SIDLEY AUSTIN LLP
1501 K STREET, N.W.
WASHINGTON, DC 20005
+1 202 736 8000
+1 202 736 8711 FAX

2323 CEDAR SPRINGS, SUITE 2600
DALLAS, TX 75201
+1 214 981 3300
+1 214 981 3400 FAX

AMERICA • ASIA PACIFIC • EUROPE

+1 202 736 8351
ASIOSON@SIDLEY.COM

+1 202 736 8125
CSOMMERS@SIDLEY.COM

+1 214 969 3510 – DALLAS
+1 305 391 5215 – MIAMI
LTESSLER@SIDLEY.COM

April 17, 2026

Submitted Via SEC Website

crypto@SEC.GOV
Commissioner Hester M. Peirce
Chair of the SEC Crypto Task Force
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-1090

Re: Request for Information Regarding National Securities Exchanges and Alternative Trading Systems Trading Crypto Assets

Dear Commissioner Peirce and Members of the SEC Crypto Task Force:

On behalf of The Digital Chamber ("**TDC**"), we respectfully provide this submission in response to Commissioner Hester M. Peirce's December 17, 2025 statement soliciting public input on regulatory issues applicable to national securities exchanges ("**NSEs**") and alternative trading systems ("**ATSs**") related to blockchain technology and crypto assets (the "**Statement**").[1] In particular, this letter addresses Questions 1, 9, and 16 of the Statement, related to encouraging innovation and reducing barriers to entry for trading platforms seeking to use blockchain technology, methodologies for converting non-USD assets to USD, and protecting the ability of individuals to develop and deploy software and transact on a peer-to-peer basis. TDC will also be providing responses to the other questions posed by the Statement in separate submissions.

Overview and Scope of this Letter

This response provides TDC's views on guidance and rule amendments that the U.S. Securities and Exchange Commission ("**SEC**" or "**Commission**") could issue and adopt clarifying how registered NSEs and ATSs can leverage blockchain technology and innovations in digital financial technology. Applications using such innovations are broad and variable. Accordingly, it is helpful to define the scope of our response.

---

[1] Comm'r Hester M. Peirce, *And Then Some: Request for Information Regarding National Securities Exchanges and Alternative Trading Systems Trading Crypto Assets* , U.S. Sec. & Exch. Comm'n (Dec. 17, 2025), available here.

Sidley Austin (TX) LLP is a Delaware limited liability partnership doing business as Sidley Austin LLP and practicing in affiliation with other Sidley Austin partnerships.

The Statement refers to "Crypto ATSs," defined as ATSs that trade crypto asset securities or trade securities against crypto assets that are not securities. TDC believes that related technologies, such as decentralized trading systems, including those using automated market maker technology ("**AMMs**"), are outside the scope of the Statement. Decentralized trading models operate on a fundamentally different architecture than the national market system envisioned by Congress and reflected in the 1975 amendments to the Securities Exchange Act — a distinction implicitly acknowledged in the Division of Trading and Markets' recent staff statement regarding broker-dealer registration for certain crypto user interfaces.[2] TDC welcomes the opportunity to discuss further with the Commission and staff at their convenience.

TDC also wishes to flag that regulatory frameworks beyond Regulation NMS and Regulation ATS bear directly on the operation of Crypto ATSs—including Regulation SHO, Rule 15c3-5, Rule 15c2-11, and applicable FINRA rules. While this response focuses on the questions posed in the Statement, TDC continues to believe a contemporaneous, holistic review of a broad range of adjacent regulatory requirements is also needed, and welcomes the opportunity to address them as the opportunity arises.[3]

Further, as the SEC knows, the definition of a "security" under the federal securities laws is broad and encompasses various instruments with different characteristics and regulatory treatments. The Divisions of Corporation Finance, Investment Management, and Trading and Markets recently issued a statement providing guidance on the staff's interpretation of the term "tokenized security."[4] Consistent with that guidance, a tokenized security may be an "equity security." However, a "tokenized equity security" may be further categorized as a tokenized NMS stock or non-NMS stock. TDC is aware that meaningful differences exist among these subcategories, and that some of its recommendations may apply with greater or lesser force depending on the specific type of asset at issue.

TDC commends the Commission for recognizing that a crypto asset may be the subject of an investment contract—an investment contract is a type of security—but that such crypto asset is not itself the security or investment contract.[5] The Commission's Interpretation—as well as the

---

[2] SEC Staff Statement Regarding Broker-Dealer Registration of Certain User Interfaces Utilized to Prepare Transactions in Crypto Asset Securities, Division of Trading and Markets (Apr. 13, 2026), available here.

[3] *See, e.g.*, TDC's July 30, 2025 letter to the Crypto Task Force Re trading here, and TDC's July 23, 2025 letter to the Crypto Task Force Re: Tokenized Securities here.

[4] Statement on Tokenized Securities (Jan. 28, 2026), available here ("A tokenized security is a financial instrument enumerated in the definition of "security" under the federal securities laws that is formatted as or represented by a crypto asset, where the record of ownership is maintained in whole or in part on or through one or more crypto networks.").

[5] *See* Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets (Mar. 17, 2026) ("**Interpretation**"), available here. *See also*, our previous letter to the

potential registration exemptions and safe harbors envisioned in a forthcoming *Regulation Crypto Assets*—are a critical step towards advancing innovation and cementing continued United States' leadership in financial markets. However, even with this clarity, there is more work to be done. Investment contracts are a distinct type of security from equity securities.[6] Trading investment contracts, non-security crypto assets that are the subject of an investment contract, and non-security crypto assets that are not the subject of an investment contract all raise distinct issues and challenges for ATSs and NSEs beyond trading tokenized equity securities.

Question 1

How can the Commission encourage innovation and lower barriers to entry for trading platforms that seek to trade crypto asset securities and trading pairs involving crypto assets? How do Regulation NMS and Regulation ATS present challenges for firms seeking to innovate with crypto assets and blockchain technology? What aspects of NSE and ATS regulation, if any, impose costs that do not justify the benefits? How can the Commission revise Regulation NMS and Regulation ATS to better protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation?

The implementation of the National Market System in 1975 was "the culmination of [Congress'] … most searching reexamination of the competitive, statutory, and economic issues facing the securities markets, the securities industry, and, of course, public investors, since the 1930's."[7] Congress' findings are reflected in Section 11A of the Exchange Act, which directs the Commission to facilitate "efficient and effective market operations" through the use of "new data processing and communication techniques."[8] Public blockchain infrastructure is an evolution in data processing and communications technology, and the Commission should affirmatively recognize the potential to further strengthen our markets by allowing market participants the freedom to use this technology. Importantly, appropriately calibrated use of blockchain infrastructure can enhance investor protection through increased transparency, auditability, and resilience relative to certain legacy systems.

TDC respectfully recommends that the Commission consider the following principles when determining how to encourage innovation and lower barriers to entry while continuing to serve its tripartite mission of investor protection, maintaining fair, orderly, and efficient markets,

---

Crypto Task Force, Re: Security Status of Certain Crypto-Asset (Token) Transactions (Apr. 28, 2025), at p. 7, available here.

[6] *See* our previous letter to the Crypto Task Force, Re: Public Offerings of Investment Contracts and Related Disclosures (Jun. 26, 2025), at p. 2, available here.

[7] H.R. REP. NO. 94-121, pt. 12, at 15138 (1975) (Conf. Rep.). *See also*, Hester Peirce, *Rethinking the National Market System*, 43 J. Corp. L. 649 (2018).

[8] 15 U.S.C. § 78k-1(a)(1)(B).

and facilitating capital formation. After outlining recommended first principles, we also provide certain specific suggestions with the potential to meaningfully advance the adoption of blockchain technology in—and thereby the efficiency and effectiveness of—U.S. financial markets.

Foundational Principles

Maintain technology neutrality while accommodating functional differences. The SEC's rules and regulation should generally be applied in a technology neutral manner, but the SEC should implement common sense modifications to its rules and regulations to acknowledge and accommodate specific features of blockchain technology where appropriate, including where blockchain technology may mitigate or obviate existing risks present in legacy business infrastructure and business models.

Recognize the existing regulatory framework was built for a specific market structure that Crypto ATSs do not necessarily share. Regulation NMS, Regulation ATS, and related rules were designed as an interlocking system for a specific architecture: Central limit order books ("**CLOB**") and similar trading protocols, linked quotation and trade reporting, standardized clearing and settlement, and a clearly identifiable chain of registered intermediaries in each point of the trade lifecycle. Certain Crypto ATSs may depart from these assumptions in one or more ways that are structural, not cosmetic. For example, Crypto ATSs can facilitate on-chain trade execution or settlement, offer non-USD/fiat currency trading pairs, or use non-CLOB execution modes (through integrating with AMMs, which generally generate prices algorithmically rather than through order interaction, or a hybrid model). Tokenized securities themselves may have unique characteristics compared to traditional, non-tokenized securities. TDC does not suggest that the objectives of existing rules are inapplicable, but how they are implemented must be adapted to meet the realities of blockchain-based markets.

Crypto ATSs should be inside the regulatory perimeter, with appropriate calibration. Securities and ATSs are, by definition, within the SEC's jurisdiction—regardless of whether blockchain technology is involved. For the avoidance of doubt, the question is not whether or not the securities laws apply to Crypto ATSs, but *how* they apply (or should be applied). To that end, TDC commends the SEC staff's engagement over the past 15 months, particularly the Division of Trading and Markets' Frequently Asked Questions Relating to Crypto Asset Activities and Distributed Ledger Technology ("**FAQs**").[9] However, the FAQs are staff-level views with no legal force or effect, and they do not fully resolve several structural questions raised in the Statement. While the FAQs address certain threshold questions (e.g., can ATSs offer pairs trading; can broker-dealers custody crypto assets), they largely defer the

---

[9] Available here.

structural questions the Statement poses. TDC, through this submission and others, addresses those next-order questions.

Adopt a flexible, adaptive, and principles-based approach. TDC encourages the SEC to follow a principles-based approach to regulation that is flexible and adaptive, in order to assess technology and market practice as it evolves. U.S. tokenized securities markets are in an early developmental stage, and TDC believes that the SEC should foster the maturation of market practice through allowing differing applications to survive and compete. Rather than "one size fits all" prescriptive rules that effectively pick winners and losers among tokenization structures and business models, the SEC should avoid adopting narrow rules, policies, or guidance that preemptively prohibit a range of securities tokenization and related technology use cases, while maintaining baseline standards sufficient to prevent fraud, manipulation, and operational risk.

Specific Recommendations

Building on the foundational principles set forth above, we offer the following specific recommendations for how the Commission can lower barriers to entry for Crypto ATSs to better serve investors, and facilitate the development of fair, orderly, and efficient crypto markets.

First, the Commission should implement a regulatory roadmap with tailored, phased implementation timelines for applying Regulation NMS to Crypto ATSs (as and when Regulation NMS may apply). A phased approach offers multiple benefits. Past efforts to modernize Regulation NMS (and the adoption of Regulation NMS itself) have been the product of years of fact-gathering, planning, and debate. While that process has been underway with the work of the Crypto Task Force, the Commission should not rush into adopting significant regulatory change. At the same time, the Commission should not force market participants to wait on the sideline as others outside the United States develop and implement new technologies. A phased approach allows for incremental changes while continuing to study and plan for additional reforms. Additionally, commentators have argued for years (for traditional equity securities) that Regulation NMS' one-size-fits-all approach may be efficient for certain types of stocks but inappropriate for others.[10] An incremental approach to Regulation NMS reform could recognize that not all securities markets are alike, and tailor regulatory requirements to the realities of certain defined markets.

In connection with this phased approach, and as TDC has suggested in the past, the Commission's Division of Trading and Markets should commence a new initiative in the tradition of Market 2000—a structured effort to explore and investigate the potential of

---

[10] *See, e.g.*, Christopher A. Iacovella, How to promote Small-Business Jobs and Protect Investors, INV. BUS. DAILY (May 23, 2017), available here (comparing high volume large-cap stocks with illiquid small-cap stocks).

blockchain technology for the U.S. equity markets broadly—and should examine how Regulation NMS can be amended, clarified, or adapted to embrace blockchain's benefits, facilitate innovation, and remove barriers to competition, consistent with prior Commission-led market structure studies. To support near-term experimentation while that initiative proceeds, we recommend that the Commission adopt a regulatory sandbox permitting regulated securities market participants to explore trading registered tokenized equity securities that would otherwise be subject to NMS requirements in a controlled environment, and establish a process for expedited rule changes, guidance, and exemptive relief as the market evolves. As part of this initiative, the Commission should issue guidance clarifying how concepts such as best execution, order protection, and market access apply to the distinct execution models prevalent in crypto markets—including Central Limit Order Books, Automated Market Makers, and hybrid systems—rather than assuming a one-size-fits-all approach that was never designed with these models in mind. Regulation SCI presents a parallel concern: it may be difficult to apply to distributed and open-source blockchain infrastructure without modification, and could impose disproportionate costs relative to its benefits, including with respect to potential application to Crypto ATSs.

Second, the Commission should seek to leverage, rather than displace, the native transparency advantages of blockchain technology for regulatory reporting and market surveillance. Regulation NMS presupposes a market infrastructure, including a centralized Securities Information Processor ("**SIP**"), NMS Plans, a National Best Bid and Offer, and standardized routing protocols, that does not yet exist for crypto asset securities—and may not be necessary for crypto asset securities. Requiring wholesale compliance with this infrastructure today imposes substantial costs with no corresponding investor protection benefit. Public blockchain infrastructure, open-source smart contract activity, and publicly available APIs enable real-time monitoring of decentralized finance protocols and token transfers at a level of granularity that has no analog in traditional equity markets.[11] These advantages are squarely within the objectives of Section 11A. The Commission should affirmatively permit and encourage the use of this infrastructure for regulatory reporting and surveillance purposes, rather than requiring compliance with legacy reporting architectures that are less transparent and less accessible. And the Commission has the tools to do so at its disposal.

The Commission should actively explore how its already-adopted competing consolidators framework can serve as a flexible, market-driven alternative for the dissemination of consolidated market data in crypto asset securities markets. Unlike the legacy exclusive SIP model, competing consolidators introduce market-based incentives and more distributed data aggregation that are far more consonant with the architecture of blockchain-based markets, and could serve as a meaningful bridge between traditional finance infrastructure and the

---

[11] *See* TDC's July 30, 2025 letter to the Crypto Task Force Re: Trading for discussion of specific service providers, available here.

decentralized finance ecosystem. While it is true that fragmentation currently exists in non-security crypto asset markets (including across blockchain networks and trading venues), blockchain-based data can be aggregated and translated in a manner to fit regulatory objectives.

Third, the Commission should remove the specific regulatory barriers that currently impede Crypto ATSs from operating effectively. Most immediately, the Commission should direct the staff to formally clarify that Crypto ATSs are not required to follow the so-called "Three-Step Process" described in the September 25, 2020 no-action letter issued to FINRA.[12] The Three-Step Process—which limits an ATS to notifying buyers, sellers, and their respective custodians of a matched trade, with custodians settling per pre-trade instructions—was developed during a prior regulatory environment and is no longer necessary now that the Division of Trading and Markets Staff FAQs expressly permit broker-dealers to establish control over crypto asset securities under Rule 15c3-3. Though not strictly required given the existence of the FAQs, formal withdrawal of the Three-Step Process no-action letter would eliminate ambiguity and mirror the staff's approach in withdrawing its July 8, 2019 Statement (joined by FINRA staff) describing another non-custodial "four-step process." With the withdrawal of the Three-Step Process, and pursuant to the FAQs, an ATS operated by a broker-dealer that is not a Special Purpose Broker-Dealer would therefore be permitted to engage in clearing and settlement activities for trades in crypto asset securities that match on the platform. The Commission should also work with FINRA to identify and remove remaining barriers to entry for Crypto ATSs in the membership and approval process.

Finally, the Commission should clarify or amend its rules to resolve any remaining ambiguity around mixed-asset trading platforms, subject to appropriate disclosures and controls addressing valuation, liquidity, and counterparty risk. Specifically, the Commission should make clear that NSEs and ATSs are permitted to trade both securities and non-securities—including payment stablecoins issued in compliance with the GENIUS Act and other types of non-security crypto assets described in the Interpretation—on the same platform, and that such platforms may facilitate pairs trading of securities and non-securities. In such pairs transactions, the transaction as a whole should be treated as the purchase or sale of a security, while the non-security leg of the trade—the exchange of a security for a payment stablecoin, bitcoin, or other commodity token—should be treated analogously to the exchange of a security for cash. Commission rules will require updating to provide for settlement of securities transactions in such assets. Where a security is exchanged for a non-security, broker-dealers should be involved on both sides of the transaction, consistent with the treatment of conventional securities-for-cash trades. However, where an NSE or ATS facilitates an exchange of a non-security for a non-security—for example, the purchase of a digital commodity with a covered stablecoin, or the exchange of covered stablecoins for cash—no broker-dealer involvement would be required, as no securities

[12] Financial Industry Regulatory Authority, SEC Staff No-Action Letter (Sept. 25, 2020), available here.

transaction has occurred. Because pairs trading of this kind may also implicate the Commodity Exchange Act, or the GENIUS Act, the Commission should engage with the CFTC and applicable banking regulators to develop coordinated guidance or rulemaking clarifying the treatment of side-by-side and pairs trading across regulatory regimes.

Question 9

Should the Commission propose amendments to Regulation ATS to prescribe a specific methodology or methodologies for conversion of non-USD assets to USD for purposes of compliance with Regulation ATS? If so, what should the methodology or methodologies be?

The need to convert non-USD assets to USD arises in pairs trading, where a security is traded for an asset other than cash (e.g., a digital commodity or covered stablecoin) and Regulation ATS requires that certain recordkeeping and reporting be reflected in USD. TDC believes it is unnecessary for the Commission to mandate specific methodologies for converting the value of non-USD assets to USD. Consistent with the staff's guidance in the FAQs,[13] TDC believes using "consistent, impartial, and reasonable methods commonly applied by market participants for converting the value of an asset that is not quoted in USD" would permit the Commission and market participants to achieve desired regulatory outcomes. This approach preserves flexibility while still enabling consistent valuation practices necessary for regulatory reporting and investor protection.

To provide further clarity and certainty to market participants, the staff could elaborate that a broker-dealer which converts non-USD assets to USD in compliance with its written policies and procedures for doing so would be using "consistent and impartial" methods. Including conversion methodologies in the broker-dealer's written policies and procedures would also safeguard against opportunistic methodology switching. It would also be reasonable to require broker-dealers to publicly disclose the conversion methodologies used. Further, it may be helpful for the staff to provide examples of reasonable methods "commonly applied by market participants," while making clear that any such examples are not exclusive.

To the extent that covered stablecoins are not considered equivalent to cash for purposes of pairs trading, TDC respectfully suggests that the staff confirm that valuing covered stablecoins[14] at par (where they are designed to maintain a stable value relative to USD and are in fact trading at or near par) would be a consistent, impartial, and reasonable conversion methodology.

---

[13] *See* Q12 (last accessed Mar. 25, 2026).
[14] As defined in the Interpretation and in compliance with the GENIUS Act.

Question 16

How can the Commission protect the ability of individuals to develop and deploy software and transact directly (or indirectly through autonomous software intermediation) with other persons without unwarranted regulatory barriers?

The Commission can protect the ability of individuals to develop and deploy software and to engage in direct or software-mediated peer-to-peer transactions by maintaining a clear distinction between (i) software development and infrastructure provision; and (ii) regulated financial intermediation, ensuring that regulatory obligations attach to conduct involving custody, control, and investor-facing intermediation rather than to the mere creation, publication, or maintenance of software.

Accordingly, TDC respectfully submits the following principles:

Publishing code, without additional conduct involving operation, control, or intermediation, should not constitute operating a venue.

The Commission should clarify that the development, publication, or dissemination of software does not, standing alone, constitute operating an exchange, broker, or other regulated venue. Treating code publication as regulated activity would mischaracterize software infrastructure as financial intermediation and impose unwarranted barriers on developers who neither custody assets nor intermediate transactions.

Regulation should focus on who has control of key functions.

Regulatory obligations should follow custody or discretionary control over users' securities or transaction execution. Where an entity exercises control over customer securities, transaction routing, execution, or other core financial functions, application of the securities laws is appropriate. Conversely, imposing intermediary-style regulation where software operates in a non-custodial, permissionless manner and no party exercises such control is neither necessary nor well-calibrated to risk.

Non-custodial software development and maintenance should not trigger financial intermediary status.

Developers who build, deploy, or maintain non-custodial protocols should not be treated as broker-dealers or exchanges solely by virtue of those activities, whether at initial deployment or through subsequent upgrades, security improvements, and ongoing maintenance. Similarly,

developers should not face liability for the independent actions of third parties who use open-source infrastructure.

Permissionless protocols should be treated as infrastructure, not intermediaries.

Open, permissionless protocols are functionally analogous to internet infrastructure. Classifying such systems as financial intermediaries would conflate software with regulated activity and risk imposing obligations where no accountable intermediary exists.

Distinguish clearly between infrastructure layers and investor-facing applications.

The Commission should reaffirm that general-purpose Layer 1 blockchain networks, as well as node operators, validators, and miners, constitute software and technical infrastructure rather than securities market intermediaries. Regulatory requirements should instead be assessed at the application layer—i.e., where services are designed to interface with investors or facilitate securities transactions in a manner that implicates the securities laws.

Preserve and operationalize the right to self-custody and peer-to-peer transaction execution.

The ability to self-custody digital assets, including tokenized securities, and to transact directly with other market participants is foundational to blockchain-based systems, and the Commission should develop a regulatory framework that accommodates these capabilities without mandating third-party intermediation. In the near term, a flexible, principles-based approach would allow for responsible experimentation while the Commission evaluates necessary structural adaptations to existing rules.

Obligations of regulated intermediaries continue to apply.

Where financial institutions or other intermediaries access or utilize decentralized protocols on behalf of clients, those entities should remain responsible for applicable regulatory and fiduciary obligations. Likewise, where proprietary systems are deployed and controlled by identifiable regulated entities to provide financial services, regulatory requirements should attach commensurate with the functions performed. This ensures that the absence of regulation at the protocol layer does not create gaps in investor protection where true intermediation occurs.

Taken together, these principles would enable the Commission to protect innovation and individual autonomy in software development and peer-to-peer transactions, while preserving the core objectives of the securities laws by targeting regulation at intermediaries—where it has traditionally proven most effective. The Division of Trading and Markets' recent Staff Statement Regarding Broker-Dealer Registration of Certain User Interfaces Utilized to Prepare

Transactions in Crypto Asset Securities[15] is an important and commendable first step consistent with TDC's approach. However, like Commissioner Peirce, TDC favors a more permanent regulatory approach that embodies these principles.[16]

TDC thanks the many members that contributed their time and expertise toward the development of this letter, including but not limited to the significant efforts of Daniel Engoren, attorney, Sidley Austin LLP.

* * *

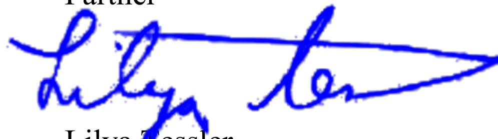
[15] SEC Staff Statement Regarding Broker-Dealer Registration of Certain User Interfaces Utilized to Prepare Transactions in Crypto Asset Securities, Division of Trading and Markets (Apr. 13, 2026), available here.
[16] *See* SEC Comm'r Hester M. Peirce, *Interfacing with our Inner Demons: Comments on the Division of Trading and Markets' Statement on Certain User Interfaces* (Apr. 13, 2026), available here.

If you have any comments or questions relating to this letter or would like to arrange a meeting to discuss further, please do not hesitate to contact the undersigned.

Regards,

Andrew J. Sioson
Partner

Charles A. Sommers
Partner



Lilya Tessler
Partner

cc: Cody Carbone, Chief Executive Officer, The Digital Chamber
Zunera Mazhar, Head of Policy and Government Affairs, The Digital Chamber
Annemarie Tierney, Senior Strategic Advisor, The Digital Chamber