liquidity Pool, including, among others, procedures governing the interaction among and between TSV Participants and trading in Tokenized NMS Stocks, including pricing, such as pricing models or curves (e.g., x*y=k), priority, ranking, order types, trading rules, allocation, and execution, as applicable.[105] Describe any procedures for using any features that the TSV offers to allow liquidity pool customization; the applicability of the customization (e.g., the terms available to customize, including fees, and where in a trade's lifecycle it may be implemented); any permissioning required to use such customization features or customized liquidity pools; and procedures for addressing any requests made by users to alter or permit additional customizable settings.

q. *Offchain Trading Procedures*: Describe any offchain functionality used by the TSV to facilitate trading on the TSV, how and where in the lifecycle of a trade such offchain functionality is used, and whether, and how, TSV Participants access the offchain functionality to support their use of the TSV.

r. *Hours of Operations*: State the hours of operations of the TSV, including whether the TSV offers trading on a 24/7 basis.

s. *Use of Market Data*: Describe whether, and if so, how, the TSV uses or integrates external market data, such as with oracles.[106] Name any third-party service providers to the TSV for market data and describe the sources of any such market data. Describe the purposes of the market data (e.g., providing safeguards during periods of volatility or preventing manipulation) and how oracles are used by or on the TSV.

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105 To the extent that the TSV relies on a third-party protocol, in addition to a description of such protocol, the TSV may also include a link to a website of the third party describing such protocol.

106 An oracle is a service that "connect[s] external data sources to blockchain networks. This enables smart contracts to execute onchain agreements based on real world prices and events." PWG Report at 12.

t. *Display*: Describe any display of trading interest, including what is displayed, when it is displayed, whether it is displayed onchain or offchain, and how such displayed trading interest can be accessed. Describe any dissemination of information resulting from a transaction on the TSV, including what information is disseminated by whom, to whom, when, and how.

u. *Fees*: Describe the fee structure of the TSV, including any charges, fees, rebates and discounts and any other forms of compensation and the source of compensation, including whether (and if so, how much of) fees are shared with TSV Participants. Include or provide a link to any applicable fee or rebate schedule. Any relevant formulas or protocols used to determine and/or allocate fees are responsive. If fees or rebates are individually negotiated with TSV Participants or imposed in any other non-standardized manner (e.g., applying exceptions), describe the variables that impact the fees or rebates established.

v. *Complaints and Disputes*: Describe any procedures for resolving TSV Participant complaints and execution errors and disputes. If the TSV does not have these procedures, state so in the Notice.

w. *Procedures to Protect TSV Participant Information*: Describe any procedures and safeguards to protect the confidentiality of TSV Participants' information, including information that the TSV considers confidential, which can include any trading information on associated technology made available by the TSV (e.g., wallets). If the TSV does not have such procedures and safeguards, state so in the Notice. State whether the TSV will share TSV Participant confidential information and personally identifiable information ("PII") with other parties.

Describe any policies and procedures designed to address Maximal Extractable Value ("MEV").[107] If the TSV does not have such policies and procedures, state so in the Notice.

x. *Systems Safeguards*: Describe any procedures related to the capacity, integrity, resiliency, availability, and security of the TSV, including any offchain or onchain systems, such as distributed ledger applications, used with the TSV. Such procedures include, but are not limited to: code review; the types of audits used (e.g., third-party audits, security audits, SOC 2 audits, code audits, incident audits, audits of distributed ledger applications, public auditability of the distributed ledger on which the distributed ledger applications are deployed); pre-trade risk assessments; post-deployment monitoring; authorization controls; stress tests; business continuity and disaster recovery plans testing; and any other contingency or incident response planning. If the TSV does not have such procedures, state so in the Notice. Identify the entity that performs each of the described functions, to the extent this information is available.

y. *Clearing procedures and arrangements*: Describe any procedures or material arrangements undertaken to facilitate clearance and settlement of transactions on the TSV, including a description of any requirements applied to TSV Participants related to such procedures or material arrangements.

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[107] Sequencing transactions on a blockchain involves multiple actors ultimately aimed at creating a block with the highest fees to the validators or "MEV." *See* PWG Report at 27. While this process typically leads to both the most efficient use of block space and the highest fees to the validators, the sequencing of transactions can be abused in attacks against users (such as front-running) or leveraged to protect users with price-stabilizing actions (such as back-running). *See id.*

z. *Risks*: Describe any known material risks to TSV Participants or the integrity of the TSV's market, such as artificial intelligence exploits or attacks, loss of private keys, compromised wallets, smart contract coding errors or bugs, access control failures, reentrancy attacks, denial-of-service attacks, congestion, impermanent loss, any abusive activity involving MEV (e.g., front-running, back-running, sandwich attacks), oracle manipulation, network cyber-attacks, or phishing attacks. Explain any actions the TSV takes to mitigate the risks and compensate for any losses.

aa. *Service Providers*: Identify any entities, other than the TSV, that support the services or functionalities of the TSV and describe their roles and responsibilities with respect to the TSV. These include, among others, service providers that perform services related to permissioning subscribers, identifying and mitigating cyber risk, monitoring trading activity, displaying trading interest, recordkeeping, and clearance and settlement.

bb. *Trading Oversight*: Describe any monitoring by the TSV to detect fraudulent or manipulative trading activity (e.g., spoofing, wash trading, front running, pump-and-dump schemes), illegal trading of Tokenized NMS Stock, and other market abuses occurring on the TSV. If the TSV does not perform such monitoring, state that in the Notice.

cc. *Stoppage of Trading*: Describe the circumstances under which the TSV would stop trading or displaying trading interest (e.g., a trading halt in the underlying NMS stock in the event a market-wide circuit breaker is triggered or pending dissemination of material news, a trading suspension of the underlying NMS stock associated with delisting proceedings or by the SEC, or a TSV-initiated stoppage upon approaching the volume threshold). Describe any risk controls, including any circuit breakers or reference price bands, and any procedures to address price volatility or trading involving, for example, corporate actions occurring when markets for the underlying securities are closed. Describe the circumstances and procedures for resuming trading, accepting trading interest, or displaying trading interest after a stoppage.

dd. *Exclusive or Predominant Venue for Trading of a Tokenized NMS Stock*: Describe whether the TSV may be the exclusive or predominant trading venue for a Tokenized NMS Stock (e.g., a Tokenized NMS Stock is encoded to trade exclusively on the TSV), and if so, describe any potential risks to TSV Participants associated with the TSV being the exclusive or predominant trading venue for a Tokenized NMS Stock. For example, such risks may include TSV Participants being unable to trade the Tokenized NMS Stock on another trading venue, which may subject TSV Participants to having no choice other than accepting the terms and conditions, including fees, of the exclusive or predominant TSV to trade that Tokenized NMS Stock. Describe any procedures to address such risks, such as, for example, processes to burn or detokenize the Tokenized NMS Stock.

Transparency has long been a hallmark of the U.S. securities markets and is one of the primary tools used by investors to protect their interests. One of the most important functions the Commission can perform for investors is to ensure that they have access to the information they need to protect and further their own interests. National securities exchanges and NMS

Stock ATSs make public disclosures about their trading operations and potential conflicts of interest. These disclosures allow market participants to assess whether to participate on a trading venue, and if they choose to do so, have the necessary information to carry out their trading objectives and protect their interests. The disclosures in the Notice are designed for similar purposes. The information provided by a TSV in its Notice can help TSV Participants, which may include a wide variety of retail, institutional, and professional market participants, make informed trading decisions and evaluate their participation in a TSV.

The disclaimer condition requiring that a TSV state in its Notice that it is not registered with the Commission and that the Commission has not passed upon the merits or accuracy of the Notice; that the TSV is not subject to any fair access requirements[108] and that unfair and unreasonably discriminatory denials or limitations of access of TSV Participants by the TSV are not subject to SEC review; and that the TSV is not subject to Regulation NMS, is intended to inform market participants that there are risks involved in participating in a TSV.

Disclosure of the structure and organization of a TSV, its products, services, operations, affiliates, its governance structure, and whether the organization, association, group of persons, or any person within a group that comprises the TSV is registered in any capacity with the Commission, will inform potential TSV Participants in deciding whether to trade on a TSV. Likewise, disclosing whether LP tokens provide governance rights will inform liquidity providers in deciding whether to do business on a TSV.

Information in the Notice about permissioned trading access requirements for a TSV, including the conditions or circumstances for denying or limiting a person from accessing a service, and the categories of persons eligible to access and participate on the TSV will inform

108 *See supra* note 100.

potential TSV Participants of what they need to do to trade a Tokenized NMS Stock on the TSV, either as a user or a liquidity provider. Further, it will help market participants better assess potential counterparties permitted to access the TSV and the risks of trading with such counterparties on the TSV. Disclosure of the conditions or circumstances for denying or limiting a person from accessing TSV services, including for purposes of compliance with economic and trade sanctions programs administered by OFAC and applicable AML/CFT requirements, will assure market participants that their counterparties do not present elevated money-laundering risks or are subject to economic sanctions.

Additionally, information in the Notice about the Tokenized NMS Stock and non-security crypto assets and tokenized money market funds trading in pairs with Tokenized NMS Stock that are made available for trading on a TSV, including whether the Tokenized NMS Stock is tokenized by or on behalf of the issuers of the underlying NMS stock or by third parties unaffiliated with the issuers of the underlying NMS stock, and the steps that the TSV has taken to verify that the Tokenized NMS Stock provides holders with the same rights and privileges as does traditional NMS stock of an equivalent class, is designed to help TSV Participants fully understand the features of such assets. Disclosure of the procedures used by a TSV to evaluate the legal status, technical soundness, and operational integrity of the Tokenized NMS Stock it makes available for trading, and the distributed ledger system on which that security is issued and transferred, should inform potential TSV Participants in deciding whether to trade in the Tokenized NMS Stock on the TSV. Information regarding Notices of Issuer Objection will provide TSV Participants with notice of Tokenized NMS Stock that the TSV may not make available for trading.

Describing a TSV's fundamental operational information, such as the distributed ledger technology used by a TSV, its use of offchain functionality and market data, AMM Liquidity Pool trading procedures, its business hours, its procedures for entering trading interest and for trading, procedures related to stoppages of trading, and any differences in treatment among TSV Participants will allow market participants to understand how the TSV operates and how they can effect their trading strategies on the TSV. Describing the TSV's procedures or material arrangements to facilitate clearance and settlement and the requirements applied to its TSV Participants related to such procedures or material arrangements should provide useful information for market participants considering whether to trade on the TSV, such as when trades will settle. Information in the Notice about how a TSV displays trading interest will allow TSV Participants to readily decide to act on a price and size of trading interest disseminated from an AMM Liquidity Pool.

Disclosure in the Notice of the distributed ledger technology used, including any protocols and applications such as user interfaces, wallets, aggregators, solvers, or relayers, and the providers of those protocols and applications, and the circumstances and the methods under which the distributed ledger applications used by the TSV can be upgraded, modified, suspended, overridden, or ceased, including the persons permitted to perform such actions, will help provide market participants with reasonable expectations regarding how the distributed ledger applications used by the TSV operate and if and how they can be changed.

Information in the Notice describing the handling of TSV Participant confidential information and PII will allow market participants to weigh the potential risks of participating in a TSV and protect their interests. For example, describing if or how a TSV protects TSV Participant information from unauthorized access, theft, and other threats and intrusions should inform a potential TSV Participant's decision whether to use a TSV. Likewise, whether a TSV shares TSV Participant confidential information with other parties is important to potential TSV Participants. Additionally, disclosing how a TSV addresses MEV will inform TSV Participants about how their transaction information may be used in a way that adversely impacts the price they receive from trading on the TSV.

Disclosure in the Notice of material risks, including those related to the security of the smart contracts, impermanent loss, abusive activity involving MEV, oracle manipulation, and others, and how a TSV mitigates or addresses such risks, will help market participants determine whether to trade on a TSV and what, if any, additional security or loss mitigation measures TSV Participants should implement with respect to their use of the TSV. Disclosure of the TSV's oversight of trading activity in Tokenized NMS Stock is also designed to help potential TSV Participants decide whether to participate on a TSV. Additionally, disclosure of whether a TSV may become the exclusive or predominant trading venue providing access to trade its Tokenized NMS Stock—and if so, the associated risks[109] and any procedures used to address those risks—will inform potential TSV Participants of the risks of trading on such venue and whether those risks are mitigated, helping them to decide whether to trade on a TSV.

Furthermore, the interests of a TSV and/or its affiliates may compete against the interests of TSV Participants. These competing interests may give rise to conflicts of interest for the TSV and its affiliates, or potential leakage of TSV Participants' confidential trading information. Information about trading participation by the TSV, its affiliates, or both on the TSV, the services provided by the TSV, interoperability with third-party service providers, fees and

[109] For example, if a TSV is the exclusive venue providing access to a particular Tokenized NMS Stock and that TSV had to cease all trading in that Tokenized NMS Stock, then holders of the Tokenized NMS Stock would have limited options to liquidate their holdings.

sources of compensation, tokenization by the TSV or its affiliates, and governance will help TSV Participants understand potential conflicts of interest that may impact their trading on the TSV and assess the potential for information leakage.

The Notice requirements regarding the disclosure of system safeguards used by a TSV will aid potential TSV Participants in evaluating the integrity and security of a TSV. TSV Participants will directly interact with their TSV so the use of such safeguards by a TSV can help assure TSV Participants that they can trade safely and reliably on the TSV. For example, a TSV's code review procedures can assure TSV Participants that the code is checked for errors and security or design flaws. Disclosure of whether and how a TSV conducts post-deployment monitoring of its smart contracts can inform potential TSV Participants if the TSV surveils transactions and monitors for and responds to suspicious or abnormal activity and security incidents (like hacking attempts). The presence of smart contract audits can provide assurances that the AMM Liquidity Pool smart contracts used by a TSV are reviewed for, among other things, code errors, vulnerabilities, security risks, and compliance with evolving regulatory requirements, and that problems identified by these audits are remedied.[110] The regular testing of a TSV's business continuity and disaster recovery plans can demonstrate to potential TSV Participants that the TSV will be able to continue its operations after a significant system disruption. Disclosures of safeguards such as these examples evidence whether a TSV employs protections that may prevent or mitigate the severity of systems issues, which could reduce trading outages or other problems that impact TSV Participants in other ways, such as

[110] The PWG Report recommends the following measures to mitigate against smart contract vulnerabilities: (i) adhere to secure development practices, conduct quality assurance and control of smart contracts prior to deployment, and employ third-party auditing to reduce risk of software defects; (ii) leverage trusted code libraries; (iii) monitor for new vulnerabilities; (iv) consider emergency stops and circuit breakers for unexpected smart contract issues. *See* PWG Report at 122. To the extent a TSV has adopted these recommendations, it should be discussed in its Notice.

compromising the confidentiality of their data or causing financial harm. Disclosure of the system safeguards used by a TSV can help potential TSV Participants better evaluate a TSV when deciding which TSV to use as a trading destination.

Information in the Notice regarding how a TSV handles TSV Participant complaints, disputes, and execution errors are intended to protect investors by providing transparency into whether and how a TSV offers any protections and recourse to TSV Participants in the event of these commonplace incidents. Additionally, this information should inform potential TSV Participants as they decide whether to participate on a TSV.

The Notice will also aid the Commission in its efforts to protect investors and maintain fair, orderly, and efficient markets by enabling the Commission to review for compliance with certain conditions of the TSV Exemption, such as whether the TSV falls under the scope of the exemption and whether the requirements of the TSV distributed ledger applications are met. Further, the Notice will provide the Commission with valuable information about developments in TSVs and in the trading of Tokenized NMS Stock.

IV. Exemption for Covered Firms

Section 3(a)(5) of the Exchange Act defines the term "dealer" to mean "any person engaged in the business of buying and selling securities . . . for such person's own account through a broker or otherwise," but excludes "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 statutory exclusion from the definition of "dealer" is often referred to as the "trader" exception.[111] Absent an exception or an exemption, section 15(a)(1) of the Exchange

[111] The purpose of the "trader" exception is to "exclude from the definition of 'dealer' members of the public who buy and sell securities for their own account as ordinary traders." *See SEC v. Am. Inst. Counselors, Inc.*, Fed. Sec. L. Rep. (CCH) ¶ 95,388 (D.D.C. 1975) (citing Loss, Securities Regulation (2d ed. 1961)).

Act makes it unlawful for a "dealer" to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security unless registered with the Commission in accordance with section 15(b) of the Exchange Act.

Liquidity provision alone does not constitute engaging in dealer activity, and the Commission anticipates that, absent other indicia of dealer activity, persons acting as liquidity providers in an AMM Liquidity Pool would typically be engaged in trader (and not dealer) activity. The Commission recognizes, however, that depending on the facts and circumstances,[112] certain liquidity provider activity may raise questions regarding whether it is dealer activity, as opposed to trader activity, under section 3(a)(5) of the Exchange Act. As an example, uncertainty may arise for liquidity providers if they were to provide pricing to customers or assert control over pricing and inventory of committed liquidity to AMM Liquidity Pools pursuant to agreements, arrangements, or other understandings.

The Commission recognizes that liquidity providers that supply Tokenized NMS Stock and paired assets to smart contract-based AMM Liquidity Pools and may also engage in

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See also 2002 Release ("[A] person that is buying securities for its own account may still not be a 'dealer' because it is not 'engaged in the business' of buying and selling securities for its own account as part of a regular business"); *River North*, 415 F. Supp. at 859 (traders purchase securities already in the marketplace and turn a profit from selling them after they appreciate in value); *Sodorff*, 1992 WL 224082, at *5 (same); Crypto Freedom Alliance of Tex. v. SEC No. 4:24-cv-00361-0, 2024 WL at *8 (N.D. Tex. Nov. 21, 2024) ("Crypto Freedom Alliance") (stating that "for nearly the last 100 years, it has been commonly understood that anyone who buys and sells securities "not as a part of a regular business" is a trader—not a dealer—under the Exchange Act."). *See also* Definition of Terms in and Specific Exemption for Banks, Savings Associations, and Savings Banks Under sections 3(a)(4) and 3(a)(5) of the Securities Exchange Act of 1934, Exchange Act Release No. 46745 (Oct. 30, 2002), 67 FR 67496 (Nov. 5, 2002) (explaining that "a person that is buying securities for its own account may still not be a 'dealer' because it is not 'engaged in the business' of buying and selling securities for its own account as part of a regular business," and that "[t]his exclusion is often referred to as the dealer/trader distinction").

112 *See* Definition of Terms in and Specific Exemption for Banks, Savings Associations, and Savings Banks Under Sections 3(a)(4) and 3(a)(5) of the Securities Exchange Act of 1934, Securities Exchange Act Release No. 47364 (Feb. 14, 2003), 68 FR 8685, 8688 (Feb. 24, 2003) (citing to Definition of Terms in and Specific Exemption for Banks, Savings Associations, and Savings Banks Under Sections 3(a)(4) and 3(a)(5) of the Securities Exchange Act of 1934, Securities Exchange Act Release No. 46745 (Oct. 30, 2002), 67 FR 67496, 67499 (Nov. 5, 2002) ("2002 Release") (concluding that ". . . the analysis of whether a person meets the definition of a dealer depends upon all of the relevant facts and circumstances")).

additional activities carrying indicia of dealing activity, are necessary and integral to a TSV's core functionality. Absent committed liquidity, the automated pricing and execution mechanisms of AMMs related to AMM Liquidity Pools cannot operate as designed.

Accordingly, the Commission believes it is necessary or appropriate and consistent with the public interest and the protection of investors to provide a temporary, conditional exemption from the definition of "dealer" in section 3(a)(5) of the Exchange Act to Covered Firms solely within the limited context of AMM Liquidity Pools operating pursuant to the TSV Exemption.[113] The Commission believes that narrowly tailored, temporary exemptive relief is warranted to facilitate responsible innovation in tokenized securities markets by providing greater legal certainty while the Commission evaluates the scope of the term "dealer" more broadly,[114] as well as the application of existing broker-dealer regulatory frameworks to these novel market structures more specifically.

This section 3(a)(5) exemption is limited in duration and scope and is conditioned on operational, disclosure, and transparency requirements applicable to the TSV and Covered Firms.[115]

The Covered Firm Exemption cannot be relied upon if the Covered Firm or any of its affiliates are subject to statutory disqualification as defined in section 3(a)(39) of the Exchange

113 *See* 15 U.S.C. 78o(a)(2) and 15 U.S.C. 78mm.

114 As described in the SEC's Spring 2025 Regulatory Flexibility Agenda, the Division of Trading and Markets ("Division") is considering recommending that the Commission propose amendments regarding the scope of, and exceptions from, the term "dealer." *See* Securities Exchange Act Release No. 103337 (June 27, 2025), 90 FR 45652 (Sept. 22, 2025); *see also* https://www.reginfo.gov/public/do/eAgendaMain?operation=OPERATION_GET_AGENCY_RULE_LIST&currentPub=true&agencyCode=&showStage=active&agencyCd=3235.

115 Because the evaluation of whether a person is a dealer depends on the facts and circumstances, no presumption shall arise on the basis of a person's reliance on the Covered Firm Exemption that the person is a dealer.

Act,[116] unless the Covered Firm or any of its affiliates has been permitted by the Commission or any relevant SRO, by rule, order or otherwise, to continue its membership in or participation with such SRO or its association with a member of the SRO or other Commission registrant notwithstanding that Covered Firm or affiliate's statutory disqualification.[117]

A. Conditions for the Covered Firm Exemption

As detailed below, the Covered Firm Exemption is subject to conditions designed to protect investors and maintain market integrity, including requirements relating to liquidity provider operations, activities, disclosures, and notices. These conditions are designed to facilitate the operation of the TSVs while preserving the Commission's ability to oversee and assess the development of these markets. Additionally, the Covered Firm Exemption is temporary, expiring at the end of five years, running in parallel with the TSV Exemption. TSV Participants acting as a Covered Firm pursuant to the conditions herein remain subject to the anti-fraud and anti-manipulation provisions of the federal securities laws.

TSV Provided AMM Liquidity Pool. For purposes of compliance with the Covered Firm Exemption, a Covered Firm's securities activities must be limited to activities related to the trading of Tokenized NMS Stock in an AMM Liquidity Pool operating pursuant to the TSV Exemption.[118]

Proprietary Accounts. A Covered Firm must provide liquidity through a TSV, engage in

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116 15 U.S.C. 78c(a)(39).

117 Any such person who has not received such permission from the Commission or any SRO cannot rely on the Covered Firm Exemption as there is an increased potential for that person to adversely affect the public interest by, for example, creating an unreasonable risk of harm to investors or the markets without additional regulatory oversight of such person as appropriate.

118 Provided that the conditions herein are met, a Covered Firm relying on this Covered Firm Exemption may engage in the trading of Tokenized NMS Stock on more than one TSV operating pursuant to the TSV Exemption. In addition, the Covered Firm Exemption does not limit a Covered Firm's non-securities activities, such as activity related to payment stablecoins.

such trading activity solely for its own account, and must not hold or custody customer assets.

Maintenance of Records. A Covered Firm must make and retain records relating to: its ability to maintain sufficient liquid assets to cover potential losses associated with trading activity (e.g., financial statements); any liquidity supplied in an AMM Liquidity Pool; any agreement, arrangement or understanding with a TSV to provide liquidity, including market making, services to an AMM Liquidity Pool; and any incentives, fees, rebates, or any other form of compensation received for any liquidity provision, including for achieving certain volume thresholds.

Disclosures. A Covered Firm must prominently disclose on any public-facing website, if applicable: (1) that it is not registered as a broker-dealer with the Commission, (2) that it may enter into liquidity provision, including market making, agreements or arrangements with a TSV to provide liquidity to an AMM Liquidity Pool, and (3) that it may receive fees, tokens, or other incentives for providing liquidity or achieving certain volume thresholds from a TSV-provided AMM Liquidity Pool.

Notification. A Covered Firm must notify the Commission in writing at tradingandmarkets@sec.gov of its role as a Covered Firm including: the participant's name; a description of its business model and an overview of its risk controls, as applicable; its designated regulatory contact; a description of any liquidity provision or market making agreements, arrangements, or understandings it has entered into; a description of any fees, tokens, or other incentives it receives for providing liquidity or achieving certain volume thresholds from a TSV-provided AMM Liquidity Pool; an acknowledgement that neither the Covered Firm nor any of its affiliates is subject to statutory disqualification; its consent to requests for information from Commission staff of the Covered Firm's activities; and an acknowledgement that use of the Covered Firm Exemption is subject to Commission oversight and that operating a Covered Firm in a manner inconsistent with the Covered Firm Exemption could result in a Commission enforcement action.

V. Duration for the Exemptions

The exemptions are effective from September 17, 2026, until September 17, 2031. The Commission may modify the length or any other aspect of the exemptions pursuant to its authority under section 36 of the Exchange Act if it determines that such modification is necessary or appropriate in the public interest and consistent with the protection of investors.

VI. Solicitation of Comments

The Commission intends to monitor closely the use of the exemptions and whether any modifications to the exemptions may be necessary. The Commission solicits public comment on all aspects of the exemptions, including:

1. Should the Commission modify the TSV Exemption in any way? Why or why not? If so, describe how the TSV Exemption should be modified.
2. Should the TSV Exemption be permanent? If so, what conditions of the TSV Exemption should TSVs be subject to on a permanent basis? Is the length of the temporary TSV Exemption appropriate? If not, what should the duration be?
3. How could trading of Tokenized NMS Stock on a TSV potentially impact the liquidity, pricing, or trading of underlying NMS stock in the broader market and how, if at all, should the TSV Exemption be potentially modified to account for any such impact? What effects could transaction reporting within ten minutes of the occurrence of a transaction and overnight trading have on market quality in underlying NMS stock, including on the market opening, reopening and closing

processes of the exchanges? What, if any, modifications should be made to the TSV Exemption to account for such potential impacts?

4. Should the TSV Exemption be modified to permit a TSV to trade securities other than Tokenized NMS Stock? Which types of securities should TSVs be limited to trading under the TSV Exemption? Should the non-security crypto assets or tokenized money market funds that are permitted to trade in pairs with Tokenized NMS Stock on a TSV be limited to certain types of non-security crypto assets or tokenized money market funds?
5. Should the conditions of the TSV Exemption be modified in any way? Do any of the conditions pose any challenges for market participants? Please explain.
6. Is the categorization into Tier 1 and Tier 2 Tokenized NMS Stock appropriate for the limitations on volume and number of symbols for Tokenized NMS Stock? Are the limitations to trading 75 symbols and 0.25 percent of the average daily share volume during the prior month in the relevant NMS stock appropriate for Tier 1 Tokenized NMS Stock? Are the limitations to trading 250 symbols and 2.5 percent of the average daily share volume for Tier 2 Tokenized NMS Stock during the prior month in the relevant NMS stock appropriate? Please explain and provide any potential modifications to the limitations you believe may be appropriate.
7. Are there compliance or operational challenges impeding regulated entities from being TSV Participants? Should the Commission provide any relief from the requirements of Regulation NMS under the Exchange Act to TSV Participants that are registered broker-dealers? Why or why not? If so, please specify the provisions

of Regulation NMS from which broker-dealer TSV Participants would need relief and explain the necessity of such relief.

8. Should the Commission modify the Covered Firm Exemption in any way? Why or why not? If so, describe how the Covered Firm Exemption should be modified.
9. Should the Covered Firm Exemption be permanent? If so, what conditions of the exemption should Covered Firms be subject to on a permanent basis? Is the length of the temporary Covered Firm Exemption appropriate? If not, what should the duration be?
10. Are the conditions of the Covered Firm Exemption appropriate? Do any of the conditions, including those relating to the activities of the market participant as well as the maintenance of records, and disclosures, pose any challenges for market participants? Please explain.

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/comments/4-927/order-granting-temporary-conditional-exemptive-relief-pursuant-section-36a1-securities-exchange-act); or
- Send an email to rule-comments@sec.gov. Please include File Number 4-927 on the subject line.

Paper Comments:

- Send paper comments to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number 4-927. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (https://www.sec.gov/rules-regulations/2026/09/4-927). Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions; you should submit only information that you wish to make available publicly.

VII. Conclusion

It is hereby ORDERED that pursuant to section 36(a)(1) of the Exchange Act that, until September 17, 2031, a Tokenized Securities Venue complying with the conditions set forth herein shall be exempt from the definition of "exchange" under section 3(a)(1) of the Exchange Act and a Covered Firm complying with the conditions set forth herein shall be exempt from the definition of "dealer" under section 3(a)(5) of the Exchange Act. The Commission determines the exemptions set forth above are consistent with the public interest and the protection of investors and are necessary and appropriate in the public interest, consistent with section 36(a)(1) of the Exchange Act.

By the Commission.

J. Matthew DeLesDernier,

Deputy Secretary.