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June 18, 2026

VIA ELECTRONIC SUBMISSION

SEC Crypto Task Force
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549
Attention: Commissioner Hester M. Peirce

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

Dear Commissioner Peirce and Members of the Crypto Task Force,

tZERO Group, Inc. ("tZERO Group") and its broker-dealer subsidiaries (collectively, "tZERO") welcome the opportunity to respond to Commissioner Peirce's Request for Information on the trading of crypto assets on national securities exchanges and alternative trading systems (the "RFI"). tZERO has spent years investing in regulated infrastructure for crypto asset securities trading and is uniquely positioned to offer insights to the staff of the U.S. Securities and Exchange Commission's (the "SEC" or the "Commission") crypto task force (the "Task Force").

tZERO operates an innovative, end-to-end infrastructure and technology platform for crypto asset security issuance, trading and custody, available to issuers, financial industry partners and investors. tZERO leverages this platform to offer regulated infrastructure-as-a-service ("IaaS") to institutional market participants who wish to enter the crypto asset securities space in a compliant manner. tZERO's vertically integrated infrastructure stack is designed to empower market participants to close operational gaps and scale tokenization rapidly, with a vision to redefine how capital is raised, traded and owned by bridging traditional finance and Web3 through compliant, interoperable and multi-asset digital rails.

tZERO Securities, LLC ("tZERO Securities") is a registered broker-dealer and FINRA member that operates an alternative trading system ("ATS") approved to trade crypto asset securities, including equities, debt, mutual funds and investment contracts, in accordance with the three-step process set out in the SEC's 2020 no-action letter to FINRA.[1] Crypto asset securities traded on our ATS can either be custodied by tZERO Digital Asset Securities, LLC ("tZERO Digital"), an SEC-registered and FINRA-member

[1] FINRA, SEC No-Action Letter re: Alternative Trading System Settlement of Digital Asset Security Trades (Sep. 25, 2020).

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broker-dealer that can operate its own key management and wallet software to directly custody crypto asset securities on-chain, or by customers in self-custodial wallets. tZERO Digital may also custody, clear and settle crypto asset securities as a correspondent clearing firm, on a fully disclosed or omnibus basis, for third-party broker-dealers, providing regulated IaaS to power trading within their own platforms.

Following the release of the Division of Trading and Markets' December 17, 2025 Statement on the Custody of Crypto Asset Securities by Broker-Dealers,[2] FINRA has confirmed that tZERO is no longer restricted from engaging in a non-security crypto asset business and may rely on recent SEC guidance to conduct such activity. Given its established track record, tZERO is well-positioned to speak to the practical opportunities and regulatory considerations raised by the RFI, drawing on its experience as an operational, regulated participant across the full tokenized securities lifecycle, while continuing to promote transparency and maintain appropriate investor protection. As one of the pioneering crypto asset security ATS operators, our response will focus on relevant considerations under Regulation ATS.

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?

Response: To encourage innovation, any rule amendments, guidance, or regulatory framework adopted by the Commission should be technology-neutral and designed to remain durable as blockchain-based and other technologies continue to evolve. Rules that embed assumptions about particular technologies, settlement mechanisms, or custody models risk becoming obsolete, or worse, actively impeding innovation, as the underlying infrastructure changes. The Commission's rules should focus on the regulatory outcome sought (investor protection, market integrity, fair access) rather than prescribing the technological means by which that outcome is achieved. One way to achieve a technology-neutral, outcome-focused regulatory framework is through principles-based standards, rather than prescriptive requirements.[3] Where guidance or no-action relief has been issued to address a technology-specific problem, the Commission should commit

[2] SEC Division of Trading and Markets, Statement on the Custody of Crypto Asset Securities by Broker-Dealers (Dec. 17, 2025).

[3] A principles-based approach could accommodate the integration of market innovation into the Regulation ATS framework, which is consistent with the SEC's policy when it adopted Regulation ATS. In particular, in the Adopting Release, the SEC states, "The final rules seek to establish a regulatory framework that makes sense both for current and future securities markets. This regulatory framework should encourage market innovation while ensuring basic investor protections." Regulation of Exchanges and Alternative Trading Systems, 63 Fed. Reg. 70844, 70846-47 (Dec. 22, 1998).

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to revisiting that guidance as the technological landscape shifts, rather than allowing it to calcify into a de facto permanent constraint. The RFI itself is a welcome step in this direction, and tZERO encourages the Commission to institutionalize a regular review cycle for its trading and market structure rules to ensure they remain fit for purpose as markets and technology evolve.

To that end, we do not believe the Commission should seek to lower the barriers to entry for crypto asset securities participants. Rather we believe the Commission should ensure that the regulatory perimeter is competitively neutral. The mere fact that an asset is tokenized, or that a platform leverages distributed ledger technology, should neither exempt a participant from applicable broker-dealer or exchange registration requirements, nor subject it to additional burdens that do not apply to functionally equivalent market participants in non-tokenized assets. Put plainly: a firm performing exchange activity should register as an exchange (or comply with Regulation ATS), and a firm performing broker-dealer activity should register as a broker-dealer, regardless of whether those activities occur on a blockchain. Decentralized or tokenized wrappers should not be treated as a tool to bypass the regulatory framework that governs traditional finance.

At the same time, the Commission should be equally vigilant against the reverse problem: firms that deploy innovative technology to perform regulated activity should not face discriminatory or disproportionately burdensome processes solely because of their use of that technology. Protracted review timelines, bespoke conditions, and informal guidance regimes that apply uniquely to technology-driven entrants impose real costs and distort competition in favor of incumbents. In brief, the Commission should also remain aware of and work to amend regulations that are unworkable or unnecessary for firms deploying new technologies.[4] The Commission should ensure that the path to market for regulated platforms using blockchain or other novel technologies is substantively comparable, in timeline, process, and cost, to the path available to traditional platforms. A level playing field means level in both directions.

Operationally, crypto asset security ATSs should fall within the same regulatory perimeter as other ATSs, with appropriate calibration for specific attributes of crypto asset infrastructure that make particular rules or regulations inapplicable, obsolete, unworkable, or unnecessarily burdensome. For example, one of the most significant and underutilized opportunities presented by blockchain-based markets is the potential for the Commission and other regulators to conduct surveillance and receive regulatory reporting through the public blockchain itself. Unlike traditional markets, where transaction data must be separately reported on a delayed basis to regulators through Form ATS-R and other mechanisms, on-chain transactions involving crypto asset securities are, by their nature, recorded in real time on an immutable, publicly accessible ledger. The Commission should explore frameworks under which on-chain transaction records can supplement or

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[4] Paul S. Atkins, Chairman, Keynote Address at the Crypto Task Force Roundtable on Tokenization (May 12, 2025), *available at* https://www.sec.gov/newsroom/speeches-statements/atkins-remarks-crypto-roundtable-tokenization-051225-keynote-address crypto-task-force-roundtable-tokenization.

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replace existing reporting obligations for crypto asset security ATSs, reducing compliance costs while improving the quality and timeliness of data available to regulators. The Commission should engage with industry participants to develop standards for on-chain data that meet regulatory purposes, and should consider whether the existing Form ATS-R reporting requirement serves its intended purpose in the context of crypto asset security ATSs that settle on public blockchains.

We would also encourage the Commission to reconsider and withdraw the 2020 no-action letter issued to FINRA regarding the role of an ATS in the settlement of digital asset security trades (the "Three-Step Process").[5] The Three-Step Process was predicated on a specific and now-superseded regulatory concern that broker-dealers could not custody digital asset securities in compliance with the customer protection requirements of Rule 15c3-3 under the Exchange Act.[6] The Three-Step Process was designed to permit ATS operators to function in a non-custodial capacity as a workaround to that constraint, requiring that buyers and sellers maintain their assets with separate custodians who would receive pre-instructions to settle upon notification of a match. The foundational premise underpinning the Three-Step Process no longer holds. The Division of Trading and Market's Statement on the Custody of Crypto Asset Securities by Broker-Dealers[7] together with the Frequently Asked Questions Relating to Crypto Asset Activities and Distributed Ledger Technology[8] confirm that registered broker-dealers can custody crypto asset securities directly, operating their own key management and wallet software, or at a good control location.[9]

The rationale for the Three-Step Process has therefore been superseded by more recent regulatory guidance, as well as developments in the custodial infrastructure for digital asset securities. Although the Three-Step Process is structured as no-action relief, its continued existence and its reasoning create the impression that its conditions must still be satisfied. The constraints these conditions impose on ATS settlement mechanics are now an unnecessary friction that limits the ability of crypto asset security ATSs to offer efficient, integrated trading and custody services to their customers. tZERO respectfully

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[5] FINRA, SEC No-Action Letter, Alternative Trading System Settlement of Digital Asset Security Trades (Sep. 25, 2020).

[6] Id. at 2 (noting that the now-withdrawn Joint Staff Statement on Broker-dealer Custody of Digital Asset Securities focused on the "potential difficulties in complying with [15c3-3(b)] due to the nature of digital asset securities.").

[7] Division of Trading and Markets, Statement on the Custody of Crypto Asset Securities by Broker-Dealers (Dec. 17, 2025), *available at* https://www.sec.gov/newsroom/speeches-statements/trading-markets-121725-statement-custody-crypto-asset-securities-broker-dealers.

[8] Division of Trading and Markets: Frequently Asked Questions Relating to Crypto Asset Activities and Distributed Ledger Technology, available at https://www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions/frequently-asked-questions-relating-crypto-asset-activities-distributed-ledger-technology.

[9] In particular, the FAQs confirm that: (i) a broker-dealer may establish control of a crypto asset security via paragraph (c) of Rule 15c3-3, without requiring such securities to be in certificated form; (ii) compliance with the 2020 Special Purpose Broker-Dealer statement is not mandatory for broker-dealers seeking to custody customer crypto asset securities; and (iii) a broker-dealer operator of an ATS is not precluded from engaging in custodial functions in addition to operating its ATS.

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suggests that the Commission formally rescind the Three-Step Process and confirm that ATSs may trade crypto asset securities in the same manner as traditional securities.

4. Should the Commission propose a new Form ATS that is tailored to the trading of crypto asset securities and trading pairs on a crypto ATS? If so, what information should that form require crypto ATSs to disclose? Should the Commission revise or repeal provisions of Regulation ATS, Form ATS, Form ATS-N, or other forms or rules?

Response: We do not believe that a new Form ATS is necessary. The Commission already has two well-established forms, Form ATS, for ATSs trading non-NMS securities, and Form ATS-N, for ATSs trading NMS stocks, and both can accommodate crypto asset securities trading through targeted, incremental amendments, that would enhance disclosure requirements for crypto asset securities. Creating a third form would impose an unnecessary additional filing burden on broker-dealers that operate across all three categories of activity, requiring them to maintain and update three separate regulatory filings to describe what is, in substance, a single integrated trading operation. That outcome would be inefficient for registrants and for Commission staff alike, would be cumbersome and potentially confusing for investors if the form were public, and would not yield any corresponding regulatory benefit.

The foundational purpose of the Form ATS regime is twofold: to give the Commission notice of an ATS's operations, and, with respect to NMS stocks under Form ATS-N, to provide public disclosure of how the ATS functions. Crypto asset security ATSs can and should fulfill both purposes through the existing forms. The question is not whether the forms are fit for purpose in principle, but whether targeted amendments are needed to ensure that the disclosures most material to crypto asset security ATS operations are clearly elicited. tZERO believes they are, and that such amendments are both narrower and more achievable than the development of an entirely new form.

By way of example, the Commission could amend Form ATS and Form ATS-N to clarify that disclosures should address, among other things: the settlement layers with which the ATS interacts, including whether settlement occurs through broker-dealer custodians, Layer 1 blockchain protocols, or other ATSs or intermediaries; the number and nature of crypto asset trading pairs available on the ATS, including whether those pairs involve non-security crypto assets alongside crypto asset securities; and the circumstances in which assets are converted to U.S. dollars for purposes of trade reporting, including the mechanics and timing of any such conversion. These are all matters that are already material to ATS operations and therefore already within the spirit of existing disclosure requirements. The amendments would serve to confirm and clarify their application in the crypto context, not to create new substantive obligations. Crypto asset security ATS operations are not sufficiently different from traditional ATS operations to warrant a separate disclosure framework, when targeted adjustments would serve to provide the Commission with the necessary information and transparency to promote the same market integrity and investor protection goals of Form ATS and Form ATS-N.

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More broadly, tZERO cautions against a regulatory approach that responds to each new technology by creating new registration forms, new filing categories, and new compliance infrastructure. That approach is not technology-neutral, and it is not scalable or responsive in a meaningfully timely way to changes in technology. Blockchain technology is not the last innovation that will affect how securities are traded, and the Commission's forms and rules should be designed to accommodate future developments without requiring structural overhaul each time a new technology emerges. Incremental amendment of existing forms, guided by a clear statement of the disclosure principles that Form ATS and Form ATS-N are intended to serve, is both more durable and more consistent with the Commission's obligation to maintain a regulatory framework that facilitates, rather than impedes, capital formation and market innovation.

5. Today, Form ATS is filed on a non-public basis and is not subject to Commission approval. Should that approach be followed for crypto ATSs? Or should disclosures about trading in crypto asset securities be made public or be subject to a Commission review, approval, and effectiveness process? How can the Commission lower the costs of starting and running a crypto ATS in a manner that is consistent with investor protection and market integrity?

Response: The existing framework already draws a clear and principled distinction: Form ATS-N, applicable to ATSs trading NMS stocks, is public and subject to a Commission review process, while Form ATS, applicable to ATSs trading non-NMS securities, is filed on a confidential basis and is not subject to Commission approval. That distinction reflects the relative size, liquidity, and systemic importance of NMS equity markets, and the corresponding public interest in transparency about how those markets operate. It is a sound distinction, and it should apply with equal force to crypto asset securities.

Crypto asset securities that constitute NMS stocks should therefore be subject to the public disclosure and Commission review process applicable to Form ATS-N, and crypto asset securities that are non-NMS securities should be subject to the confidential filing regime applicable to Form ATS. The fact that an asset is a crypto asset security is not, standing alone, a reason to impose greater transparency obligations or a more intensive regulatory review process than would apply to any other security in the same category. To treat crypto asset securities differently, by, for example, requiring public disclosure of Form ATS filings that would otherwise be confidential, or by imposing a Commission approval process on filings that would otherwise take effect automatically, would be to single out crypto asset securities for regulatory treatment that has no basis in the underlying market structure principles that the ATS regime is designed to serve. The same considerations that led the Commission to conclude that Form ATS submissions should be confidential — that information required on Form ATS may be proprietary, that disclosure of such information could place ATSs in a disadvantageous competitive position, and that confidentiality provides respondents with the necessary comfort to make full and complete filings — apply to Form ATS filings by crypto asset security

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ATSs.[10] Treating crypto asset securities differently would be inconsistent with the technology-neutral framework that tZERO encourages the Commission to consider.

The same principle applies with equal force to the question of cost. The Commission should not design a regulatory framework that makes it more expensive to start or operate a crypto asset security ATS than to start or operate a traditional ATS engaged in equivalent activity. Nor, for that matter, should it make the process artificially cheaper in a way that allows crypto asset security ATSs to avoid costs that are genuinely justified by investor protection or market integrity considerations. The goal should be parity: a firm seeking to operate a crypto asset security ATS should face substantially the same regulatory burden, in terms of filing requirements, review timelines, compliance infrastructure, and ongoing operational obligations, as a firm operating a traditional ATS trading securities in the same category. Where the current framework imposes costs on crypto asset security ATSs that are not imposed on comparable traditional ATSs (and not necessary to address unique risks specific to crypto asset security ATSs), those asymmetries should be identified and eliminated. Where the costs are the same, they should remain so (except to the extent the efficiencies of blockchain technology render it unnecessary to apply such costs to crypto asset security ATSs).

6. Are there specific crypto ATS public disclosures that would protect investors or enhance capital formation? For example, should the Commission propose amendments to Form ATS to require disclosures about conflicts of interest related to operators of a crypto ATS? Does private ordering already address platform disclosure?

Response: tZERO's view is that targeted, incremental amendments to the existing Form ATS framework can meaningfully protect investors and enhance capital formation in the crypto asset securities market, without requiring the creation of a new form or the imposition of a bespoke regulatory regime. The amendments tZERO recommends are narrow in scope and focused on eliciting disclosures that may be material to crypto asset security ATS operations, and, therefore, already required under the existing forms, but where explicit clarification would reduce ambiguity, lower compliance costs, and improve the quality and consistency of disclosures across operators. We respectfully note the following disclosures that warrant recalibrated disclosures.

Exhibit B — Trading Activity and Asset Pairs

Exhibit B of Form ATS requires a description of the types of securities and a list of the securities traded on the ATS. For crypto asset security ATSs, the Commission should clarify that this disclosure should enumerate every crypto asset trading pair available on the ATS, not merely the underlying crypto asset securities in isolation. A crypto asset security ATS may trade a given security against multiple counterpart assets, including

[10] Regulation of Exchanges and Alternative Trading Systems, 63 Fed. Reg. 70844, 70864 (Dec. 22, 1998).

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U.S. dollars, stablecoins such as Tether (USDT) or USD Coin (USDC), or other crypto assets, and each such pair represents a distinct trading arrangement with its own liquidity profile, pricing mechanism, and risk characteristics. Regulators need visibility into the full universe of pairs available on the ATS, not merely a list of the securities that appear on one side of those pairs.

Exhibit F — Manner of Operations and Blockchain Integration

Exhibit F requires a description of the manner of operations of the ATS. For crypto asset security ATSs, the Commission should clarify that this description should explain in detail how blockchain-based technology is integrated into the ATS's operations. In particular, the disclosure should address whether the ATS or its operator manage any private keys that control a blockchain protocol or wallet through which customer assets are held or transferred. The question of key management and control is fundamental to understanding the custody and counterparty risk profile of a crypto asset security ATS, and it is information that goes to the heart of investor protection in this market.

Exhibit G — Procedures for Reviewing Securities and Blockchain Networks

Exhibit G requires a description of the ATS's procedures for reviewing the securities it makes available for trading. For crypto asset security ATSs, the Commission should clarify that this exhibit should include a detailed description of the procedures the ATS follows to evaluate the legal status, technical soundness, and operational integrity of each crypto asset security it lists, as well as the blockchain network on which that security is issued and transferred. The security and reliability of the underlying blockchain network are directly relevant to the safety of trading on a crypto asset security ATS — network vulnerabilities, smart contract risks, and protocol governance failures can all affect the integrity of trades and the safety of customer assets. Requiring explicit disclosure of how these risks are assessed and managed is a straightforward and proportionate investor protection measure.

Exhibit H — Custody and On-Chain Security of Assets

Exhibit H addresses the safeguarding of securities and funds. For crypto asset security ATSs, the Commission should clarify that this exhibit should describe in detail how crypto asset securities are held securely on-chain, including the custody model employed, the technical controls in place to protect against loss or unauthorized transfer, and the arrangements, whether with a broker-dealer, a third-party custodian, or through customer self-custody in self-hosted wallets, under which customer assets are maintained. The on-chain nature of crypto asset securities custody introduces risks and safeguards that have no direct analogue in traditional securities markets, and the SEC would benefit from a clear and complete description of how those risks are managed.

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Conflicts of Interest — An Issue for All ATSs, Not Just Crypto Asset Security ATSs

With respect to conflicts of interest, tZERO is supportive of robust disclosure, but conflicts of interest are not unique to crypto asset security ATSs, so any amendment to require enhanced conflicts disclosure should apply to all ATSs and not be limited to crypto asset security ATSs. An ATS operator that also acts as a market maker, operates an affiliated broker-dealer, or has financial interests in the securities traded on its platform faces conflicts of interest that are equally present whether the assets traded are traditional securities or crypto asset securities. The use of blockchain technology to trade security assets neither increases nor decreases the risk of conflicts of interest, so the rationale for enhanced conflicts of interest disclosure for crypto asset security ATSs would be just as relevant for the traditional asset ATSs. Singling out crypto asset security ATSs for enhanced conflicts disclosure that does not apply to their traditional counterparts would be inconsistent with a technology neutral regulatory framework.

The amendments described above are, in each case, clarifications rather than new substantive obligations. The information at issue, trading pairs, blockchain integration, key management, network soundness, on-chain custody, may already be material to the operations of a crypto asset security ATS and is therefore already within the scope of what operators are required to disclose under the existing forms. The value of explicit amendment is not to create new disclosure duties but to ensure consistency, reduce the compliance burden of determining how existing requirements apply to novel technology, and to standardize disclosures across all crypto asset security ATS operators.

Private Ordering and Market Forces as a Complementary Mechanism

Beyond the targeted enhancements to Form ATS described above, private ordering serves as a meaningful and complementary force in the ATS market. Market forces, competitive dynamics, and private contracts between ATS operators and their subscribers create strong incentives for platforms to publicly and fairly disclose material information about their operations, conflicts, custody arrangements, and risk management practices. Critically, this competitive pressure drives disclosure that is public and broadly available — not merely selective disclosure to preferred subscribers or dominant participants. Sophisticated participants will not trade on a platform they do not understand, and competitive pressure to attract and retain those participants drives a level of voluntary disclosure that reinforces the formal regulatory regime. A platform that discloses material information only to select counterparties while withholding it from others would face significant reputational and competitive consequences in a well-functioning market — and would undermine the very trust that makes an ATS viable as a trading venue.

Where the Commission establishes a robust baseline of regulatory disclosure, as tZERO recommends through targeted amendments to the existing Form ATS exhibits, private ordering is well-positioned to do the rest. A clear and comprehensive disclosure framework gives sophisticated market participants the foundation they need to ask the

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right questions, negotiate appropriate contractual protections, and make informed decisions about where to trade. In that environment, market forces and private contracts operate effectively above the regulatory baseline, driving further transparency and accountability, on a public and non-discriminatory basis, without the need for additional prescriptive mandates. Put simply: if the disclosure regime is doing its job, private ordering can do its job too, and the Commission does not need to reach further.

7. An ATS must file quarterly reports about its securities trading activity on Form ATS-R, which is confidential. In light of open-source data and public blockchains, should the Commission repeal the requirement to file Form ATS-R for crypto ATSs? Should the Commission propose amendments to Form ATS-R specifically for crypto asset securities or trading pairs?

Response: Form ATS-R requires ATSs to file quarterly reports of their trading activity on a confidential basis. The underlying purpose of this requirement is to give the Commission visibility into the volume, nature, and patterns of trading activity on ATS platforms so that it can monitor market activity, identify risks, and fulfill its oversight responsibilities.[11] In the context of crypto asset security ATSs that settle trades on public blockchains, quarterly Form ATS-R reporting should not be required because the relevant information will be accessible to the Commission and the public. Public blockchains represent a genuinely new category of regulatory infrastructure, one that provides regulators with real-time, immutable, and comprehensive transaction data that has no equivalent in traditional markets. The Commission should embrace that capability rather than overlay it with reporting requirements designed for a world where that data was not accessible. Doing so would reduce compliance costs, improve the quality of regulatory oversight, and demonstrate that the Commission's approach to crypto asset securities markets is grounded in the realities of the technology rather than the habits of the past.

The definitive record of every trade executed and settled on a public blockchain is not held by the broker-dealer operator of the ATS, reconstructed from internal logs, or reported to regulators on a quarterly lag. It is written immutably into the public record of the blockchain itself, in real time, and is accessible to anyone, including Commission staff, without the need for a formal reporting submission. The data that Form ATS-R is designed to provide for traditional ATSs already exists, natively and continuously, for crypto asset security ATSs that operate on public blockchains. Requiring those ATSs to also file quarterly reports with the Commission imposes a duplicative compliance burden without producing any information that is not already available to regulators in a more complete, timelier, and more reliable form.

tZERO therefore recommends that the Commission repeal the Form ATS-R filing requirement for crypto asset securities, subject to two conditions. First, the ATS should certify to the Commission that all of its trading activity in crypto asset securities is recorded

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[11] *See* Regulation of Exchanges and Alternative Trading Systems, 63 Fed. Reg. 70844, 70878 (Dec. 22, 1998) (discussing the adoption of Form ATS-R filing requirements).

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on-chain and that the public blockchain record constitutes the complete and definitive record of its trading activity. Second, the ATS should provide the Commission with the contract addresses for each crypto asset security it trades, so that Commission staff can locate, access, and monitor the relevant on-chain records without ambiguity. Where those two conditions are satisfied, the Commission has everything it needs without a quarterly filing. The blockchain does not summarize trading activity on a ninety-day lag; it records every transaction at the moment it occurs, on a ledger that cannot be altered or deleted. It thus arguably provides a superior source of regulatory information.

Where a crypto asset security ATS cannot certify that all of its trading activity is on-chain, for example, because some portion of its activity involves off-chain matching or settlement or a private blockchain, the Form ATS-R requirement should continue to apply to that portion of its activity in the ordinary course. The relief tZERO proposes is calibrated to the specific circumstance where the public blockchain record is genuinely comprehensive and accessible, not a blanket exemption from reporting obligations.

In those circumstances where Form ATS-R reporting continues to apply, targeted amendments to the form are appropriate to ensure that the Commission receives meaningful and accurate information about crypto asset securities trading activity that is not otherwise captured on-chain.

First, the Commission should amend Form ATS-R to require disclosure of trading volume broken down by crypto asset trading pair, for example, the volume of a given crypto asset security traded against U.S. dollars, against specific stablecoins, or against other crypto assets. This pair-level volume data is not currently elicited by Form ATS-R in a form tailored to crypto asset security ATSs, and it would give the Commission meaningful insight into the liquidity profile and market structure of individual crypto asset securities markets that aggregate volume figures alone do not provide.

Second, and equally important, the Commission should amend Form ATS-R to clarify that trading volume and transaction data for crypto pair trades need not be reported in U.S. dollars where the trade was not denominated in U.S. dollars at the time of execution. Form ATS-R currently contemplates dollar-denominated reporting, which is appropriate for traditional securities markets where all trades are priced and settled in U.S. dollars. That assumption does not hold for crypto asset security ATSs that facilitate trading pairs in which a crypto asset security is traded against a stablecoin, a non-security crypto asset, or another crypto asset security. In those transactions, requiring dollar-denominated reporting either introduces an artificial conversion that does not reflect the actual economics of the trade, or cannot be satisfied at all where no dollar-denominated price exists at the moment of settlement. Form ATS-R should therefore permit, and where appropriate require, reporting in the native unit of the counterpart asset, alongside a U.S. dollar equivalent where one is readily determinable. This produces records that accurately reflect the true terms of the transactions they document, which is the fundamental purpose of any reporting regime.

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Both amendments are narrow, targeted, and directly responsive to the informational gaps and practical difficulties that arise where on-chain data is incomplete or where existing form requirements do not map cleanly onto crypto asset securities trading activity. They are consistent with tZERO's broader recommendation that the Commission pursue incremental clarification of existing requirements rather than wholesale regulatory redesign.

8. How can blockchain-based records help provide insight to the Commission about crypto asset securities transactions? What, if any, types of records should platforms that trade crypto asset securities be required to make and preserve? Are there any records required to be preserved by Rule 302 of Regulation ATS that would not be feasible or practicable to maintain for a crypto ATS?

Response: Public blockchains offer the Commission and other regulators a category of regulatory transparency that has no precedent in traditional securities markets. Every crypto asset security that is issued, held, and traded on a public blockchain is represented by an on-chain record that is real-time, immutable, publicly accessible, and comprehensive. Unlike traditional securities records, which must be reconstructed from the internal systems of multiple intermediaries and reported to regulators through periodic filings, on-chain records exist independently of any single market participant and cannot be altered, deleted, or selectively disclosed. If beneficial ownership is made available on-chain, the Commission does not need to request these records, wait for a reporting cycle, or depend on the accuracy of a firm's internal systems; the records are there, on the public ledger, at all times.

In practical terms, crypto asset security ATSs should be required to preserve the same records as any other ATS. The nature of the assets traded does not alter the underlying rationale for ATS recordkeeping requirements, which is to ensure that regulators have access to accurate and complete records of order handling, trading activity, customer communications, and operational decisions for purposes of examination, investigation, and enforcement. Those purposes apply with equal force to crypto asset security ATSs, and there is no principled basis for relieving crypto asset security ATSs of recordkeeping obligations that apply to all other ATSs.

However, where a crypto asset security ATS records a transaction on a public blockchain, that on-chain record should be recognized as satisfying the relevant recordkeeping obligation for the execution of that transaction. Requiring a crypto asset security ATS to maintain a separate internal record of transaction information that is already comprehensively documented on a public blockchain would be purely duplicative, imposing cost and complexity without producing any additional regulatory value. The Commission should therefore confirm, through guidance or rule amendment, that on-chain transaction records satisfy applicable recordkeeping requirements for crypto asset security ATSs to the extent those records are complete, publicly accessible, and associated with identified contract addresses provided to the Commission.

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This approach is consistent with the technology-neutral principles. The goal of recordkeeping requirements is to ensure that accurate records exist and are accessible to regulators, not to prescribe a preference for a specific technology through which those records are maintained, provided that goal is achieved. Where the public blockchain fulfills that goal more completely and more reliably than any internal recordkeeping system could, regulators should embrace it as the record of first resort.

Rule 302 of Regulation ATS requires broker-dealer operators of ATSs to make and preserve certain records relating to their trading activity, subscriber communications, and operational procedures. tZERO's view is that Rule 302 is broadly applicable for the broker-dealer operator of a crypto asset security ATS and should not be fundamentally restructured. The records required by Rule 302, including records of orders received, trades executed, subscriber agreements, and written supervisory procedures, are records that a broker-dealer operator should be maintaining as a matter of sound business practice regardless of any regulatory mandate, and there is nothing about the crypto asset securities context that makes compliance with Rule 302 impracticable as a general matter.

However, Rule 302 currently contemplates that transaction records will be denominated in U.S. dollars. That assumption is appropriate for traditional securities markets, where all trades are priced and settled in U.S. dollars. It does not hold for crypto asset security ATSs that facilitate trading pairs in which a crypto asset security is traded against a non-dollar counterpart asset, such as a stablecoin or another crypto asset. In those transactions, the consideration for the trade is not denominated in U.S. dollars at the time of execution, and requiring the record to be expressed in U.S. dollars introduces unnecessary complexity, by requiring a contemporaneous conversion for recordkeeping purposes.

The Commission should consider amending Rule 302 to clarify that transaction records for crypto pair trades may be expressed in the native unit of the counterpart asset, whether a stablecoin, a non-security crypto asset, or another crypto asset security, alongside, or in lieu of, a U.S. dollar equivalent where one is not readily determinable at the time of the transaction. This is a narrow and technically necessary amendment that does not disturb the broader recordkeeping framework of Rule 302. It simply acknowledges that the unit of account in crypto asset securities markets is not always the U.S. dollar or readily convertible to U.S. dollars, and that records should reflect the actual terms of the transactions they document.

To the extent that specific Rule 302 records are generated and preserved on-chain as a result of the ATS's blockchain-based operations, those on-chain records should be recognized as satisfying the relevant Rule 302 obligation.

9. Should the Commission propose amendments to Regulation ATS to prescribe a specific methodology or methodologies for conversion of non-USD

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assets to USD for purposes of compliance with Regulation ATS? If so, what should the methodology or methodologies be?

Response: In an ideal regulatory end state, conversion of non-USD assets to U.S. dollars would not be required of the broker-dealer operator of a crypto asset security ATS. Requiring dollar conversion as a universal condition of compliance imports an assumption about the denomination of securities markets that does not hold in the crypto asset securities context and that will become increasingly difficult to sustain as crypto pair trading grows in volume and sophistication.

However, tZERO recognizes that the existing regulatory framework contains requirements that are expressed in U.S. dollar terms and that serve important investor protection and market integrity purposes that cannot simply be set aside pending a broader redesign of the framework.

The most significant and immediate driver of the conversion requirement is trade reporting. Broker-dealer operators of ATSs that trade over-the-counter crypto asset securities are required to report every trade to FINRA's OTC Reporting Facility ("ORF"). The ORF requires trade reports to be expressed in U.S. dollar terms. For trades executed in dollar-denominated pairs, this presents no difficulty. For trades executed in non-dollar pairs, where a crypto asset security is traded against a stablecoin or against another crypto asset, the broker-dealer must convert the value of the transaction into U.S. dollars at the time of reporting. There is currently no Commission or FINRA guidance specifying how that conversion should be performed, only that the conversion method be one that is "consistent, impartial, and reasonable [and] commonly applied by market participants for converting the value of the asset into U.S. dollars," leaving broker-dealer operators to develop their own methodologies and exposing them to regulatory risk if the methodology they choose is later deemed unreasonable.[12]

Regulation ATS also requires U.S. dollar reporting in many circumstances. While the amendments discussed above could be made to Form ATS-R and Rule 302 to alleviate the need to convert to U.S. dollars, Rule 301(b)(5) of Regulation ATS requires ATSs that exceed specified volume thresholds to provide fair access to their platforms. Those thresholds are measured by reference to the aggregate trading volume in a security across all markets.[13] Because fair access obligations attach to the full market for a security and not to any individual trading pair, a crypto asset security ATS must aggregate its trading activity across all pairs in which that security trades, including non-dollar pairs, and express that aggregate in a common unit for comparison against the relevant threshold. Since one will always need a base currency to measure aggregate volume in the market, U.S. dollar conversion (or conversion to another base currency) will remain

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[12] FINRA, Trade Reporting Frequently Asked Questions, Q101.14.

[13] Reg SCI also applies to ATSs that exceed certain thresholds measured by reference to the average daily dollar volume reported by applicable transaction reporting plans. *See* 17 C.F.R. § 242.1000. The same concerns regarding these thresholds in the Reg ATS context would apply to the Reg SCI thresholds as well.

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necessary for this purpose as well, though the frequency and operational significance of this conversion obligation is considerably less acute than the per-trade conversion required for trade reporting.

Given that conversion is therefore a practical daily necessity for crypto asset security ATSs engaged in pair trading, tZERO would welcome clear and specific guidance from the Commission on the conversion methodologies it considers consistent, impartial, and reasonable, so that broker-dealer operators are not left to develop their own approaches and risk regulatory scrutiny for having chosen an approach the Commission regards as inadequate. At a minimum, the Commission's guidance or rulemaking on conversion methodology should address two specific requirements. First, it should specify the data feeds that broker-dealers may rely upon for conversion rates. The data feed specification should come in the form of guidance that could be regularly updated by the Commission. Second, it should specify the timing of conversion, for example, whether conversion must be performed at the moment of trade execution, which is the relevant point for ORF reporting purposes, or whether some other timing convention is permissible, and how broker-dealers should handle situations where no reliable conversion rate is available at the relevant moment.

tZERO recommends that the Commission address these questions through a formal rulemaking process that includes a public proposal and an opportunity for comment, rather than through informal guidance or no-action relief. The conversion methodology question has broad and immediate implications for how crypto asset security ATSs discharge their trade reporting obligations on every trade they execute, and the answer should be developed with the benefit of input from market participants who have direct operational experience in crypto pair trading. Industry participants will have important perspectives on which data sources are reliable, which timing conventions are practicable at the point of trade execution, and which methodologies are susceptible to manipulation or error, perspectives that the Commission and FINRA should have before prescribing a standard that will govern compliance across the market. A considered, publicly developed methodology will provide the certainty that broker-dealers need and the reliability and consistency that investor protection and market integrity require.

Looking further ahead, tZERO notes that the trade reporting obligations that make dollar conversion necessary today are themselves a product of a market structure in which regulators cannot directly observe trading activity and must rely on broker-dealer reports to reconstruct a picture of the market. As discussed in tZERO's response regarding Form ATS-R and blockchain-based recordkeeping, those concerns are alleviated for crypto asset securities that are issued, traded, and settled entirely on public blockchains. When market infrastructure shifts to tokenized form, the underlying rationale for per-trade ORF reporting may fall away. We would encourage the Commission to monitor this consideration as markets transition to blockchain-based operations.

10. Rule 301(b)(10) of Regulation ATS requires an ATS to establish adequate written safeguards and written procedures to protect confidential

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subscriber trading information. Should the Commission propose amending Rule 301(b)(10) or provide guidance regarding protection of confidential trading information regarding crypto asset securities or trading pairs? If so, what should the amendments or guidance address?

Response: Rule 301(b)(10) reflects a sound and important principle: that subscribers should be able to trade on an ATS without their order flow and trading activity being disclosed to other market participants in ways that could disadvantage them. tZERO supports that principle and agrees that it should apply to crypto asset security ATSs. However, the rule requires targeted amendment to reflect a fundamental characteristic of public blockchain markets that has no analogue in traditional securities trading: the fact that transaction data recorded on a public blockchain is, by its nature, publicly visible. When a subscriber holds their crypto asset securities in a self-hosted wallet or custodial wallet just assigned to the subscriber and executes trades that settle on a public blockchain, the transaction data associated with those trades is written immutably to the public ledger at the moment of settlement. That data, including the wallet addresses involved, the assets transferred, and the quantity and timing of the transaction, is accessible to anyone who monitors the blockchain. It is not confidential, and no written safeguard or procedure implemented by the ATS operator can make it so. The ATS operator does not control the blockchain, and it cannot prevent the public visibility of on-chain settlement data.

tZERO therefore recommends that the Commission amend Rule 301(b)(10) to carve out subscribers who consent to trade on a crypto asset security ATS through a specific (non-omnibus) wallet on a public blockchain. A subscriber who chooses to participate in a public blockchain market, and who maintains a personal wallet address through which their on-chain activity is visible, has, by virtue of that choice, accepted that their transaction data will be publicly recorded. The public nature of blockchain transactions is a known and inherent characteristic of the market they have elected to participate in and will be disclosed to subscribers through ATS onboarding procedures. This is not a characteristic that the crypto asset security ATS operator has created or can remedy. The appropriate regulatory response is not to hold the ATS operator responsible for the confidentiality of information it does not control, but to ensure that subscribers are clearly informed of the public nature of on-chain transaction data before they choose to participate, so that their decision to do so is fully informed.

At the same time, the carve-out tZERO proposes is narrow and should not be read to relieve ATS operators of all confidentiality obligations. While transaction data on a public blockchain is visible to anyone, the connection between a wallet address and the identity of the subscriber who is associated with it is not inherently public, and the ATS operator will in most cases possess that linkage because of its relationship with the subscriber. The ATS operator's obligation to protect that identifying information, and to prevent the association of subscriber identities with wallet addresses from being disclosed to other market participants or third parties, should remain fully in force and should be explicitly preserved in any amendment to Rule 301(b)(10). For subscribers who hold assets in

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omnibus wallets, the existing confidentiality framework of Rule 301(b)(10) should apply without modification.

In summary, tZERO recommends that the Commission amend Rule 301(b)(10) to reflect the following principles: transaction data that is recorded on a public blockchain and is inherently publicly visible is not subject to the confidentiality requirements of the rule; records that link wallet addresses to subscribers should remain fully confidential and subject to the rule's protections; and subscribers who participate in public blockchain markets through a wallet only used for their assets should receive clear disclosure of the public nature of their on-chain transaction data as a condition of participation. These targeted amendments would align Rule 301(b)(10) with the realities of public blockchain markets while preserving the core investor protection purpose that the rule is designed to serve.

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?

Response: The Exchange Act definition of an exchange, and the ATS exemption from that definition, turns on whether a system brings together buyers and sellers of securities and provides a marketplace for them to interact. That functional test does not depend on whether the system is implemented in code, operated on a blockchain, or described as decentralized. It depends on whether, in substance, there is a person, company, or group of persons exercising centralized control over a protocol or system that performs the function of bringing together buyers and sellers.

Where that centralized control exists, the operator of the system is operating an exchange or an ATS, and the regulatory framework applies accordingly, regardless of the technology through which the system is implemented. A blockchain-based trading protocol that is owned, operated, or controlled by an identifiable person, company, or group of persons is not exempt from the Exchange Act's requirements simply because it operates on-chain. The technology is not the test. The existence of centralized control is the test. Some on-chain trading protocols operated and controlled by a company or group of persons will meet the definition of an exchange and should register as an exchange or ATS. The fact that their matching engine or settlement layer runs on a blockchain does not change their regulatory status or relieve them of their obligations.

Where, by contrast, a protocol is genuinely decentralized, where no identifiable person, company, or group of persons exercises control over its operation, where participation is purely peer-to-peer, and where there is no intermediary bringing buyers and sellers together, the regulatory rationale for exchange or ATS registration does not apply. Two parties transacting directly with one another, without a centralized intermediary, are not using an exchange or an ATS, and the Commission should not seek to regulate that activity as though they were. The individual right to develop and deploy software and to

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transact directly with other persons, including through autonomous software that executes transactions without human intermediation at the point of execution, is not in tension with the Exchange Act framework as long as that software does not itself constitute a centralized marketplace.

The Commission should provide guidance, through a formal rulemaking process, articulating this standard clearly, so that developers and market participants can assess their regulatory obligations with confidence, and so that the line between regulated and unregulated activity is determined by substance and function rather than by the labels that participants choose to apply to their systems.

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We welcome the opportunity to discuss these topics with the Task Force and are available to meet at your earliest convenience.

Respectfully Submitted,

DocuSigned by:
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Vanessa Savino
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