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Monday, August 17, 2026
Secretary Vanessa A. Countryman
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: The Trade-Through Rule and Locked and Crossed Markets Provisions of Regulation NMS (Release No. 34-105655; File No. S7-2026-20)

Dear Ms. Countryman:

Douro Labs LLC (“**Douro Labs**”) and Hyperliquid Policy Center (together with Douro Labs, “**we**”) respectfully submit this letter in response to the request of the U.S. Securities and Exchange Commission (“**SEC**” or the “**Commission**”) for comment on its proposal to rescind Rules 611 and 610(e) of Regulation NMS (“**Regulation NMS**”) and related defined terms.¹ We support the proposed rescission without qualification.² We write to address a segment of the equity market that the Proposing Release itself identifies as part of the evolution justifying rescission—the execution and settlement of tokenized national market system (“**NMS**”) securities at onchain venues—and to urge the Commission to take steps in the adopting release to ensure that the best execution framework on which the Proposing Release relies is equipped to protect investors in that segment.³

The Proposing Release rests on two premises with which we agree: that market forces, rather than a prescriptive trade-through prohibition, should shape the continuing evolution of equity market structure; and that the duty of best execution—not Rule 611—is, and should be, the operative investor-protection mechanism for order handling. The Proposing Release states that Rule 611 “is not needed as a backstop to best execution given today’s highly automated,

¹ The Trade-Through Rule and Locked and Crossed Markets Provisions of Regulation NMS, Exchange Act Release No. 34-105655 (June 11, 2026) (the “**Proposing Release**”).

² Douro Labs is the core contributor to the Pyth Network, a first-party financial market data network through which exchanges, trading firms, and other market participants with direct involvement in price formation publish real-time pricing data onchain, and is the developer of the Pyth Pro reference price service described in Section III.B below. Hyperliquid Policy Center is an independent research and advocacy organization dedicated to advancing a clear, regulated path for Americans to access onchain markets, including those available on Hyperliquid.

³ One clarification frames the recommendations that follow. A broker-dealer should be permitted to route a customer order to an automated market maker or other onchain execution venue where onchain execution and a shorter settlement cycle are what the customer wants—for example, a customer who wishes to self-custody a tokenized NMS security in her own wallet, or who otherwise seeks direct access to a tokenized NMS security and the onchain infrastructure through which it is held. FINRA Rule 5310 has long recognized customer autonomy in venue selection: where a customer, on an unsolicited basis, directs a member to route an order to a particular market, the member is not required to make an independent best execution determination as to the market-selection component of that instruction, but remains obligated to process the order promptly and in accordance with its terms. *See* FINRA Rule 5310.08 (2014). Nothing in that principle turns on the technology of the receiving venue. In our view, a customer’s unsolicited direction to route an order to an automated market maker or other onchain execution venue is a natural extension of the customer’s existing ability to direct an order to any non-tokenized market or venue today, and is accordingly fully contemplated by the existing best execution framework. We respectfully request that FINRA confirm this reading in its updated guidance. The recommendations in this letter therefore address only what remains within the member’s discretion: the venue-selection, benchmarking, and review obligations that apply where the customer has given no routing instruction, or where the customer’s election of onchain execution specifies an execution environment rather than a complete execution destination. *See* Section III.A.5 below.

interconnected and competitive equity markets” because “a broker’s duty to provide best execution would apply regardless,” and that firms’ “commercial and competitive incentives should result in the firm routing orders to execute against the best price at an away market when consistent with the duty of best execution.”⁴ It also cites the emergence of “distributed ledger technology” and “smart contract applications undergirding automated market makers” as evidence of the market evolution that makes Rule 611 unnecessary.⁵ We agree on both counts. But the second premise carries a consequence for the first: having identified onchain execution as part of the rationale for removing Rule 611, the Commission should ensure that the best execution framework on which it relies can be applied coherently in the onchain environment. The *duty* itself translates readily—a customer-directed order executing in an onchain environment is no different in principle from a directed order to any venue today. What does not yet translate, however, is the *interpretive guidance* through which the duty is administered, which presupposes a consolidated quotation architecture that onchain venues do not yet have. The Commission need not resolve those interpretive questions in this rulemaking. It should, however, direct FINRA to address onchain execution expressly in its pending modernization of best execution guidance.

This letter accordingly makes three points, which track the structure below:

- **First**, the Commission should adopt the proposed rescission. The trade-through framework presupposes a quotation architecture—protected quotations displayed by automated trading centers and disseminated through securities information processors (“SIPs”)—that does not contemplate many onchain execution venues, and the market evolution the Proposing Release cites is real and accelerating.
- **Second**, the Commission should recognize, in direct response to the questions posed in the Proposing Release, that rescission of Rule 611 places the full weight of investor protection on best execution, and that the existing best execution framework has structural gaps as applied to onchain execution: certain onchain venues display no quotations at all; the national best bid and offer (“NBBO”) may be unavailable or inadequate as an onchain benchmark for evaluating a trade at an onchain venue for purposes of best execution; onchain execution carries cost components with no traditional analog; maximal extractable value can affect execution quality; and routing across onchain and offchain markets in the same security raises comparison questions existing guidance does not answer.
- **Third**, we respectfully urge the Commission to take two actions in connection with the adopting release: (i) state its expectations for principles-based best execution guidance addressing onchain execution and direct coordination with the self-regulatory organizations (“SROs”); and (ii) recognize qualifying independent reference prices as alternatives to the SIP-derived NBBO for onchain best execution.⁶

⁴ Proposing Release at 28.

⁵ Proposing Release at 14.

⁶ Separately, because they are integral to the market structure the Commission’s premises contemplate, but are not prerequisites to rescission, we encourage the Commission to take up in a parallel concept release or subsequent guidance, or coordinate with FINRA, as applicable, with respect to (i) encouraging FINRA to recognize a principles-based, investor-directed slippage parameter as an execution backstop; and (ii) resolving definitional ambiguities around onchain “NMS Stock.”

Critically, none of these actions requires a new Commission rulemaking: each can be taken in the adopting release itself, with the operative best execution guidance developed by FINRA under Commission direction.

I. The Commission Should Rescind Rules 611 and 610(e)

A. In Support of the Proposal

We support the proposed rescission of Rule 611. Two decades of experience have demonstrated the rule’s unintended consequences—market fragmentation, connectivity burdens, exchange proliferation, and the entrenchment of intermediation patterns organized around compliance with the rule rather than around execution quality—and the Proposing Release documents them thoroughly. We will not repeat that record here. We write instead to develop a structural point the Proposing Release touches on but does not elaborate: the trade-through framework is not merely unnecessary in light of market evolution; it is incapable of describing a growing segment of that evolution.

Rule 611 operates on “protected quotations”: the best bids and offers displayed by automated trading centers, disseminated pursuant to an effective national market system plan. That architecture presupposes a market in which executable interest takes the form of firm, displayed, point-in-time quotations collected and redistributed through exchange data feeds and the SIPs. That architecture accurately described the 2005 marketplace, and it continues to describe national securities exchanges and alternative trading systems (“ATs”) today. It does not describe onchain execution venues.⁷

As explained in detail in Section II below, none of the popular onchain venue structures produce what the protected-quotation concept requires. Automated market makers (“AMMs”) express executable interest as a continuous mathematical function of liquidity in a static pool rather than as resting bids and offers. Proprietary AMMs (“PropAMMs”) re-price liquidity continuously against an offchain model rather than displaying firm quotations.⁸ And onchain central limit order books (“CLOBs”), which do display resting interest, are not yet connected to FINRA’s Alternative

⁷ We refer to “onchain execution venues” (and similar terminology) broadly to include any smart contract, protocol, or other programmatic structure that effects the execution or settlement of transactions in tokenized NMS stock on or through one or more cryptographically secured distributed ledgers or crypto networks. We consider a “tokenized NMS stock” to be any NMS stock the ownership of which is maintained in whole or in part on or through one or more cryptographically secured distributed ledgers, regardless of whether the security was issued natively on a blockchain or represents an existing NMS stock through a tokenized entitlement or wrapper structure and without regard to whether the tokenized NMS stock is issuer- or third party-sponsored. See Div. of Corp. Fin., Div. of Inv. Mgmt. & Div. of Trading & Mkts., U.S. Sec. & Exch. Comm’n, Statement on Tokenized Securities (Jan. 28, 2026), <https://www.sec.gov/newsroom/speeches-statements/corp-fin-statement-tokenized-securities-012826-statement-tokenized-securities> (describing different implementations of tokenized securities). As the Commission acknowledged in its March 23, 2026 release on the application of the federal securities laws to crypto assets, such instruments are “digital securities” subject to the full panoply of applicable federal securities laws and SRO rules, including best execution obligations. *Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets*, Securities Act Release No. 33-11412, Exchange Act Release No. 34-105020 (Mar. 17, 2026), 91 Fed. Reg. 13,714 (Mar. 23, 2026) (defining “digital securities” as securities “formatted as or represented by a crypto asset, where the record of ownership is maintained in whole or in part on or through one or more crypto networks”).

⁸ A PropAMM is an onchain program that provides executable bids and offers for a given trading pair. Unlike a passive AMM, where prices follow a fixed mathematical curve and only move when someone trades against the pool, a PropAMM continuously re-prices its liquidity based on an offchain pricing model. A user’s transaction settles directly against the program’s onchain liquidity on the blockchain, and the resulting execution is independently verifiable by anyone. Maher Latif & Daniel Gerhardtstein, *PropAMMs and the Next Chapter of Permissionless Market Structure*, Jump Crypto (Apr. 15, 2026), <https://jumpcrypto.com/resources/propamms-and-the-next-chapter-of-permissionless-market-structure>.

Display Facility for dissemination via the SIPs—a facility the Commission acknowledges has no participants—and, where implemented as smart contracts on general-purpose blockchains, display interest that is executable only subject to blockchain mechanics: inclusion of the transaction in a block, network fees (where applicable), and ledger state at settlement.⁹ In each case, the result is a conditional indication of interest rather than a firm, immediately accessible quotation. Where the CLOB is instead embedded natively in the blockchain’s own execution environment, those dependencies largely resolve: order entry carries no network fee; resting orders form part of the same authoritative ledger state as recorded balances; and matching and settlement occur as a single state transition, leaving no separate settlement-state change to reconcile against the state the order executed against.

A trade-through prohibition defined by reference to protected quotations has fundamental incompatibilities with venues that produce no quotations capable of protection. Preserving Rule 611 would neither protect investors transacting onchain (whose venues sit outside the protected-quotation perimeter) nor sensibly constrain broker-dealers routing between environments (who would be measured against a quotation architecture that may describe only one of them). The sound regulatory response to that mismatch is the one the Commission has proposed: remove the prescriptive trade-through overlay and rest investor protection on the duty of best execution, adapted to the environments in which execution actually occurs.

For the same reasons, we support the rescission of Rule 610(e). The prohibition on locking and crossing quotations presupposes the same consolidated dissemination of firm, displayed quotations across venues. Where a growing share of executable interest is expressed through bonding curves, model-priced onchain liquidity, and conditional onchain order books that the SIPs do not capture, the locked-and-crossed framework has no coherent application, and its retention would impose impracticable compliance architecture without corresponding investor benefit.

B. Onchain Executions Fall Within Rule 611(b)(2)’s “Regular Way” Exception, and the Commission Should Confirm as Much Regardless of the Timing of Rescission

Independent of the proposed rescission, we submit that onchain executions of tokenized NMS securities fall outside Rule 611’s trade-through prohibition under the rule’s existing terms, and we respectfully request that the Commission confirm that reading by interpretive statement separate from the adopting release or by other regulatory guidance in the interim.

Rule 611(b)(2) provides an exception for transactions that are not executed pursuant to “regular way” contract terms. The Regulation NMS Adopting Release explains that “regular way” refers to bids, offers, and transactions that embody the standard terms and conditions of a market.¹⁰ Onchain execution does not embody those conventional terms and conditions. It settles atomically on a distributed ledger—simultaneously with or immediately upon execution—rather than through the standard T+1 clearance and settlement cycle administered through DTCC infrastructure;¹¹ its

⁹ See Proposing Release at n.90.

¹⁰ See Regulation NMS, Exchange Act Release No. 34-51808, at 157 (June 9, 2005), 70 Fed. Reg. 37,496, at 157 (June 29, 2005) (explaining that “regular way” refers to bids, offers, and transactions that embody the standard terms and conditions of a market).

¹¹ 17 C.F.R. § 240.15c6-1. We acknowledge that DTC offers same-day (T+0) settlement processing for certain transactions; that capability, however, is subject to intraday cut-off times and batch processing constraints, and does not contemplate continuous, 24/7/365 settlement. Atomic onchain settlement differs in kind, not merely in speed: settlement occurs at the moment

contractual mechanics are effected through smart contracts or programmatic execution environments rather than through standard clearing arrangements; and the instrument delivered is held through onchain custody rather than through the conventional intermediated holding chain. A transaction whose settlement timing, settlement infrastructure, contractual mechanics, and delivered custody form all depart from the standard terms and conditions of the market for the security is not a “regular way” transaction within the meaning of the rule. Accordingly, and to the extent the proposed rescission of Rule 611 is delayed or not adopted, we believe onchain executions of tokenized NMS securities are not “regular way” contracts and fall within this existing enumerated exception to Rule 611’s trade-through prohibition.

Commission confirmation of this reading matters under every rescission scenario. If the rescission is adopted on the proposed timeline, confirmation eliminates interim uncertainty for transactions occurring between now and the effective date. If the implementation time period is extended for some reason—including, as we recommend below, to coordinate with best execution guidance—confirmation governs the interim period. And if the rescission is not adopted, confirmation resolves the treatment of onchain executions under the retained rule. In each case, it applies the rule’s existing text and the Commission’s existing interpretation to a settlement architecture that plainly departs from regular-way terms.

We emphasize, however, that Rule 611(b)(2) status does not relieve broker-dealers of their best execution obligations, which apply to all transactions in NMS securities by FINRA member firms regardless of settlement mechanism or execution architecture.¹² The duty of best execution thus serves as the primary investor-protection check on execution quality for onchain executions both today and following any rescission of Rule 611, which is precisely why the structural gaps described in Section II warrant the Commission’s attention.

II. Rescission Places the Full Weight of Investor Protection on Best Execution—and the Best Execution Framework Has Structural Gaps for Onchain Execution

The Proposing Release is explicit that the duty of best execution is the regulatory mechanism that will carry investor protection in the absence of Rule 611’s trade-through prohibition. It is equally explicit in inviting comment on whether that mechanism needs updating, asking “whether, and to what extent, best execution requirements and guidance should be updated,” and specifically: “What steps should be taken by the Commission and/or SROs with respect to best execution if the Commission were to rescind Rule 611? Is there a need for additional best execution guidance concerning retail order handling? Institutional order handling? If so, what should that guidance include and should that guidance be principles-based or more prescriptive?”¹³

This Section answers those questions for the emerging onchain segment of the market. Our answer, in brief: yes, updated guidance is needed; it should be principles-based; and it should address the structural features of onchain execution described below, each of which is necessary

of execution, at any hour, without dependence on centralized clearing infrastructure operating windows. Where execution and settlement are near-simultaneous, pricing inputs must be synchronized with ledger state and collateral availability for many onchain venues such as AMMs. The SIP data infrastructure, optimized for sub-second order matching and deferred settlement, may not reflect the real-time or onchain conditions relevant to a transaction that will settle atomically.

¹² FINRA Rule 5310(a)(1) & Supplementary Material .09; *see* FINRA Regulatory Notice 14-21 (Best Execution in Equity Markets) (2014); FINRA Regulatory Notice 15-46 (Best Execution in Equity, Options, and Fixed Income Markets) (2015); FINRA, 2025 FINRA Annual Regulatory Oversight Report (Jan. 2025), <https://www.finra.org/sites/default/files/2025-01/2025-annual-regulatory-oversight-report.pdf>.

¹³ Proposing Release at 44-45.

to appropriately adapt application of the existing best execution framework. In short, an appropriate best execution analysis for onchain venues should affirmatively weigh the onchain execution benefits—atomic settlement and elimination of counterparty settlement risk, DeFi composability, privacy, continuous 24/7 market access, and smart contract- and protocol-enforced order parameters—against potential incremental execution costs. The analysis should not reduce to whether onchain execution achieves a better NBBO price than offchain alternatives.

A. Certain Onchain Venues Display No Quotations, So the “Best Market” Analysis Has Nothing to Compare

The “best market” analysis at the core of the best execution inquiry was designed to answer a comparatively straightforward question: which of the competing venues displaying a quoted price for the subject security offers the most favorable terms?¹⁴ For onchain execution, that question frequently has no direct answer, because there is no quoted price. Such onchain venues differ from traditional finance venues that do not show a quoted price (such as single-dealer platforms, dark pools, and OTC market makers) in that the price is not tied to the publicly disseminated NBBO. Rather, an AMM determines execution price continuously along a mathematical curve (for example, a constant-product or constant-sum bonding curve) where the price a customer receives is a function of the order’s size, the pool’s depth, and the shape of the curve at the moment of execution, not a pre-trade quoted price. A PropAMM continuously re-prices its liquidity against an offchain pricing model and settles transactions against onchain liquidity; the resulting execution is independently verifiable onchain, but the pre-trade “price” is determined by the PropAMM’s model, not by a resting bid or offer. And an onchain order book (or offchain order book that settles onchain), which does display resting bids and offers, disseminates them to no SIP—they currently exist entirely outside the NBBO—and displays quotations that may be executable only subject to blockchain mechanics with no traditional analog: the order must be successfully included in a block, sufficient network fees (where applicable) must be paid, and the quoted interest must remain available in ledger state at the moment of settlement.¹⁵ A displayed price on an onchain order book (or an offchain order book that settles onchain) is accordingly more akin to a conditional indication of executable interest than the firm, immediately accessible quotation that existing best execution frameworks presuppose.

The critical implication is that onchain execution price is inherently size- and state-dependent. Because an AMM prices each order along its liquidity curve, two customer orders of

¹⁴ The “best market” analysis under existing best execution frameworks is in practice broader, as substantial order flow is routed to OTC market makers, non-displayed ATSS, and non-displayed liquidity on exchanges. But in each of those cases, the analysis remains anchored to displayed quotations: an internalized execution is evaluated by reference to price improvement against the NBBO; a midpoint execution at a non-displayed ATS is priced off the NBBO itself; and hidden exchange liquidity is priced by reference to the displayed book.

¹⁵ Onchain CLOB implementations vary in ways relevant to this analysis. A CLOB implemented as a smart contract deployed to a general-purpose blockchain subjects displayed orders to the dependencies described above—block inclusion, network fees, and ledger state at settlement. A CLOB embedded natively in a blockchain’s own execution environment can substantially resolve those dependencies: order entry may carry no network fee, resting orders form part of the same authoritative ledger state as recorded balances, and matching and settlement occur as a single state transition, leaving no separate settlement-state change to reconcile. A third category—venues that match orders offchain and settle onchain—presents conventional matching against firm prices, with only the settlement leg occurring onchain. These architectural differences do not alter the protected-quotation analysis (no onchain quotation is disseminated pursuant to a national market system plan) and do not bear on the “regular way” analysis (which turns on settlement terms, not quotation firmness). Their relevance is to best execution: the firmness and accessibility of displayed interest at a given onchain venue is a characteristic a broker-dealer should understand and account for in venue analysis—and, where material, disclose to customers—rather than a factor that is dispositive of routing in either direction.

different sizes submitted to the same venue at the same moment will receive different effective prices—de minimis differences for retail-sized orders against well-capitalized pools, but differences that scale continuously and materially with order size relative to pool depth.¹⁶ There is no single “quoted price” at such venues in the sense the existing framework assumes.

These characteristics are baseline features of onchain venues, not defects requiring a bespoke best execution regime—and not all of them are permanent: some onchain venues, particularly those displaying firm resting interest, may over time integrate with the consolidated quotation system, and nothing in updated guidance should foreclose that path. But viability as a routing destination should not be conditioned on integration with the SIPs. Consistent with the premise of the Commission’s proposed rescission of Rule 611, market forces should determine which onchain venues succeed as routing destinations, and the venues that do will be those delivering executions comparable to or better than the NBBO, net of all costs, where an NBBO exists—a comparison a firm can make from realized and expected effective execution price without modeling any venue’s liquidity mechanics, just as firms today evaluate executions at venues that display no quotations of their own. Nothing in the foregoing suggests that the NBBO should be disregarded in evaluating onchain executions. Where a national best bid or offer exists, it remains the natural reference point, and a member that routes a non-directed order to an onchain venue and obtains a net price inferior to one contemporaneously available on a lit market has not satisfied its best execution obligation. Our point is narrower: the comparison should be to expected and realized effective execution price, inclusive of all costs borne by the customer, rather than to displayed quotations alone; and where no NBBO exists—including during periods when the consolidated quotation system is not operating—a qualifying independent reference price should be available as the benchmark.

Nor are the inputs to that comparison novel. FINRA’s existing guidance already contemplates that a member’s best market determination may account for transaction costs and for the market impact of its routing decisions, particularly for larger orders. Applied to onchain venues, those established considerations translate directly: protocol and network costs are transaction costs of the same character as access fees, and a curve-based venue’s price response to the order itself is the same market-impact consideration a member applies today when weighing execution of a large order against displayed liquidity. What onchain execution adds is a settlement dimension that existing guidance does not address—the atomicity of matching and settlement, the finality characteristics of the venue’s execution environment, and the elimination of settlement risk at venues where execution and settlement occur in a single state transition. We therefore ask that the SEC coordinate with FINRA to encourage it to provide guidance that the established cost and market-impact considerations apply to onchain venues in the manner described, and to recognize settlement characteristics as a relevant factor in the best market determination. Firms executing customer-directed onchain orders require this methodology today. Section III.A

¹⁶ For orders that are small relative to pool depth, the size-dependence of the effective price is modest—differences between similarly sized retail orders (e.g., 100 shares versus 150 shares) executed against a well-capitalized pool will typically be de minimis, on the order of fractions of a basis point. The effect scales approximately linearly with order size relative to pool depth: an order representing a meaningful fraction of available pool liquidity will incur a price impact that is material and that increases continuously with each incremental unit of size. The structural point for best execution purposes is not that every order pair receives materially different prices, but that price is determined by a continuous function of order size and pool state rather than by a resting quotation—so there is no single pre-trade “price” against which execution quality can be benchmarked in the manner existing frameworks assume.

describes the reliance-based framework through which members can operationalize it without independently modeling venue-level liquidity mechanics.

B. The SIP-Derived NBBO Is Unavailable or Inadequate as a Benchmark for Onchain Execution

The practical backbone of most firms' best execution compliance programs is a comparison of execution prices against the NBBO at or near the time of execution. That comparison presupposes that the NBBO is the data point worth assigning the most weight for the specific order and venue. For onchain execution, that presupposition fails for at least three reasons.

First, the NBBO may simply not exist when the execution occurs. Onchain venues operate continuously—including evenings, weekends, and holidays—while the SIPs do not. Although the Commission has approved amendments expected to extend SIP operations beginning December 6, 2026, from 9:00 p.m. ET Sunday through 8:00 p.m. ET Friday (subject to specified readiness conditions), those hours will continue to exclude weekends and holidays and will include a technical pause from 8:00 p.m. to 9:00 p.m. ET Monday through Thursday.¹⁷ A broker-dealer routing customer orders to an onchain venue during these periods will have no SIP-published NBBO against which to benchmark execution quality under any conventional application of the existing framework. This is not an edge case: it encompasses every weekend, every holiday, and every hour outside SIP operating windows, and we expect a substantial and growing share of onchain activity to occur precisely then. Nor does existing off-hours guidance fill the gap: it presupposes predictable post-close liquidity degradation, an assumption that may not describe continuous onchain markets in which, for example, AMM pool liquidity rests available around the clock. Investors transacting during these periods are entitled to the same diligence as investors transacting during regular sessions. The result is a structural mismatch between an always-on duty and a benchmark available only part of the time—one that leaves broker-dealers without an objective reference precisely when reference prices are scarcest and execution risks like thinner liquidity, wider effective spreads, elevated volatility, corporate announcements landing outside traditional sessions, and heightened technology risk are most pronounced.

Second, even when the NBBO exists, it may not reflect onchain conditions. The SIPs receive quotation and transaction information from national securities exchanges and FINRA-operated facilities. An AMM or PropAMM has no quotation to submit—executable interest exists as a function of pool state rather than as resting bids and offers—and quotations displayed by onchain CLOBs are disseminated today pursuant to no national market system plan. SIP quotation data therefore reflects prices available on conventional venues but not the price at which the tokenized form of the same security is available for onchain settlement. Comparing an onchain execution price to an offchain NBBO can inform whether the customer would have been better served in the traditional market but, if an investor indicates their desire to have their transaction executed and/or settled in an onchain environment, the NBBO does not measure the quality of the onchain execution, because the comparison would be between what the customer paid for onchain settlement against a structurally different transaction, on different infrastructure with different

¹⁷ See Exchange Act Release Nos. 34-105779 & 34-105780 (June 26, 2026) (orders approving amendments to the CTA/CQ and UTP plans to extend the operating hours of the securities information processors); Press Release, Operating Committees of the Securities Information Processors, SIPs Receive SEC Approval for Extended Trading Hours Initiative (July 7, 2026), <https://www.prnewswire.com/news-releases/sips-receive-sec-approval-for-extended-trading-hours-initiative-302820006.html>.

costs and settlement characteristics. A SIP-derived NBBO can therefore be materially incomplete—or actively misleading—as a measure of execution quality for an order routed to an onchain execution venue. To the extent onchain venues eventually integrate with the SIPs as to some information, such efforts will take years and will require NMS plan amendments and significant coordination among SROs; the benchmarking gap is present now.

Third, the temporal architecture does not match. Two distinct timing concepts govern onchain execution. The first is *block time*—the interval at which transactions are executed and included in the public ledger, the onchain analog of execution and last-sale publication: Hyperliquid finalizes blocks in approximately 200 milliseconds; Solana includes transactions in slots of approximately 400 milliseconds; Ethereum produces blocks approximately every 12 seconds; Bitcoin produces blocks approximately every ten minutes. The second is *finality*—the point at which an included transaction becomes irreversible as a matter of protocol design—which can coincide with block inclusion itself (Hyperliquid), or follows block inclusion by seconds (Solana), minutes (Ethereum), or, probabilistically, an hour or more (Bitcoin). A SIP-derived NBBO refreshing at microsecond resolution is not a meaningful price reference for an order that will execute at 400-millisecond to 12-second block intervals, and the additional interval to finality introduces a settlement-assurance dimension the current framework does not contemplate at all.¹⁸

C. Onchain Execution Carries Cost Components with No Traditional Analog

Existing best execution frameworks recognize transaction costs, as well as the accessibility of quotations and other practical considerations associated with obtaining an execution in a particular market, as relevant factors in the best-execution analysis. In onchain execution, the relevant transaction cost components are materially different from, and in some cases have no analog in, traditional equity execution costs. Such costs should be acknowledged as part of best execution guidance related to onchain venue executions, and we believe the SEC should ensure that such costs are considered by FINRA as part of its consideration of further best execution guidance. They include:

- **Network fees (gas):** variable fees paid to block producers for transaction inclusion, which can spike materially during periods of network congestion and represent a significant per-transaction cost. Gas is paid regardless of whether the trade executes favorably from a price perspective and must be estimated prospectively at the time of order submission.¹⁹

¹⁸ To explicate the point, assume a broker-dealer submits a customer order to an onchain venue at time T, when the NBBO is \$10.00 by \$10.01, and the order is included in a block and executes at T2, when the NBBO is \$10.02 by \$10.04. Measured against the NBBO at T2, the execution appears inferior—but the routing decision was made at T, on the information available at T, and once submitted the order could not reliably be withdrawn. The relevant reference is the market at the time the order was committed, and the point holds symmetrically: favorable movement over the same interval is no more attributable to the broker-dealer than adverse movement. A SIP-derived NBBO refreshing at microsecond resolution is not a meaningful reference for an order whose terms will be fixed at a block boundary hundreds of milliseconds or seconds later, and the additional interval to finality introduces a settlement-assurance dimension the current framework does not contemplate at all.

¹⁹ Some blockchain networks feature protocols that allow investors to pay additional fees, or “tips,” on top of standard gas costs to incentivize block producers to prioritize their transaction for inclusion, a practice that represents a form of Maximal Extractable Value (described below) by influencing the strategic ordering of transactions within a block. During periods of network congestion or high market volatility, this tipping mechanism serves as a vital tool for investors, as it allows them to ensure timely transaction inclusion by incentivizing block producers to prioritize their orders when demand for scarce block space is at its peak.

- **Protocol fees:** smart contract interaction fees charged by the AMM or other onchain venue, typically expressed as a basis-point fee on the notional amount of the transaction.
- **Slippage from AMM curve dynamics:** the difference between the expected execution price at the time of order submission and the actual execution price after accounting for the AMM curve and pool depth. For larger orders or less liquid pools, this component can be substantial.
- **Pre-funding and collateral requirements:** onchain settlement often requires that assets be pre-funded or collateralized in the onchain wallet before a transaction is submitted; the cost of that pre-funding (including opportunity cost and any transfer fees) is part of the total execution cost.
- **Bridge fees for cross-chain execution:** when a tokenized NMS stock trades across multiple blockchains, cross-chain bridge fees to move the instrument between networks may represent a necessary, material cost component.
- **Settlement timing costs:** the opportunity cost of capital committed during block confirmation periods, which can range from sub-second to minutes depending on the chain, must be considered in total cost analysis.

Some onchain execution venues also incorporate cost-reduction mechanisms that lower the effective cost of execution—for example, volume-based fee tiers that reduce, and at the highest tiers eliminate, trading fees as activity increases; maker rebates that pay rather than charge for the provision of resting liquidity; and fee discounts tied to other onchain activity, such as staking of a network’s native asset.²⁰

A routing decision that ignores these components—or the reductions that offset them—can favor a venue whose nominally better price is worse for the customer once the net costs of the transaction, after any applicable reductions, are accounted for, or disfavor a venue whose all-in cost is in fact lower. Recognizing both within the best execution analysis is a natural extension of the existing framework—which already treats transaction and execution-difficulty costs as relevant—because onchain cost components, and the mechanisms that offset them, are simply the form those factors take in a blockchain settlement environment.

Recognition, however, should not become a computation mandate: as described further in Section III.A.1 below, broker-dealers should not be required to build systems that independently

²⁰ For example, Hyperliquid’s published fee schedule applies volume-based tiers under which spot-market taker and maker fees decline as a participant’s rolling 14-day volume increases; provides maker rebates for participants whose resting orders account for a significant share of maker volume; and applies trading fee discounts based on the amount of the network’s native asset (HYPE) the participant has staked. See Hyperliquid Docs, Fees, <https://hyperliquid.gitbook.io/hyperliquid-docs/trading/fees>. Similarly, OpenBook, an onchain central limit order book deployed to Solana, supports per-market fee parameters under which resting orders may receive a maker rebate. See OpenBook v2, <https://github.com/openbook-dex/openbook-v2>. dYdX applies fee tiers based on a participant’s 30-day trading volume together with governance-set fee discounts based on the participant’s staked holdings of the network’s native asset. See *dYdX Community Votes to Introduce Staking-Based Fee Discounts*, <https://www.dydx.xyz/blog/dydx-community-votes-to-introduce-staking-based-fee-discounts>. And on Ethereum, Uniswap embeds fee differentiation at the pool level, with per-pool fee tiers and, in its most recent version, programmable dynamic fees. See Uniswap Docs, Dynamic Fees, <https://docs.uniswap.org/contracts/v4/concepts/dynamic-fees>. These mechanisms have familiar analogs in traditional market structure, where exchange volume tiers and maker-taker rebate schedules are routine inputs to routing analysis. What differs onchain is their administration, since they are applied automatically at the protocol level as a function of observable onchain activity, so the reduced fee is embedded in the execution the participant actually receives rather than delivered through negotiated arrangements.

calculate each of these components for every order. The onchain market already produces pricing that internalizes them—execution venues and routing services furnish order-specific expected execution prices net of curve impact and applicable costs, and qualifying reference price sources (such as those meeting the criteria described in Section III.B) supply continuously available prices reflecting conditions in the markets where the security actually trades. Guidance should accordingly recognize each component as a legitimate factor in the best execution analysis and confirm that a firm satisfies its diligence obligation with respect to these components by reasonably relying on pricing information that includes relevant costs to inform its routing decisions, subject to the periodic validation described in Section III.A, rather than by independently estimating each component order by order.

D. MEV Bears on Execution Quality

Maximal extractable value (“MEV”) refers to value that can be captured by block producers or third-party actors by strategically ordering, inserting, or censoring transactions within a block, including in exchange for compensation from market participants seeking to have their transactions prioritized. MEV is a feature of onchain execution with no direct analog in traditional equity markets. Depending on how an order is constructed and routed, it can either degrade or improve a customer’s execution quality, and a broker-dealer is in a position to anticipate and influence which outcome obtains. MEV considerations relevant to best execution fall on both sides of the ledger:

- **Front-running:** a block producer or MEV bot observes a pending customer transaction and submits a competing transaction ahead of it, profiting at the customer’s expense by altering pool state before the customer’s order executes.
- **Sandwich attacks:** an attacker inserts a buy order immediately before and a sell order immediately after a customer’s AMM transaction, extracting value from the predictable price impact of the customer’s order.
- **Transaction reordering:** a block producer deliberately sequences a customer’s transaction to a less favorable position within a block, capturing value from the reordering.
- **Transaction inclusion certainty:** during periods of network congestion or elevated volatility, ordering an order’s submission through a block builder or private channel can secure timely, reliable inclusion in a block, reducing the risk that a customer’s order is delayed, stranded (fails), or executed at a stale price.
- **Backrunning and arbitrage-driven price correction:** arbitrageurs who trade immediately after a customer’s transaction—rather than around it—can realign an AMM pool’s price with the broader market, tightening effective spreads and improving execution for subsequent orders without extracting value from the customer’s own fill.
- **MEV rebates and order-flow auctions:** routing through mechanisms that auction the right to execute against customer order flow can return a portion of the resulting MEV to the customer as price improvement or rebates, converting value that would otherwise accrue to searchers or block producers into a customer benefit.

Because MEV bears on the price a customer receives, and because a firm’s routing and transaction-structuring choices materially influence whether MEV degrades or improves that price,

MEV belongs squarely within the scope of the best execution diligence obligation. But because MEV dynamics cut both ways, a rigid mitigation mandate would misfire. A firm can address adverse MEV through technically feasible steps within its reasonable control—private mempools or MEV-protected submission services; smart-contract protections such as slippage limits and deadline parameters that cause a transaction to revert if value extraction exceeds a specified threshold; and venue selection favoring execution architectures less susceptible to adverse MEV. Yet MEV-enabled execution can itself yield superior terms: inclusion certainty during congestion or volatility, rebates through order-flow auctions, and tighter effective spreads through arbitrage-driven price correction. The relevant question is therefore not whether a firm has eliminated MEV exposure, but whether it has reasonably considered MEV and routed in a manner consistent with the most favorable terms reasonably available—which in a given case may mean mitigating adverse MEV, or may mean affirmatively electing an MEV-enabled route, and which properly accommodates a customer’s own informed election on the matter. Section III.A.7 describes the guidance and safe harbor we recommend.

E. Dual-Market Routing Raises Comparison Questions Existing Guidance Does Not Answer

For a tokenized NMS stock that trades both onchain (at AMMs, PropAMMs, or onchain order books) and offchain (at traditional exchanges or ATSS), a broker-dealer must determine which market to route to. Comparing these markets is structurally challenging in ways current guidance does not address. A customer trading on a traditional exchange generally receives T+1 DTC settlement. A customer trading at an onchain venue receives atomic blockchain settlement, onchain custody, and DeFi composability. These are not merely price differences; they are differences in the nature of the instrument received and the settlement infrastructure through which ownership is held—so a raw price comparison understates what each execution actually delivers.

The Commission and FINRA have long recognized that price alone does not exhaust the best execution inquiry; the trading characteristics of the security involved and the availability of accurate information affecting choices as to the most favorable market center are also relevant. Settlement modality, custody form, and investor-specific needs should likewise be recognized as relevant factors when the same security trades in structurally different execution environments. Where a customer has specifically requested onchain settlement, that preference is itself a relevant—and potentially dispositive—factor as to settlement modality, though it does not by itself discharge the firm’s diligence obligations as to the execution-quality variables that remain within the firm’s control.²¹ Consistent with the most-favorable-terms standard, an appropriate best execution analysis for onchain venues should affirmatively weigh the onchain execution benefits—atomic settlement and elimination of counterparty settlement risk, DeFi composability,

²¹ FINRA Rule 5310.08 relieves a member of any best execution determination beyond a customer’s specific instruction where the customer, on an unsolicited basis, directs that an order be routed to a particular market (e.g., the customer designates the specific AMM pool or onchain order book for order routing). A customer’s election of “onchain” execution, by contrast, specifies an execution environment rather than a complete execution destination, and leaves a range of consequential variables within the firm’s control and therefore within its diligence obligation—including which blockchain the order is routed to (and the gas costs, finality, and reliability characteristics attendant to that chain); the available liquidity, pool depth, and resulting price impact or slippage at a given AMM, PropAMM, or onchain order book; and the selection among multiple onchain venues trading the same tokenized security. Coordinated guidance should accordingly confirm that a customer’s election of onchain execution, while a relevant and potentially dispositive factor as to settlement modality, does not by itself discharge best execution obligations as to the execution-quality variables that remain within the firm’s discretion, and that reasonable-diligence and regular-and-rigorous-review obligations continue to apply to those variables.

privacy, continuous 24/7 market access, and smart-contract-enforced order parameters—against potential incremental execution costs. The analysis should not reduce to whether onchain execution achieves a better NBBO price than offchain alternatives.

A final structural gap compounds each of the foregoing: the data infrastructure underlying execution-quality review is different in kind. There is no consolidated onchain transaction tape equivalent to SIP or trade-reporting-facility reporting, and integration with the existing trade reporting infrastructure poses operational challenges that may take years; the trade-level data underlying a rigorous review must be assembled from blockchain transaction hashes, smart contract event logs, and network fee records—sources that are in some respects more complete and independently verifiable than traditional reporting infrastructure, but that existing guidance does not contemplate. Onchain execution also presents review questions with no traditional analog: transaction reverts and failed submissions are a routine execution outcome that a quality review must account for (likelihood of execution approaches certainty with adequate gas and pool depth but collapses to zero on gas-estimation failure, pool depletion, or smart contract error); speed is measured to include block times rather than broker-dealer routing and matching-engine latency; and continuous 24/7 trading raises whether a quarterly review cadence designed around discrete market sessions remains meaningful. These are gaps in the review architecture itself, and they are addressable—but only by guidance that engages the onchain environment on its own terms.

III. Recommended Commission Actions

The Proposing Release asks what steps should be taken by the Commission and/or the SROs with respect to best execution if Rule 611 is rescinded.²² We recommend two that the Commission can take at the time of the adopting release: (i) state its expectations for principles-based best execution guidance addressing onchain execution and direct coordination with the SROs; and (ii) recognize qualifying independent reference prices as alternatives to the SIP-derived NBBO for onchain best execution.

In addition, we recommend an additional two steps that the Commission should consider in a parallel concept release or subsequent guidance, or coordinate with FINRA, as applicable: (iii) an investor-directed slippage parameter—a smart-contract-enforced price tolerance set by the investor at order entry—as the onchain analog of the price protection that rescission removes, and the direct answer to any residual “backstop” concern; and (iv) the definitional status of tokenized instruments under Regulation NMS.

None of our recommended actions requires a new Commission rulemaking: each can be accomplished in the adopting release itself—through statements of the Commission’s expectations, direction to FINRA, and action the staff can take under existing authority.

A. State the Commission’s Expectations for Principles-Based Onchain Best Execution Guidance

The Commission should use the adopting release to answer its own question: yes, best execution guidance should be updated to address onchain execution, and the resulting guidance should be principles-based rather than prescriptive—consistent with the Proposing Release’s own suggestion—given the rapid evolution of onchain execution technology and the difficulty of prescribing specific technical standards that will remain accurate as the market develops. Because

²² See Proposing Release at 45.

the interpretive machinery of best execution for equities resides principally in FINRA Rule 5310 and its supplementary materials, the most efficient course is for the Commission to state its expectations in the adopting release and direct staff engagement with FINRA and the other SROs to deliver conforming guidance.

The identity of the SRO in which that guidance is anchored matters. In recent months, several exchange SROs have adopted their own immediately effective best execution rules—patterned on FINRA Rule 5310.²³ We do not address the substance of those filings here. But the structural posture they create warrants the Commission’s attention: exchanges are themselves execution venues that compete for order flow, and a regime in which each venue writes, interprets, and enforces the best execution standard governing where its members route orders carries an inherent conflict of interest and the potential for anti-competitive effects. Exchange-administered best execution rules could be interpreted or enforced—even if not so intended—in ways that impede routing to venues other than the adopting exchange, including ATSS, other off-exchange market centers, and the onchain venues addressed in this letter, and the proliferation of overlapping venue-level rules risks fragmenting the interpretation of a duty that should be uniform across the market. Best execution policy, guidance, and enforcement for customer order handling should accordingly remain anchored in FINRA—whose rules reach across markets to the broker-dealers that handle customer orders and which has no commercial stake in where order flow is routed—and the Commission, in exercising its oversight of SRO rulemaking, should remain attentive to whether exchange-level best execution rules are applied in a manner that restricts competition among execution venues.

Douro Labs has separately and contemporaneously requested that FINRA issue updated interpretive guidance under Rule 5310 addressing each of the elements below;²⁴ Commission direction would ensure that effort proceeds on a coordinated basis and a defined timeline. The guidance the Commission directs FINRA to develop should address, at minimum, the following elements related to best execution for onchain venues.

1. A reliance-based “best market” standard. For orders routed to onchain venues, the “best market” analysis naturally turns on the expected effective execution price for the specific order—incorporating anticipated price impact for the relevant order size, applicable protocol and network costs, and the settlement characteristics of the relevant venue—because there is no displayed quotation to compare. This does not mean that broker-dealers must independently model AMM curve dynamics or pool mechanics. Rather, the onchain market has already developed—and competitive pressure will continue to drive—pre-trade price discovery infrastructure that performs this function. For example, execution venues and routing services provide order-specific expected execution prices incorporating curve impact and pool depth, certain venues quote firm prices on a request-for-quote basis, and protocol-level slippage parameters convert any pre-trade indication into an enforceable worst-case execution bound. A reliance-based standard aligns the

²³ See, e.g., Exchange Act Release Nos. 34-105626 (SR-NYSEAMER-2026-47), 34-105627 (SR-NYSEARCA-2026-59), 34-105628 (SR-NYSENAT-2026-16), and 34-105629 (SR-NYSETEX-2026-20) (June 9, 2026) (notices of filing and immediate effectiveness of proposed rule changes adopting exchange-level best execution rules patterned on FINRA Rule 5310); see also Securities Exchange Act Release No. 34-104543 (Jan. 5, 2026), 91 FR 731 (Jan. 8, 2026) (SR-NYSE-2025-50) (adopting NYSE Rule 5310).

²⁴ Letter from Brandon H. Ferrick, General Counsel, Douro Labs LLC, and Joe Nikolson, Chief Executive Officer, Securitize Markets, LLC, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA (Aug. 11, 2026) (requesting updated interpretive guidance under FINRA Rule 5310 addressing onchain execution of tokenized NMS securities).

diligence obligation with this market structure:²⁵ a broker-dealer satisfies its reasonable-diligence obligation by (a) obtaining pre-trade expected-price indications for the specific order from one or more onchain venues, routing services, or qualifying reference price sources (including services meeting the criteria described in Section III.B); (b) comparing those indications across reasonably available onchain venues; (c) periodically validating the reliability of the pricing sources on which it relies, including through post-trade comparison of expected against actual execution prices; and (d) documenting the foregoing. This approach is directly analogous to the best execution framework long applied in fixed income and other markets that lack a consolidated quotation stream, where reasonable diligence is satisfied by seeking and comparing available pricing indications rather than by benchmarking against a consolidated quote—and it is readily supervisable through examination of a firm’s pricing sources, validation procedures, routing logic, and post-trade review results, without requiring firms or examination staff to independently reconstruct venue-level liquidity mechanics.

2. Acceptable benchmarks for execution-quality review. A reliable public reference price that aggregates available pricing information and transaction data across onchain venues promotes the core objectives of best execution in the onchain context. It can supply the reference function that the NBBO cannot perform for onchain executions: a continuously available price reference that reflects conditions in the markets where the security actually trades, operates during all periods of onchain activity including weekends and overnight sessions, and is synchronized with onchain execution timing. It gives firms a consistent basis for routing decisions and for regular and rigorous execution quality reviews, gives examiners an objective standard against which firm practices can be assessed, and gives customers assurance that their onchain executions are measured against genuine market conditions rather than left unbenchmarked. Accordingly, a qualifying reference price meeting the criteria described in Section III.B should be a recognized component of onchain best execution analysis, in lieu of or as a supplement to the SIP-derived NBBO.

3. Onchain transaction cost components. Guidance should explicitly recognize the cost components described in Section II.C—gas, protocol fees, AMM slippage, pre-funding costs, bridge fees, settlement timing costs (including MEV), and any applicable onchain cost reduction mechanisms—as legitimate factors in the best execution analysis, and should confirm that firms are not required to independently calculate each component: consistent with the reliance-based standard in element 1, a firm satisfies its diligence obligation by reasonably relying on expected-price indications and qualifying reference prices that incorporate onchain trading activity.

4. Regular and rigorous review adapted to onchain data. Guidance should address (a) acceptable data sources and proxy benchmarks in the absence of a consolidated onchain reporting infrastructure; (b) documentation requirements for onchain execution records, including blockchain transaction hashes, smart contract event logs, and network fee records; (c) how to treat transaction reversions and failed submissions in execution-quality analysis; and (d) whether the standard review frequency is appropriate for continuous onchain trading activity or whether continuous monitoring is more appropriate.

²⁵ We use “reliance-based” to describe a standard under which a broker-dealer’s reasonable diligence is directed to the sourcing and validation of pre-trade price information rather than to its independent derivation: the firm is expected to obtain order-specific expected-price indications from appropriate sources, compare them across reasonably available venues, validate the reliability of those sources over time against actual execution outcomes, and document each step—but it is not expected to model AMM curve dynamics, pool depth, or ledger state itself in order to establish what price was available.

5. Cross-market routing in a dual-market environment. The most-favorable-terms standard has always operated within the customer’s own instructions and objectives: a customer who directs a limit order, selects a particular venue, or prioritizes anonymity over access fees defines the terms of the best execution inquiry rather than waiving it. The Commission should confirm that the same principle applies where a customer’s objectives mandate onchain settlement and custody—for that customer, offchain execution does not deliver the instrument in the form sought, and a comparison against offchain alternatives measures the wrong thing. Where no such mandate exists and the same security is reasonably available in both forms, a cross-market comparison is appropriate, but it must contend with the structural reality that onchain and offchain executions differ not merely in price but in settlement modality, custody form, and infrastructure. Guidance should accordingly clarify (a) that a firm routing customer orders to onchain venues without comparing execution quality against offchain alternatives does not run automatically afoul of its best execution obligation when the investor’s objectives mandate onchain settlement and custody and (b) the appropriate methodology for broker-dealers to consider when comparing onchain and offchain execution quality, given that settlement modality, custody form, and infrastructure differ fundamentally.

6. Off-hours and no-NBBO execution. Guidance should specify (a) that best execution obligations apply during all periods of onchain execution, including off-hours when no SIP-derived NBBO is available; (b) what reference prices or benchmarks are appropriate during those periods (including those described in Section III.B); and (c) whether any accommodations apply to execution-quality review methodology for off-hours onchain trades.

7. MEV as a best execution consideration, with a principles-based safe harbor. Guidance should (a) formally recognize MEV as a best execution consideration; (b) identify categories of reasonable measures firms should consider for addressing adverse MEV (for example, private mempool use,²⁶ MEV-protection services, smart-contract slippage limits and deadline parameters, and venue selection); (c) confirm that MEV mitigation is not a per se requirement of best execution—since MEV-enabled routing can itself yield superior terms—but rather that the question is whether a firm has reasonably considered MEV and routed consistent with the most favorable terms reasonably available, not whether it has eliminated MEV exposure; and (d) provide a principles-based safe harbor for firms that implement and document reasonable MEV practices—including reliance on a customer’s informed election—so that firms are not penalized for MEV exposure that could not have been prevented through reasonable measures or that reflects a customer’s own routing election.

²⁶ On most general-purpose blockchains, a submitted transaction is first broadcast to a public “mempool,” where it is visible to other network participants as a pending instruction—including its intended trade, size, and slippage tolerance—before it is included in a block. That pre-inclusion visibility is what makes front-running and sandwiching possible: a searcher observing a pending order can submit its own transactions with higher fee priority to be sequenced ahead of, or around, the observed order. Private mempool submission (also described as private order flow or private transaction relay) routes the transaction directly to a block builder, validator, or specialized relay rather than broadcasting it publicly, so that it is not visible before inclusion. The approach involves its own considerations rather than being cost-free: the receiving relay or builder does see the order flow, so the protection depends on that operator’s conduct and on the contractual and technical arrangements governing it; inclusion may be slower or less certain than public broadcast; and the builder and relay markets are concentrated among a small number of operators. Certain private order flow arrangements also return a portion of any value extracted to the originating party or the customer, which is itself a factor a broker-dealer should consider and, where material, disclose. Private mempool submission is inapplicable at venues that do not expose pending transactions before execution—including venues embedded natively in a blockchain’s execution environment and venues that match offchain and settle onchain—which illustrates why the reasonableness of any particular MEV measure depends on the architecture of the venue to which an order is routed.

8. Written supervisory procedures. Guidance should clarify that firms engaged in onchain execution of tokenized NMS securities must establish written supervisory procedures specifically addressing onchain best execution, including (a) the reference prices and benchmarks to be used for routing and quality-review purposes; (b) the onchain cost components included in the analysis; (c) the methodology and frequency of regular and rigorous reviews; (d) documentation and recordkeeping requirements for onchain execution records; and (e) MEV assessment procedures.

9. Sequencing. Finally, the Commission should coordinate the rescission’s effectiveness with the delivery of this guidance. The Proposing Release’s premise is that best execution will be the primary mechanism to promote favorable executions for customer orders; the premise holds only if the operative best execution framework is appropriately tailored to environments where execution occurs. We accordingly recommend that the Commission (i) state in the adopting release its expectation that FINRA will issue conforming onchain best execution guidance addressing the elements above, on a defined timeline; and (ii) set the rescission’s compliance date so that such guidance is in place at or before the date Rule 611 ceases to operate. This sequencing costs nothing in deregulatory effect—the rescission proceeds—while ensuring no interval in which neither the trade-through backstop nor adapted best execution guidance governs onchain order handling.

B. Recognize Qualifying Independent Reference Prices as Alternatives to the SIP-Derived NBBO, and Act on the Pending Rule 603(c) Request as a Ready Transition Model

A reliable public reference price promotes the core objectives of best execution in the onchain context. It supplies the reference function that the NBBO cannot perform for onchain executions: a continuously available price reference that has the ability to reflect the markets where the security actually trades, can operate during all periods of onchain activity, including weekends and overnight sessions, and is able to be synchronized with onchain execution timing. It gives firms a consistent basis to evaluate best execution and for regular and rigorous execution-quality reviews, gives examiners an objective standard against which firm practices can be assessed, and gives customers assurance that their onchain executions are measured against genuine market conditions rather than left unbenchmarked. The Commission should state in the adopting release that a qualifying reference price is a recognized component of onchain best execution analysis, in lieu of or as a supplement to the SIP-derived NBBO.

The value of a reference price for this purpose depends entirely on its reliability. A qualifying reference price should therefore be derived from a source that: (a) aggregates pricing contributions from independent market participants with direct involvement in price formation for the relevant instrument; (b) produces its reference price using manipulation-resistant aggregation and calculation methodologies, with sufficient published information for market participants to understand data recency, update frequency, data confidence, and validation mechanisms; (c) makes publisher identities, data sources, aggregation methodologies, and calculation logic public and available for inspection and audit; and (d) is periodically benchmarked against available SIP data and verified against external sources. Services meeting these criteria—which market participants, including Douro Labs, have developed for this purpose—are appropriate tools for supporting best execution compliance in the onchain context, and the Commission’s recognition should be framed by these criteria rather than by the identity of any particular provider.

C. Endorse the Investor-Directed Slippage Parameter

The residual concern any commenter might raise against rescission is the loss of Rule 611’s order-by-order price backstop. Onchain venues can address this concern, and we respectfully urge the Commission to endorse it: an order-parameter mechanism through which investors affirmatively specify a maximum permissible price deviation—expressed in basis points relative to the NBBO or a qualifying reference price at the time of order placement—when placing an order to be executed at an onchain venue. We refer to this mechanism as an “**investor-directed slippage parameter**.” It is enforced at the protocol level: if the execution price at the onchain venue would exceed the investor-specified tolerance, the transaction reverts automatically and the order is not filled.

Customer-specified price bounds are not foreign to the existing framework—the limit order has always been one, and best execution has always accommodated it as an execution term the customer sets. The investor-directed slippage parameter translates this familiar protective architecture into the onchain environment with deterministic enforcement executed by the protocol itself rather than intermediary systems. For example, a limit price constrains the match price only: transaction fees sit outside it. An onchain slippage tolerance, however, constrains the effective execution price, inclusive of curve impact across the fill and, depending on implementation, protocol fees. In an environment where Rule 611’s trade-through prohibition and exchange matching-engine constraints are absent, this mechanism supplies functionally analogous price protection—constructed affirmatively through slippage-driven order parameters rather than assumed from market structure. It is, in short, the direct answer to the “backstop” question the Proposing Release poses, and the Commission should say so in the adopting release.

1. The regulatory character of the parameter. The investor-directed slippage parameter is not a relaxation of the best execution requirement. It is the investor’s affirmative, informed specification of execution priorities—a choice to accept a defined price tolerance in exchange for the benefits of onchain execution, including atomic settlement, onchain custody, DeFi composability, and continuous 24/7 market access. The parameter operates *ex ante* as a binding order condition, not merely as an after-the-fact review benchmark: the reference price at the time of order placement, adjusted by the investor’s specified tolerance, yields a determinate worst-case execution price, and the protocol enforces that bound at settlement—the order either executes within the tolerance or reverts unexecuted, the onchain analog of an unfilled limit order.

At venues with AMM architecture, the tolerance is not a concession layered on top of a stated price; it is the order’s only price term.²⁷ Such venues have no order book against which a price could rest and no matching engine to hold one: an order specifies the input amount and a minimum acceptable output, and the tolerance is how that bound is expressed. The parameter accordingly performs the function a limit price performs elsewhere. It differs from a traditional limit order in mechanics: the bound is expressed as basis points relative to a reference price rather than as an absolute price, it constrains the effective execution price inclusive of curve impact or order book depth (as applicable) rather than only a quoted match price, and it is enforced

²⁷ Onchain central limit order books, by contrast, accept conventional limit orders with resting interest in the ordinary course, and the slippage-parameter framework described here is directed principally to venues where execution price is a function of pool state rather than of a matched quotation.

deterministically by the settlement layer rather than by a venue's matching engine.²⁸ And because the parameter and the execution outcome are both recorded immutably onchain, the mechanism serves a second, complementary function: it provides an objective compliance record against which the firm's regular and rigorous review of onchain executions may be conducted. A broker-dealer that routes a customer order to an onchain venue with a specified slippage parameter, and whose customer receives an execution within that parameter, has objective evidence that the execution was consistent with the customer's own stated tolerance. This is not a weakening of the best execution standard, but a translation of that standard into a form that is architecturally appropriate for, and verifiable on, a public distributed ledger.

2. A principles-based approach—not a prescriptive ceiling or floor. Guidance should take a principles-based approach to slippage parameters for investor-directed onchain orders in tokenized NMS securities, rather than impose a prescriptive numerical ceiling or floor. The objective should be to require that firms and the venues to which they route offer slippage tolerances that balance best execution objectives with responsiveness to customer demand and a customer's willingness to accept slippage risk, subject to disclosure and reasonable-design standards. Guidance should provide that a broker-dealer satisfies its best execution obligation with respect to slippage by adopting and documenting a reasonable methodology for setting and offering slippage tolerances that accounts for the structural cost components of onchain execution (gas, AMM spread, price drift, and pool or order book depth) for the relevant security and execution layer. Firms and venues should be permitted to offer customers a range of tolerances calibrated to customer demand and the customer's tradeoff between price deviation and fill certainty, including tolerances appropriate to the liquidity actually available in the relevant pools or order books; where a customer directs a tolerance, the firm should clearly disclose the tradeoff—that tighter tolerances reduce price deviation but increase the risk of non-execution, and that wider tolerances do the inverse—so the election is informed. Firms should retain reasonable design discretion to set defaults and offered ranges that differ by execution-layer blockchain and by security, reflecting that appropriate parameters on a low-gas, fast-finality chain differ materially from those on a higher-gas chain, and that liquid large-cap names differ from thinly traded ones.

By contrast, a mandated slippage cap would produce a structural failure mode that operates directly against customer interests. Slippage tolerance and fill probability are inversely related: the tighter the tolerance, the more orders revert unexecuted. A ceiling set too low (for example, a prescriptive 100 basis points) will cause customer orders to fail at scale during precisely the conditions—thin pool liquidity, congestion, volatility—when a customer most needs to transact. Customers who cannot execute are forced to continue holding a position they have decided to exit, bearing market risk they affirmatively sought to shed, because available AMM liquidity could not support a fill within a rule-mandated tolerance. A prescriptive floor compounds this by foreclosing the venue and the customer from setting a tolerance that reflects actual pool or order book depth for the security at the time of the order. Because liquidity conditions vary by token, chain, order

²⁸ For example, a buy order placed when the reference price is \$10.00 with a 50 basis point tolerance carries a bound of \$10.05. A conventional limit order at \$10.05 constrains the price of each match: shares fill at \$10.05 or better, and any unfilled balance rests on the book. The slippage parameter instead constrains the average effective price across the entire fill—if the order is large enough that executing it moves the pool price or walks the order book such that the blended price would be \$10.07, the transaction reverts and the investor receives nothing. That all-or-nothing character distinguishes the parameter from an unfilled limit order, as a limit order that does not fill rests and may fill later, while a reverted transaction leaves no resting interest and the investor has typically incurred network fees for the failed attempt. Resubmission at a wider tolerance is therefore not costless, and in volatile or congested conditions an investor iterating upward may incur repeated fees without obtaining a fill.

size, and moment, any fixed numerical band will be wrong for some material set of orders, and the error is borne by the customer in the form of failed executions and stranded positions. A principles-based approach keeps the inquiry where best execution places it—on whether the firm has reasonably pursued the most favorable terms reasonably available under prevailing conditions—preserves customer choice, avoids the perverse outcome of rule-induced failed orders, and allows venues to compete on offering tolerance structures that match real pool liquidity and genuine customer preferences.

3. Scope and the broker-directed distinction. To be clear, the slippage parameter may not be appropriate for all onchain venues. The framework works only for truly onchain venues—AMMs, PropAMMs, and onchain order books—where execution price is a function of pool state or ledger conditions at settlement and where price deviation between order submission and execution is a structural feature of the venue architecture. Tokenized NMS stock will also trade through channels where that architecture is absent: a traditional ATS that matches orders conventionally but settles in tokenized form, or securities tokenized within centralized clearing infrastructure such as DTCC-based tokenization initiatives, present no AMM curve impact and no block-time price drift between match and settlement. For those channels, execution occurs against firm prices through conventional matching, and existing best execution frameworks apply without need for a slippage-parameter overlay (e.g., ordinary limit orders). Moreover, guidance will need to account for differences between when a broker-dealer makes the decision versus the customer. In the broker-directed case, the tolerance functions not as a customer instruction but as a parameter of the firm’s own routing decision, and it should be calibrated conservatively and reviewed as part of the firm’s regular and rigorous analysis rather than treated as a customer-ratified term. Guidance should draw this distinction explicitly, so that the customer-election framework is not available to justify broker-directed routing that a cross-market comparison would not support.

4. Required disclosure at order entry. The investor-protection value of the slippage parameter depends entirely on the investor understanding what they have specified. Guidance should require that, at the time of order entry for an onchain order in tokenized NMS stock, the broker-dealer clearly and prominently disclose:

- the current NBBO for the security at the time of order placement, clearly identified as sourced from the SIP, or a qualifying reference price meeting the criteria in Section III.B, identified as such;
- the investor’s specified slippage parameter;
- the resulting maximum execution price (for a buy order) or minimum execution price (for a sell order) at which the order will execute, beyond which the order will revert and not fill;
- to the extent onchain fees are passed on to the customer, a plain-language disclosure that onchain execution is subject to network fees (gas) that are separate from and in addition to the slippage tolerance, and that network fees are not refunded if the order reverts; and
- acknowledgement that onchain executions are distinct from executions on national securities exchanges and ATSs through which a security may trade in traditional form, and that the order is being routed to an onchain venue at the investor’s direction.

These disclosures operationalize the investor’s affirmative election of onchain execution and ensure that the slippage parameter reflects an informed choice rather than a default the investor did not understand. They also provide the documentation basis for the firm’s best execution records for the order.

5. Integration with the best execution framework. The slippage parameter should be integrated into the broader best execution framework as follows. First, an execution within the investor-specified tolerance, at a price that results from a routing decision made in good faith using an appropriate reference price and a documented venue-selection process, should constitute a safe harbor for best execution compliance for that order. Second, the parameter does not relieve the firm of its obligation to conduct regular and rigorous reviews of execution quality across its onchain order flow; those reviews should examine whether executions are consistently clustered near the upper bound of the investor-specified tolerance (which may indicate routing to inferior venues or inadequate MEV protection) rather than distributed across the tolerance range, and how frequently customer orders revert or fail to execute for inadequate tolerances. Third, the parameter is an investor-facing mechanism and does not substitute for firm-level MEV consideration under Section III.A.7.

D. Resolve the Definitional Status of Tokenized Instruments Under Regulation NMS

Finally, the Commission should resolve, in a parallel concept release or subsequent guidance, a threshold definitional question on which every issue in this letter—and much of the onchain regulatory perimeter—depends: whether a tokenized instrument is technically an “NMS stock” at all. An “NMS security” is defined by reference to reporting under an effective national market system transaction reporting plan—that is, through the SIPs—and the NMS plans in turn cover securities listed and traded on a national securities exchange.²⁹ Read strictly, unless and until onchain venues report last-sale information in a tokenized security to the SIPs, the tokenized instrument may not technically constitute an “NMS stock” under the relevant definitions, even where it represents beneficial ownership of a security that indisputably is one. Under that reading, the same security’s regulatory status—including the applicability of Regulation NMS itself, and of any successor best execution framework the Commission expects to govern onchain order handling—could turn on the ledger where a given transaction settles.

That result is untenable as market structure and unstable as regulation, and the Commission—not the SROs—is the right body to resolve it. We respectfully request that the Commission confirm in a parallel concept release or subsequent guidance that instruments maintained in whole or in part on distributed ledgers that constitute or represent NMS stocks are within the investor-protection perimeter of Regulation NMS and the best execution framework, consistent with the functional approach of the Commission’s March 23, 2026 digital-securities release, or, in the alternative, state clearly which regulatory framework governs such instruments pending SIP integration. Rescission of the trade-through rule should not leave the antecedent question—what the rescinded rule, and the framework replacing it, apply to—unanswered.

²⁹ 17 C.F.R. § 242.600(b)(64) (defining “NMS security” as “any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan, or an effective national market system plan for reporting transactions in listed options”).

IV. Conclusion

The emergence of tokenized NMS securities trading at onchain execution venues represents the most significant structural change to the equity market order-routing environment since the adoption of Regulation NMS in 2005—and the Proposing Release rightly treats it as part of the evolution that makes the trade-through prohibition unnecessary. We support the rescission of Rules 611 and 610(e) without qualification. We urge the Commission to pair that rescission with the actions described above: state its expectations for principles-based onchain best execution guidance, direct SRO coordination, and sequence effectiveness accordingly; recognize qualifying independent reference prices as alternatives to the SIP-derived NBBO; endorse the investor-directed slippage parameter as the protocol-level analog of the price protection rescission removes; and confirm the definitional status of tokenized instruments under Regulation NMS and its enumerated exceptions, including Rule 611(b)(2) for so long as Rule 611 remains operative. In taking those actions, the Commission should also confirm that best execution policy, guidance, and enforcement remain anchored in FINRA rather than dispersed among the exchange SROs, which are themselves competitors for order flow, have begun adopting their own immediately effective best execution rules, and appear inclined to implement standards that could impede routing to venues—including onchain venues—that present a competitive challenge to their own markets.

We would welcome the opportunity to meet with the Commission and its staff to discuss any aspect of this letter, and to provide additional technical or operational information—including regarding onchain execution mechanics, reference price architecture, and the slippage-parameter framework—that would assist the Commission in finalizing the proposal. Please direct any questions to the undersigned.

Respectfully submitted,



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