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June 15, 2026

VIA E-MAIL

Division of Trading and Markets
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

Re: Tokenized Securities and Exchange Act Rules 17a-3 and 17a-4

Dear Staff of the Division of Trading and Markets,

tZERO Group, Inc. ("tZERO Group") and its broker-dealer subsidiaries (collectively, "tZERO") are grateful to the staff of the U.S. Securities and Exchange Commission's (the "SEC" or the "Commission") Division of Trading and Markets (the "Division") for our constructive meeting on February 6, 2026. As a follow up to this meeting, we are happy to provide insights relating to how the recordkeeping requirements under Rules 17a-3 and 17a-4 under the Securities Exchange Act of 1934 (as amended, the "Exchange Act") might be updated to promote the adoption of tokenized securities.

tZERO's views on recordkeeping for tokenized securities are informed by its experience as a regulated participant in tokenized securities markets, which provides end-to-end services in the tokenized securities lifecycle. tZERO Securities, LLC ("tZERO Securities"), an SEC-registered and FINRA member broker-dealer, facilitates the issuance and trading of tokenized securities on its on-line platform and operates an alternative trading system ("ATS") for tokenized securities. tZERO Digital Asset Securities, LLC ("tZERO Digital"), an SEC-registered and FINRA member broker-dealer, is authorized to take direct possession of tokenized securities on-chain. This experience has given tZERO extensive direct insight into ways in which existing recordkeeping rules can be enhanced to accommodate a tokenized infrastructure while staying true to the purposes underlying the 17a-3 and 17a-4 requirements.

As a general matter, we believe that broker-dealer recordkeeping rules for tokenized securities should be guided by four principles: (i) blockchain networks are acceptable electronic recordkeeping systems for broker-dealers, (ii) transaction records recorded on a blockchain network are acceptable broker-dealer electronic records and when a record required by Rule 17a-3 or Rule 17a-4 is fully and accurately reflected in a publicly accessible on-chain record, the broker-dealer should be deemed to have satisfied its obligation to "make" or "preserve" that record, (iii) broker-dealers should not be required to duplicate or create off-chain records if such records are otherwise maintained on a

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blockchain network and (iv) reporting obligations should not be imposed on a broker-dealer for records that are accessible to regulators on a blockchain (that is, requiring a broker-dealer to report a transaction that is already publicly recorded on the blockchain forces the creation of a redundant (and potentially inferior or inconsistent) record if the reporting facility is itself off-chain).

We recognize that not all tokenized securities are traded and settled on public blockchains, and that not all information relevant to a broker-dealer's regulatory obligations is captured in on-chain transaction data. The framework tZERO proposes is calibrated to the specific circumstances in which a blockchain record is genuinely comprehensive and publicly accessible; it is by no means a blanket exemption from recordkeeping obligations. Where on-chain records are incomplete, or where information required by Rules 17a-3 or 17a-4 is not captured on-chain, existing requirements should continue to apply in the ordinary course.

We have identified several points for the Commission's consideration in connection with the four principles.

1. Rule 17a-3(a) - Records to be made by certain exchange members, brokers and dealers

The primary purpose of Exchange Act Rule 17a-3 is to mandate that registered broker-dealers create and maintain a comprehensive, standardized, and "current" set of books and records. This framework serves as a bedrock for regulatory oversight, allowing the Commission and designated examining authorities to conduct meaningful financial responsibility examinations, protect customer assets, and audit a firm's continuous compliance with net capital and operational requirements, as well as obligations related to trading and other considerations. Because the ruleset designed to effectuate this purpose was architected around centralized financial infrastructure where records are stored in closed, internal databases, its provisions do not always align with the operational realities of blockchain and distributed ledger technologies. To preserve the rule's core purpose while addressing and accommodating the advent of tokenized securities, the Commission should modernize its recordkeeping framework by permitting an on-chain ledger architecture that natively manages the full lifecycle of a security transaction to satisfy the Rule 17a-3 requirements in appropriate circumstances.

For example, when a broker-dealer structures cryptographic wallets directly at the individual customer level, the immutable state changes and cryptographic validations of the underlying distributed ledger naturally satisfy the core bookkeeping purpose of the rule. Specifically, for order and transaction records required under paragraphs (a)(1), (a)(6) and (a)(7) of Rule 17a-3, the unique transaction hash and specific block height of execution serve as the functional, permanent tracking metrics, eliminating the need for legacy, centralized database logging of orders and transactions.

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We would also note for the Commission that the record-keeping requirements under Rule 17a-3(a)(4)(v), relating to ledger accounts reflecting securities failed to receive and failed to deliver, are structured differently for crypto asset securities settled on a blockchain. Where a broker-dealer's wallet lacks sufficient network ("gas") fees, a transaction may be rejected before broadcast; the broker-dealer would record such a pre-broadcast failure off-chain. For transactions that are broadcast but do not reach successful final settlement—for example, due to execution-level errors—the broker-dealer would likewise maintain an off-chain record of the attempt and its disposition. Once a transaction reaches final settlement on the network, however, settlement is atomic: both legs transfer or the transaction has no effect, leaving no open obligation of the kind Rule 17a-3(a)(4)(v) was designed to capture. Accordingly, the Commission should not expect a digital broker-dealer to maintain traditional failed-to-receive or failed-to-deliver entries for transactions that have achieved final on-chain settlement.

Furthermore, when assets are custodied on-chain and account balances are maintained at the individual wallet level, the real-time token balance of a specific public address serves as the definitive customer ledger for purposes of Rule 17a-3(a)(3). By natively capturing the cryptographic state of the asset, this on-chain balance satisfies the regulatory requirement to reflect all debits and credits to a customer account, while inbound and outbound cryptographic transfers serve as the unalterable, self-reconciling record of receipts, deliveries, and transfers.

As a general matter, the Commission should amend Rule 17a-3 (or provide an FAQ or other interpretive guidance until such a rule change can be made) to confirm that records relating to tokenized securities transactions that are denominated in non-dollar assets, such as stablecoins and other crypto assets, may be expressed in the native unit of the relevant asset on-chain. This is an amendment (or interpretation) that should be applied to all records under Rule 17a-3 that currently assume dollar denomination, and it is necessary to ensure that broker-dealer records accurately reflect the true economics of crypto pair trades rather than an artificial conversion that may not be available at the time of the transaction.

To bridge transparent on-chain activity with standard regulatory oversight while protecting investor privacy, broker-dealers availing themselves of this approach to recordkeeping should be required to maintain a secure mapping that links each public wallet address to its corresponding internal customer account number and the personally identifiable information ("PII") required under standard Customer Identification Programs ("CIP") and Know Your Customer ("KYC") regulations. Broker-dealers have two permissible approaches to satisfying this requirement. The first is to maintain the identity mapping off-chain, in accordance with existing Rules 17a-3 and 17a-4, as a secure internal record that is produced to regulators upon request. This approach is straightforward and consistent with existing practice for broker-dealers that onboard customers through traditional CIP and KYC processes.

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The second approach, which tZERO believes the Commission should expressly confirm to be permissible, is to store customer identity information on-chain in encrypted form. Under this model, the PII associated with a wallet address is encrypted using keys held by the broker-dealer, or by a designated regulatory access provider, and written to the blockchain alongside the transaction data. The encrypted record is readable only by parties with access to the relevant decryption keys, even as the record itself is publicly visible (but unintelligible) on the chain, preserving the privacy of the underlying PII while retaining the immutability, integrity, and audit trail benefits of on-chain storage. Where required for surveillance or other oversight purposes, regulators could be granted decryption access through a key escrow or regulatory access framework, enabling them to verify customer identity information directly from the on-chain record without requiring a separate production by the broker-dealer. This approach is consistent with the audit trail standard under Rule 17a-4(f), which requires that records be maintained in a manner that ensures their authenticity and reliability and permits recreation of the original record, requirements that encrypted on-chain storage satisfies in full.

Both approaches should be recognized as compliant with the identity recordkeeping requirements of Rules 17a-3 and 17a-4. Whether a broker-dealer maintains its wallet-to-identity mapping off-chain or in encrypted on-chain form, either approach enables that entity to fulfill its production obligations and honors the underlying purpose of the rule by providing the Commission and the broker-dealer's designated examining authority with the applicable network identifier, smart contract addresses, and wallet addresses necessary to independently locate and verify financial records on-chain, and with the means — whether an off-chain mapping file or decryption access — to verify identity and compliance entitlements.

2. Rule 17a-4 - Records to be made by certain exchange members, brokers and dealers

Rule 17a-4 governs the preservation and production of the records required to be made under Rule 17a-3 and other rules, specifying the form in which records must be maintained, the periods for which they must be preserved, and the manner in which they must be produced to regulators upon request. tZERO recommends the following targeted amendments to Rule 17a-4 to accommodate blockchain-based recordkeeping. Prior to the amendments to Rule 17a-4, tZERO recommends the Commission issue guidance, to the extent applicable, to accommodate blockchain-based recordkeeping in line with the proposed amendments below.

Rule 17a-4(b) requires broker-dealers to preserve specified records for defined periods, in a form that is accessible and producible to regulators upon request. tZERO proposes that the Commission amend Rule 17a-4(b) to confirm that records preserved on a public blockchain satisfy the preservation requirements of the rule for crypto asset securities transactions recorded on that blockchain, subject to a certification requirement described below.

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The immutability of the blockchain ledger provides a stronger guarantee of record integrity than any internal storage system a broker-dealer could independently maintain. Unlike traditional electronic recordkeeping systems, which depend on the continued operation and integrity of centralized infrastructure controlled by the broker-dealer or a third-party storage provider, records on a public blockchain exist independently of any single party and cannot be altered, deleted, or made inaccessible by the broker-dealer or anyone else. Critically, while Rule 17a-4 prescribes minimum retention periods, ranging from three to six years depending on the category of record, public blockchain records are preserved indefinitely. A record written to a blockchain does not age out or become unavailable at the end of a retention period; it remains accessible to regulators, market participants, and the public in perpetuity. This means that reliance on on-chain records not only satisfies the retention requirements of Rule 17a-4(b) but exceeds them in every material respect, providing regulators with a longer, more complete, and more reliable record than the rule currently requires of broker-dealers using traditional recordkeeping systems.

To operationalize this, tZERO recommends that the Commission require broker-dealers that rely on on-chain records to satisfy their Rule 17a-4(b) preservation obligations to file a certification with the Commission and their designated examining authority at the outset of their tokenized securities operations, and to update that certification promptly upon any material change. The certification should identify: (i) the blockchain networks on which the broker-dealer's tokenized securities transactions are recorded; (ii) the contract addresses for each tokenized security the broker-dealer trades or custodies; and (iii) the wallet addresses associated with the broker-dealer's own holdings and, to the extent applicable, its custodied customers' holdings. The certification should include an attestation that the blockchain networks identified are the complete record of the broker-dealer's tokenized securities transactions. The broker-dealer should re-certify annually that the information in its certification remains current and complete, and should certify at the end of each applicable retention period that the on-chain records identified in its certification remain publicly accessible on the specified networks. tZERO recommends that the Commission issue guidance confirming that such an approach would be sufficient to satisfy broker-dealers' preservation obligations under Rule 17a-4(b).

This certification framework is the functional equivalent of the access information and undertaking requirements for electronic recordkeeping systems under existing Rule 17a-4(f), adapted for digital infrastructure. It gives regulators the locational information they need to access on-chain records directly, without broker-dealer intermediation, while placing on the broker-dealer an affirmative ongoing obligation to monitor and certify the continued accessibility of those records. Because blockchains preserve records indefinitely, the practical burden of that certification is but a formal obligation to ensure accountability and provide regulators with a documented basis for accessing on-chain records in examinations and investigations.

Additionally, Rule 17a-4(f) sets out the conditions under which broker-dealers may maintain records in electronic form. It offers broker-dealers two alternative paths to compliance. The first is the use of non-rewriteable, non-erasable storage media, the

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“WORM” requirement, which ensures that records, once written, cannot be altered or deleted. The second permits broker-dealers to preserve each record in a manner that maintains a complete time-stamped audit trail that includes: all modifications to and deletions of the record or any part thereof; the date and time of actions that create, modify, or delete the record; where applicable, the identity of the individual creating, modifying, or deleting the record; and any other information needed to maintain an audit trail in a way that maintains security, signatures, and data sufficient to ensure the authenticity and reliability of the record and to permit recreation of the original record if it is modified or deleted. Both alternatives are designed to achieve the same underlying regulatory objective: ensuring that electronic records are reliable, tamper-proof, and accessible to regulators for the duration of the applicable retention period.

Blockchains satisfy both alternatives under Rule 17a-4(f). With respect to the WORM standard, records on a public blockchain are immutable and cannot be altered or deleted by any single party, including the broker-dealer that generated the transaction, the blockchain's consensus mechanism provides a guarantee of non-rewriteability and non-erasability that is architecturally equivalent to, and in practice stronger than, any WORM storage system. With respect to the audit trail alternative, the blockchain natively satisfies each of its required elements: every on-chain record carries a cryptographic timestamp establishing the date and time of the action that created it; the complete history of all state changes is preserved in perpetuity and is publicly verifiable, providing a comprehensive record of all modifications; the originating wallet address provides an immutable record of the identity of the party that created the transaction; and the cryptographic structure of the chain ensures that the authenticity, integrity, and original content of every record can be verified and recreated by any participant at any time. A broker-dealer that settles crypto asset securities transactions on a blockchain is therefore in compliance with both the WORM standard and the audit trail alternative as a direct consequence of using the blockchain, not as a matter of regulatory accommodation, but because the blockchain independently and fully satisfies the technical requirements of each.

The Commission should amend Rule 17a-4(f), or preferably issue guidance under it, to confirm that records maintained on a blockchain satisfy the electronic recordkeeping requirements of the rule. The Commission should further confirm that the third-party access undertaking requirement does not apply to on-chain records that are publicly accessible without the involvement of any third party, since the blockchain itself provides open access to all participants, including regulators, without requiring the intermediation of a custodian or storage provider. Compliance with the certification and registry requirements described above should be deemed sufficient to satisfy the access and notice conditions of Rule 17a-4(f) for on-chain records.

3. Trade Reporting

Trade reporting serves important and well-established public purposes. Taken as a whole, the Commission's rules requiring broker-dealers to report transactions give regulators real-time visibility into market activity, enable the detection of manipulation and

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other misconduct, support best execution analysis, and provide the foundation for a consolidated tape that makes consolidated transaction data available to all market participants on an equal basis. tZERO recognizes both the value of these functions and the costs of relying on traditional reporting, including the time lags, compliance costs, and risks of transcription errors and data manipulation. Web3 technology offers the market and its regulators tools to achieve the regulations' goals while limiting the costs of traditional reporting.

Where a tokenized securities transaction is settled on a public blockchain, the purposes that trade reporting is designed to serve can be fulfilled by the on-chain record itself. Regulators have real-time access to the transaction data without waiting for a report. The immutable ledger provides a tamper-proof basis for surveillance and investigation. Market participants can observe on-chain activity and pricing directly. Requiring broker-dealers to report the same information available on a public blockchain introduces costs without improving transparency.

tZERO recognizes, though, that a core component of the Commission's trade reporting regime is aggregation of data into a consolidated tape. While blockchain records are efficient, accurate records with respect to individual trades, they do not in and of themselves replicate the aggregation and dissemination currently effectuated through the consolidated tape. The Commission should explore whether reporting models that are compatible with blockchain-based markets offer a more efficient path forward. Rather than requiring each individual broker-dealer to separately report on-chain transactions and perform its own conversion of non-dollar transaction data into U.S. dollar terms, on-chain execution data could be ingested directly and any necessary aggregation and conversion could be performed on a uniform basis, without relying on traditional reporting that is on a time lag, prone to errors and manipulation, and costly to administer.

We would welcome the opportunity to work with the Commission and other market participants to explore what a blockchain-compatible reporting facility model could look like in practice, and to consider whether existing reporting obligations should be modified for on-chain transactions while that work is undertaken.

* * * *

The core objective of Rules 17a-3 and 17a-4 is to ensure that regulators have immediate access to unalterable, truthful historical records of financial transactions. Blockchain technology, by its very nature, fulfills that objective with historically unprecedented fidelity, precision, and security. The Commission should embrace the opportunity to rely on such secure information and should clarify its regulations to prevent digital asset broker-dealers from being forced to maintain burdensome, duplicative off-chain records.

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We hope that our letter is instructive as you continue to consider the topics we discussed in our February 6 meeting, and we welcome the opportunity to discuss these topics further.

Respectfully Submitted,

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Vanessa Savino
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