american securities association
America's Voice for Main Street's Investors

November 5, 2026

Via Electronic Mail (rule-comments@sec.gov)

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

Re: Order Granting Temporary Conditional Exemptive Relief for Tokenized Securities Venues and Covered Firms, and Request for Comment (the "Innovation Exemption"); Release No. 34-106402; File No. 4-927

Dear Ms. Countryman:

The American Securities Association ("ASA")[1] appreciates the opportunity to comment on the Commission's September 17, 2026 order granting temporary conditional exemptions to Tokenized Securities Venues ("TSVs") and Covered Firms (the "Order").[2] ASA supports innovation in U.S. capital markets. ASA also believes that every venue trading U.S.-listed equities must be held to the same standard, regardless of the technology it uses.

On October 29, 2026, attackers moved approximately $6.36 billion out of Binance's wallets across ten blockchains, most of it in about 20 minutes. Blockchain analytics firms attribute the theft to TraderTraitor, a North Korean state hacking unit.[3] It is the largest crypto theft on record. It occurred six weeks after the Commission authorized trading of tokenized U.S. stocks on venues built on the same public, permissionless infrastructure. The Order was written before this event occurred, and the Commission should revisit any regulatory gaps that it now knows exist.

ASA's comments address four gaps in the Order. First, the Order lets offshore affiliates of a TSV supply liquidity to that TSV without registration and without a clear path for Commission oversight. Second, the Commission's jurisdictional reach over that offshore activity is uncertain and should be secured through so investors have confidence in it rather than have to litigate it after a loss. Third, the Order's architecture creates a channel through which actors in foreign adversary

[1]ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.

[2]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, Exchange Act Release No. 34-106402 (Sept. 17, 2026), https://www.sec.gov/files/rules/exorders/2026/34-106402.pdf ("Order").

[3]TRM Labs, North Korea Steals USD 6.36 Billion From Binance in the Largest Hack in History (Oct. 30, 2026), https://www.trmlabs.com/resources/blog/north-korea-steals-usd-6-36-billion-from-binance-in-the-largest-hack-in-history; see also CBS News (Oct. 30, 2026), https://www.cbsnews.com/news/binance-hack-north-korea/ (Chainalysis concurring in attribution).

nations can launder money in U.S. equity markets. Fourth, the Order treats cybersecurity as a disclosure item. If a venue trades U.S.-listed stocks with U.S. retail investors, then, at a minimum, it should meet the substantive standards of Regulation SCI and related rules that bind registered venues today.

I. The Binance Hack Shows the Risks the Order Leaves Unaddressed.

The Binance hack is a preview of what the Order permits. Binance reports that the attack began on an engineer's laptop, which gave the attacker access to a service container from which it submitted unauthorized withdrawal transactions.[4] The attacker then moved the stolen assets across ten blockchains in minutes. Industry participants froze roughly $3 billion while the remainder is presumed lost.[5]

Three features of the attack bear directly on the Order:

- **Speed.** Most of the theft was complete in about 20 minutes. Public, permissionless ledgers settle around the clock and do not reverse transactions. A TSV must operate on the same type of ledger under the Order.[6]
- **Exit routes.** Stolen assets were laundered through bridges, mixers, and decentralized protocols that no regulator supervises. Tokenized NMS Stock that leaves a TSV can travel the same routes.
- **Concentration.** Binance combines exchange, broker, and custodian functions in one entity. A single compromised credential reached customer assets held for millions of users. Binance suspended withdrawals, and the price of Bitcoin fell sharply within hours.[7] The traditional securities market separates these functions, and SIPC protects broker customers if a broker fails.[8]

The Order's conditions do not address any of these risks with a substantive standard. The Order requires a TSV to *describe* its systems safeguards, to *notify* participants of a "significant operational event," and to remedy that event "as soon as reasonably practicable."[9] A disclosure regime tells investors after the fact that their assets are gone. It is not designed to keep the assets in place.

[4]CNN (Oct. 30, 2026), https://www.cnn.com/2026/10/30/tech/binance-crypto-heist-hnk-intl (quoting Binance statement).
[5]NPR (Oct. 30, 2026), https://www.npr.org/2026/10/30/g-s1-150902/blockchain-intelligence-firms-link-north-korea-to-6-3b-hack-on-binance.
[6]Order, section II.A.
[7]CNN, supra note 4 (withdrawals suspended); Bitcoin Magazine (Oct. 30, 2026), https://bitcoinmagazine.com/news/north-korea-6-3-billion-binance-hack (Bitcoin briefly fell to $76,300).
[8]Securities Investor Protection Act of 1970, 15 U.S.C. 78aaa et seq. Better Markets has made this point in its analysis of the hack: crypto exchanges that also act as brokers and custodians aggregate customer assets in one place and become targets, while in traditional markets a breach of a single SIPC-member broker leaves exchange infrastructure intact and customer losses insured. Better Markets, [title] (Oct. 30, 2026) [URL]. ASA's position is that the same activity should be subject to the same rules.
[9]Order, sections II.I and III.x.

II. Offshore Affiliates Can Act as Shadow Liquidity Providers on a TSV.

The Order requires the TSV to be a U.S. person.[10] It does not impose the same requirement on the firms that supply the TSV's liquidity. That gap allows an offshore exchange to place a U.S. subsidiary in front as the TSV while its offshore affiliates control the liquidity pools behind it.

A. The Order leaves liquidity providers largely outside its conditions.

The Order states that "liquidity provision alone does not constitute engaging in dealer activity" and that liquidity providers "would typically be engaged in trader (and not dealer) activity."[11] A liquidity provider that relies on the trader exception needs no exemption and is subject to none of the Covered Firm conditions. A liquidity provider that does rely on the Covered Firm Exemption must confine its securities activities to TSV pools, trade only for its own account, hold no customer assets, keep records, disclose that it is not a registered broker-dealer, notify the Commission of its business model and arrangements, and consent to staff information requests.[12] Neither category must be a U.S. person. Unlike the TSV, neither must keep its records in the United States or consent to examination at any time, and neither must consent to the jurisdiction of U.S. courts.

The Order addresses affiliate participation only through disclosure. A TSV must state whether its affiliates enter trading interest on the TSV, in what capacity, and must describe any differences in treatment between affiliates and other participants.[13] The Order itself acknowledges that the interests of a TSV and its affiliates "may compete against the interests of TSV Participants" and may cause "leakage of TSV Participants' confidential trading information."[14] Disclosure of that conflict does not resolve it.

B. AMM pricing makes concentrated liquidity a manipulation tool.

An Affiliated Market Maker (AMM) sets price by the ratio of assets in the pool, "without directly considering external pricing."[15] Whoever supplies most of a pool's assets controls its depth and, in practice, its price. An affiliated liquidity provider that dominates a pool can:

1. **Move the price by adding or withdrawing liquidity.** A large one-sided deposit or withdrawal shifts the ratio and the quoted price. Retail users trading against the pool absorb the slippage.

[10]Order, section II.B and n.56.
[11]Order, section IV.
[12]Order, section IV.A; see also Davis Polk & Wardwell LLP, SEC's innovation exemption opens a path for tokenized stock trading (Oct. 6, 2026) (listing the Covered Firm conditions); Sidley Austin LLP, SEC Issues "Innovation Exemption" for On-chain Trading of Tokenized U.S.-Listed Stocks (Sept. 22, 2026) (same). Compare Order, section II.B (U.S.-person condition for TSVs) and section II.L (U.S. books and records and examination consent for TSVs).
[13]Order, sections III.l and III.m.
[14]Order, section III (discussion of Notice requirements).
[15]Order, section I.B.

2. **Withdraw liquidity at the moment investors need it.** If a dominant provider exits during stress, then the pool thins and prices gap. The Order imposes no notice period, lock-up, circuit breaker, or minimum commitment on liquidity providers.
3. **Trade ahead of other participants.** An affiliate with access to the TSV's off-chain functionality, request-for-quote flow, or transaction sequencing can see trading interest before it executes. The Order requires a TSV to disclose its MEV policies but does not require it to adopt any.[16]
4. **Trade the same exposure on an offshore venue.** An affiliate can trade the same Tokenized NMS Stock, or a synthetic stock token, on its offshore platform around the clock. It can then use its control of the TSV pool to set the price against which those offshore positions are marked. U.S. primary listing exchanges are closed for most of those hours, so no external price anchors the pool.
5. **Inflate or manage volume.** The Order's volume caps aggregate trading across affiliated TSVs but not across affiliated liquidity providers or offshore venues.[17] Nor are the caps aggregated across unaffiliated TSVs, so total tokenized volume in any stock has no market-wide limit.[18] Wash trading by an affiliate can manufacture the appearance of demand or be calibrated to sit just under a cap.

The Order recognizes that AMM prices "could dislocate from the prices of the NMS stock in traditional format."[19] An offshore affiliate controlling the pool is the party best positioned to cause and profit from that dislocation.

C. Registered broker-dealers cannot compete on these terms.

A registered broker-dealer cannot itself qualify as a Covered Firm.[20] ASA's members supply liquidity subject to net capital rules, FINRA supervision, Consolidated Audit Trail reporting, and examination. An offshore affiliate of a TSV can supply liquidity in the same tokenized U.S. stocks with none of those obligations. The market already expects firms to respond accordingly: practitioners anticipate that firms will trade on TSVs through separate, unregistered affiliates rather than through their registered broker-dealers.[21] That is regulatory arbitrage in favor of the least-supervised participant, and it runs counter to the investor protections the Exchange Act requires.

ASA recommends that the Commission amend the Order to:

- Prohibit any affiliate of a TSV from supplying liquidity to, or entering trading interest on, that TSV unless the affiliate is a U.S. person that consents to Commission jurisdiction and examination and keeps its books and records in the United States.

[16]Order, section III.w.
[17]Order, section II.F.
[18]Order, section II.F; Davis Polk, supra note 12 (caps apply per TSV, so aggregate volume across unaffiliated venues is not capped).
[19]Order, section II.F.
[20]Order, section IV.A.
[21]Davis Polk, supra note 12 (absent relief, firms are unlikely to trade on TSVs through registered broker-dealers rather than separate, unregistered affiliates).

- Require any liquidity provider holding more than a set share of any AMM Liquidity Pool (ASA suggests 10 percent) to be identified to the TSV and the Commission and to meet the same consent-to-jurisdiction and recordkeeping conditions.
- Require minimum notice before a dominant liquidity provider withdraws liquidity from a pool.
- Prohibit a TSV's affiliates from trading the same Tokenized NMS Stock, or any synthetic token referencing the same NMS stock, on a non-U.S. venue.
- Aggregate volume across affiliated liquidity providers, not only affiliated TSVs, for purposes of the volume caps, and set a market-wide cap on aggregate TSV volume in each stock.
- Require TSV trades to be reported to the Consolidated Audit Trail so the Commission can reconstruct cross-market activity.

III. The Commission Should Secure Its Reach Over Offshore Activity on a U.S.-Person TSV Before a Loss Occurs.

The U.S.-person condition gives the Commission jurisdiction over the TSV entity. It does not, by itself, give the Commission jurisdiction over the offshore affiliates and liquidity providers that trade on the TSV. The Order preserves the anti-fraud and anti-manipulation provisions of the federal securities laws.[22] Whether the Commission can enforce those provisions against an offshore affiliate depends on extraterritoriality doctrine that the Order's own structure makes harder to apply. The Order does not purport to govern offshore trading at all: the TSV Exemption "does not apply to securities activity conducted outside the TSV."[23] An offshore affiliate's trading in the same tokens on its own platform is therefore outside the Order's conditions entirely.

A. Existing law reaches some of this conduct, but not reliably.

The Commission has three statutory paths to offshore conduct:

- **Conduct and effects.** Section 27(b) of the Exchange Act, added by section 929P(b) of the Dodd-Frank Act, gives federal courts jurisdiction over Commission actions alleging antifraud violations involving conduct in the United States that constitutes significant steps in furtherance of the violation, or conduct abroad that has a foreseeable substantial effect in the United States.[24] Manipulation of a U.S. TSV pool by an offshore affiliate plausibly meets the effects test, but the Commission would have to prove it in litigation, against a foreign defendant, after the harm.
- **Domestic transactions.** Under *Morrison v. National Australia Bank*, section 10(b) reaches transactions in securities listed on domestic exchanges and domestic transactions in other

[22]Order, section I.B (preserving section 10(b) of the Exchange Act and Rule 10b-5).
[23]Order, section I.B; see also Davis Polk, supra note 12 (the Order does not impact offshore trading other than barring primary offerings on a TSV).
[24]15 U.S.C. 78aa(b); Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, sec. 929P(b) (2010).

securities.[25] A Tokenized NMS Stock trades on a TSV that the Order exempts from the definition of "exchange," and the Order states that no presumption arises that a TSV is an exchange.[26] Whether a trade on a public, permissionless ledger is a "domestic transaction" turns on where irrevocable liability was incurred. Courts have reached that question for crypto platforms only on a case-by-case basis.[27]

- **Registration provisions.** Sections 5 and 15(a) of the Exchange Act and Rule 15a-6 reach foreign exchanges and broker-dealers that use U.S. jurisdictional means or solicit U.S. persons. Binance's own history shows the limits of this path. Binance blocked U.S. users on paper while internal records showed it helped high-value U.S. customers evade those blocks; a year after its "U.S. exit," U.S. users still made up 16 percent of its user base.[28]

Even where jurisdiction exists, the Commission's ability to compel documents and testimony from a foreign affiliate depends on cooperation from a foreign regulator. That cooperation may be slow or unavailable in the jurisdictions where offshore exchanges choose to domicile.

B. Section 36 lets the Commission secure jurisdiction by condition.

The Commission does not need to resolve these questions in court. Section 36(a)(1) authorizes the Commission to grant exemptions "conditionally or unconditionally."[29] The Order already conditions relief on the TSV's consent to examination and on keeping its books and records in the United States.[30] The Commission should extend that approach to every person whose trading can move a TSV's prices.

ASA recommends that the Commission amend the Order to provide that the TSV Exemption is unavailable unless:

- Each affiliate of the TSV, and each liquidity provider above the concentration threshold described in Section II, has executed an irrevocable consent to the jurisdiction of the Commission and U.S. federal courts for claims arising from its activity on the TSV, and has appointed an agent for service of process in the United States.
- Each such person has undertaken to produce its books, records, and personnel to the Commission on request, without the need for a foreign regulator's assistance.
- The TSV's participant agreements provide that all transactions on the TSV are entered into, and irrevocable liability is incurred, in the United States.
- The TSV loses the exemption if any affiliate or covered liquidity provider fails to honor these undertakings.

[25]Morrison v. National Australia Bank Ltd., 561 U.S. 247 (2010).
[26]Order, n.37.
[27]See, e.g., Williams v. Binance, 96 F.4th 129 (2d Cir. 2024); Absolute Activist Value Master Fund Ltd. v. Ficeto, 677 F.3d 60 (2d Cir. 2012).
[28]InvestmentNews/Bloomberg (Nov. 22, 2023), https://www.investmentnews.com/ria-news/binance-to-pay-43b-in-settlement-as-firm-ceo-plead-guilty/246100.
[29]15 U.S.C. 78mm(a)(1).
[30]Order, section II.L.

ASA also asks the Commission to state in any amended order that it regards transactions on a TSV as domestic transactions for purposes of section 10(b), and that offshore conduct affecting prices on a TSV falls within section 27(b).

IV. TSVs Create a Channel for Foreign Adversaries to Launder Money Through U.S. Equities.

The Binance hack was carried out by a unit of the North Korean state. The FBI attributed the $1.5 billion theft from Bybit in 2025 to the same group.[31] Stolen crypto assets are of limited use to a hostile regime until they are converted into something that can be spent or held without suspicion. Tokenized shares of U.S. blue-chip companies are an ideal destination. They carry the legitimacy of U.S. listed equity, they trade around the clock on public ledgers, and under the Order they can be bought with almost any crypto asset.

A. How the laundering would work.

The Order creates at least four pathways:

1. **Swap into U.S. equity.** An illicit actor moves stolen assets through mixers into fresh wallets, obtains TSV access through a nominee or front company, and swaps into a Tokenized NMS Stock. The Order does not limit the type of non-security crypto asset a TSV may pair with a Tokenized NMS Stock.[32] The resulting position looks like an ordinary holding of U.S. stock and can later be sold or detokenized through a broker for dollars.
2. **Disguised liquidity provision.** The actor deposits illicit assets into a pool as a liquidity provider and later withdraws its share in the paired asset. Economically the transaction is a swap, but on the ledger it appears as a deposit and withdrawal plus fee income that resembles legitimate yield.
3. **Value transfer through off-market trades.** Two wallets controlled by the same actor trade against a thin pool at off-market prices, moving value from one to the other. A pool dominated by an affiliated liquidity provider, as described in Section II, makes this easier to execute and harder to detect.
4. **Exit off the TSV.** The Order lets a TSV enforce permissioning at the pool level rather than restricting transfers of the token itself.[33] A Tokenized NMS Stock acquired on a TSV can be transferred to any wallet and sold on an offshore venue that performs no screening.

B. The Order's safeguards are not designed to stop this.

The Order's principal safeguard is the U.S.-person requirement, which obligates the TSV to comply with OFAC sanctions programs.[34] OFAC screening catches addresses on the SDN List. It

[31]NBC News (Feb. 2025), https://www.nbcnews.com/tech/tech-news/fbi-says-north-korea-was-responsible-15-billion-bybit-hack-rcna193944 (FBI attribution of Bybit theft to TraderTraitor).
[32]Order, section I.A.
[33]Id.
[34]Order, section II.B.

does not catch fresh wallets funded through mixers, nominee accounts, or front companies, which is how state-sponsored laundering actually operates. The Order lets a TSV delegate participant verification to a third party.[35] It notes that TSV Participants "may be subject to" anti-money laundering requirements, depending on their activities.[36] It does not require the TSV itself to maintain an anti-money laundering program, verify customer identity, or file suspicious activity reports, and it does not make a TSV a financial institution under the Bank Secrecy Act.[37]

ASA's members, by contrast, must maintain an anti-money laundering program, a customer identification program, and suspicious activity reporting under the Bank Secrecy Act and FINRA Rule 3310.[38] A venue that trades U.S.-listed equities with retail investors should carry the same obligations.

C. Foreign adversary issuers and participants.

The Order also permits tokenization of any NMS stock, which includes listed securities of issuers based in or controlled by foreign adversary nations. U.S. persons are prohibited from purchasing publicly traded securities of companies on OFAC's Non-SDN Chinese Military-Industrial Complex Companies List.[39] The TSV, as a U.S. person, is bound by that prohibition; the offshore holders of the same tokens are not. Tokenized securities of these issuers can circulate globally on public ledgers, beyond the reach of the sanctions program, while carrying the appearance of a U.S.-authorized product.

ASA recommends that the Commission amend the Order to:

- Require each TSV to maintain an anti-money laundering program, customer identification program, and suspicious activity reporting equivalent to those required of broker-dealers, and coordinate with FinCEN to confirm TSVs are covered financial institutions under the Bank Secrecy Act.
- Require transfer restrictions at the token level, so that a Tokenized NMS Stock traded on a TSV can be held and transferred only among verified wallets.
- Limit paired assets to payment stablecoins issued by permitted payment stablecoin issuers under the GENIUS Act and tokenized money market funds.
- Require source-of-funds screening using blockchain analytics, not only SDN List screening, for every participant and liquidity provider.
- Prohibit TSV participation by persons domiciled in, organized under the laws of, or controlled by a foreign adversary as defined in 15 CFR 791.4.[40]

[35]Order, n.31.
[36]Order, section I.B.
[37]Davis Polk, supra note 12 (the Order requires OFAC compliance and disclosure of AML/CFT access controls but does not make a TSV a financial institution under the Bank Secrecy Act or impose an AML program requirement).
[38]31 U.S.C. 5318(h); 31 CFR 1023.210, 1023.220, 1023.320; FINRA Rule 3310.
[39]Exec. Order No. 13959 (Nov. 12, 2020), as amended by Exec. Order No. 14032 (June 3, 2021).
[40]15 CFR 791.4.

- Exclude from eligibility the tokenized securities of any issuer on the Non-SDN Chinese Military-Industrial Complex Companies List.
- Require token smart contracts to include a freeze function, and require the TSV and the tokenization agent to freeze tokens promptly on a request from U.S. law enforcement, without waiting for a formal court or agency order.[41]

V. Retail Investors Will Assume Offshore Platforms Are Regulated, and Their Failures Will Reach U.S. Markets.

Binance is the world's largest crypto exchange. It is not registered with the Commission, the CFTC, or FINRA, and no U.S. market regulator examines it. Its principal U.S. legal obligations arise from the 2023 resolutions with the Department of Justice, FinCEN, OFAC, and the CFTC, which are enforcement settlements, not a supervisory regime.[42]

Retail investors do not track these distinctions. They see the Commission authorize trading of tokenized U.S. stocks, they see the dismissal of the Commission's case, and they see the same exchange offering stock tokens to a global customer base. The reasonable inference for an ordinary investor is that the platform operates with U.S. approval. The Order itself recognizes this risk: it bars a TSV from claiming registration or Commission endorsement and requires a disclaimer that the TSV is not registered.[43] Offshore platforms are under no such restriction.

The products differ in ways retail investors cannot see. A Tokenized NMS Stock on a TSV must carry the same economic and voting rights as the underlying share.[44] Stock tokens sold on some offshore exchanges track a price without conveying ownership.[45] A retail investor holding either through an offshore exchange has no SIPC protection, no customer protection rule, and no recourse to a U.S. regulator if the platform fails or is hacked.

The contagion risk is not hypothetical. When Binance was hacked, it suspended withdrawals and the price of Bitcoin fell sharply within hours.[46] U.S. investors hold crypto exposure through exchange-traded products listed on national securities exchanges and through registered broker-dealers. A failure at a single unregulated offshore firm moves prices that U.S. investors own. If tokenized U.S. stocks become a material share of the assets held on those platforms, then a hack or insolvency offshore will also move prices in tokens that reference U.S. equities.

ASA recommends that the Commission:

- Issue an investor alert stating plainly that offshore crypto exchanges are not registered with or examined by the Commission, that tokenized or synthetic stock held on them carries

[41]Better Markets observes that under the GENIUS Act stablecoin issuers freeze funds pursuant to a court order, a process too slow to stop laundering measured in minutes. Better Markets, supra note 8.
[42]See supra note 32.
[43]Order, section II.K.
[44]Order, section II.E.
[45]Yahoo Finance (Oct. 2026), https://finance.yahoo.com/markets/crypto/articles/sec-just-granted-temporary-innovation-190117510.html.
[46]See supra note 7.

none of the protections of a TSV or a registered broker-dealer, and that the Innovation Exemption does not authorize them.

- Require each TSV's public Notice to warn that a Tokenized NMS Stock transferred off the TSV loses the protections described in the Notice.
- Prohibit a TSV from using the brand, trade name, or marketing channels of an affiliated offshore exchange that serves non-U.S. customers, so retail investors do not mistake the offshore platform for the U.S. venue.

VI. TSVs Should Meet the Substantive Cybersecurity Standards That Bind Registered Venues.

Regulation SCI is the Commission's core standard for the technology of U.S. securities markets.[47] It requires national securities exchanges, large ATSs, and other SCI entities to:

- Maintain written policies and procedures reasonably designed to ensure their systems have levels of capacity, integrity, resiliency, availability, and security adequate to maintain operational capability and promote fair and orderly markets (Rule 1001(a)).
- Maintain business continuity and disaster recovery plans with backup and recovery capabilities designed to resume critical systems within two hours of a wide-scale disruption, and test those plans with participants (Rules 1001(a) and 1004).
- Take corrective action on any SCI event, notify the Commission immediately, and file a written notice within 24 hours (Rule 1002).
- Conduct an annual SCI review, including penetration testing, and report the results to senior management and the Commission (Rule 1003(b)).

The Order replaces each of these obligations with a disclosure. A TSV must describe its systems safeguards "or state that there are none," notify the Commission "promptly" of a significant operational event, and remedy it "as soon as reasonably practicable."[48]

The Order's volume caps are not a substitute. Even if TSVs were ATSs, trading capped at 0.25 or 2.5 percent of a stock's volume would fall below Regulation SCI's thresholds for ATSs.[49] Those thresholds measure a venue's importance to price discovery. They do not measure the risk that matters here. The Binance hack did not depend on Binance's market share. It depended on a breach that reportedly began with one compromised laptop credential that reached customer assets. A TSV's equivalent of Binance's hot wallet is the set of administrative keys that can upgrade, pause, or override its smart contracts, and the oracles that feed it prices.[50] A compromise of those keys can drain a pool regardless of its trading volume.

Registered broker-dealers face further obligations that the Order does not replicate. Regulation S-P, as amended in 2024, requires an incident response program and notice to affected

[47] 17 CFR 242.1000 through 242.1007.
[48] See supra note 9.
[49] 17 CFR 242.1000 (definition of "SCI alternative trading system").
[50] Order, sections III.n, III.s, and III.z.

customers within 30 days of a breach of sensitive information.[51] Rule 15c3-3 requires segregation of customer assets, and SIPC protects broker customers if a broker fails. Rule 15c3-5 requires pre-trade risk controls for market access. A retail investor trading on a TSV, often in self-custody, has none of these protections.

ASA recommends that the Commission amend the Order to:

- Apply Regulation SCI, or conditions substantively equivalent to Rules 1001 through 1004, to every TSV regardless of trading volume, with the SCI systems definition expressly covering smart contracts, administrative and upgrade keys, oracles, and permissioning systems.
- Require written notice to the Commission within 24 hours of any significant operational event, consistent with Rule 1002.
- Require hardware-secured, multi-party control of all administrative keys, with no single credential able to move assets, upgrade contracts, or override controls, and no signing authority that does not expire.
- Require a time delay before any smart contract upgrade takes effect, so participants and the Commission can review it.
- Require automatic circuit breakers that pause a pool when outflows exceed a set percentage of its assets within a set period.
- Require an annual independent security and smart contract audit, filed with the Commission.
- Require incident response and customer notification obligations equivalent to amended Regulation S-P.
- Require each TSV to maintain insurance or a dedicated loss-coverage fund sized to the assets in its pools, with the amount and terms disclosed in its Notice.

VII. Issuer Notification.

ASA shares the concerns raised by the U.S. Chamber of Commerce about the Order's notice-and-objection process for third-party tokenization.[52] The Order does not require an issuer's consent before an unaffiliated third party tokenizes its stock and a TSV makes that token available for trading. Instead, the TSV sends a notice to the issuer, and if the issuer does not object in writing within 30 calendar days, then trading may begin.

As the Chamber has warned, there is currently no process for removing tokenized shares from a TSV once that deadline passes, so a notice lost in a corporate mailroom can permanently decide how a company's stock trades. Each TSV may send its own notice, starting its own 30-day clock, and an objection binds only the TSV that sent the notice. Every public company, not only those

[51] Regulation S-P amendments, Exchange Act Release No. 100155 (May 16, 2024); 17 CFR 248.30.
[52] U.S. Chamber of Commerce, *A Time-Sensitive Update on New SEC Tokenization Rule* (Oct. 2026), https://www.uschamber.com/finance/corporate-governance/time-sensitive-update-on-new-sec-tokenization-rule.

engaged in digital assets, must now monitor for and respond to these notices from venues it has never dealt with. ASA urges the Commission to replace this opt-out model with affirmative issuer consent, as SIFMA has also recommended.[53]

VIII. Conclusion.

The Commission has described the Order as an interim measure that "must be followed by durable rulemaking."[54] ASA agrees. The Binance hack shows why the interim period cannot rest on disclosure alone. If a venue trades U.S.-listed stocks with U.S. retail investors, then it should be held to the same investor protection, market integrity, anti-money laundering, and cybersecurity standards as the registered venues and broker-dealers it competes with.

The conditions ASA proposes would close the offshore affiliate gap, secure the Commission's jurisdiction before a loss rather than after it, deny foreign adversaries a laundering channel into U.S. equities, and apply Regulation SCI-level protections to every TSV.

ASA appreciates the Commission's consideration of these comments and would welcome the opportunity to discuss them with the Commission and its staff.

Sincerely,

Christopher A. Iacovella

Christopher A. Iacovella
President & Chief Executive Officer
American Securities Association

cc: The Honorable Paul S. Atkins, Chairman
Jamie Selway, Director, Division of Trading and Markets

[53] Securities Industry and Financial Markets Association, Comment Letter on File No. 4-927 (Oct. 19, 2026) (urging affirmative issuer consent and a centralized notice portal).
[54] Chairman Paul S. Atkins, Statement on the Innovation Exemption: A Bridge Toward Durable Rulemaking (Sept. 17, 2026), https://www.sec.gov/newsroom/speeches-statements/atkins-innovation-exemption-bridge-toward-durable-rulemaking-091726.