



December 12, 2025

By Email: crypto@SEC.GOV

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

Re: Citadel Securities Letter re: Tokenized U.S. Equity Securities & DeFi Trading Protocols

Dear Ms. Countryman:

The DeFi Education Fund (“DEF”), Andreessen Horowitz (“a16z”), The Digital Chamber (“TDC”), Orca Creative, J.W. Verret, and Uniswap Foundation write to address Citadel Securities’ (“Citadel”) December 2, 2025 letter¹ to the Securities and Exchange Commission (the “SEC” or “Commission”), which baselessly encourages the SEC to regulate decentralized finance (“DeFi”) technologies, developers, and others as traditional SEC-registered intermediaries. As those cited in the Citadel Letter, we write to provide the SEC with accurate technical information about DeFi, and to correct several factual mischaracterizations and misleading statements that substantially distort arguments and positions in letters by the undersigned. For the avoidance of doubt, we have included a table contrasting the claims made in the Citadel Letter with our actual positions and prior statements.

As organizations that are deeply committed to technological progress, consumer protection, and market integrity, we take seriously the perspectives of a firm of such immense scale and influence. That said, it is particularly noteworthy that Citadel, one of the world’s largest market makers and liquidity providers, would raise concerns about technologies designed to expand access and transparency in the markets—beyond what traditional financial incumbents make possible today. While we share Citadel’s aims with respect to investor protections, orderly markets, and the integrity of the national market system, we disagree that achieving these goals always necessitates registration as traditional SEC intermediaries and cannot, in certain circumstances, be met through thoughtfully designed onchain markets. Disintermediated public blockchains and protocols can achieve these goals even more efficiently than legacy financial intermediaries.

Citadel’s letter rests on a flawed analysis of the securities laws that attempts to extend SEC registration requirements to essentially any entity with even the most tangential connection to a DeFi transaction. Specifically, Citadel makes three recommendations to the SEC: 1) Identify intermediaries involved in the trading of tokenized U.S. equities, including “via so-called ‘decentralized’ trading protocols”; 2) Refrain from granting broad exemptive relief from “exchange” and “broker-dealer” definitions for “those seeking to facilitate the trading of

¹ Citadel, Letter to the SEC on Tokenized U.S. Equity Securities & DeFi Trading Protocols (“Citadel Letter”) (Dec. 2, 2025), <https://www.sec.gov/files/citadel-securities-120225.pdf>.



tokenized U.S. equities”]; and 3) Pursue notice-and-comment rulemaking with a focus on improving clearing and settlement efficiency. We agree that notice-and-comment rulemaking focused on tokenized equities would be a helpful step forward for the industry. However, Citadel’s first two recommendations reflect policy arguments that favor entrenched incumbents who are reluctant to embrace innovative technologies that make the financial system more efficient and more investor-friendly.

First, Citadel’s table of purported “intermediaries” is premised on fundamental misconceptions about the technology and the meaning of “intermediation.” The table misconstrues all technologies or persons that have some connection (however attenuated) to a DeFi transaction as “intermediaries” capable of meeting the multi-factor test that Courts have established for determining broker-registration obligations. Neither autonomous software nor technological infrastructure are intermediaries, nor are the software developers who build that infrastructure, provided they do not custody or control user assets or perform typical brokerage activities.² Inanimate code is not a “middleman” in a financial transaction because it is not a person capable of exercising independent discretion or judgment. Nor is software that enables self-custody (or the developers who create it), regardless of whether the assets at issue are tokenized securities.³

Citadel’s attempt to label every person and technology in the tech stack as a securities intermediary is unsupported—and in certain respects already contradicted—by law,⁴ an outdated way of approaching innovation, and runs counter to the SEC’s own recognition that decentralization requires a different regulatory lens. As Commissioner Peirce has explained, technology now enables users “to buy, sell, and hold assets without a traditional intermediary (or without any intermediary at all),” and some rules built around intermediated systems “may not

² *SEC v. Coinbase, Inc. and Coinbase Global, Inc.*, No. 1:23-cv-04738 (KPF) (S.D.N.Y. Mar. 27, 2024) (denying summary judgment where the SEC failed to plausibly allege that Coinbase acted as a broker through its non-custodial Wallet app, explaining: “In sum, even when considered in the aggregate, the factual allegations concerning Wallet are insufficient to support the plausible inference that Coinbase ‘engaged in the business of effecting transactions in securities for the account of others’ through its Wallet application.”).

³ Compare Citadel Letter at 4 (describing “wallet providers” as “firms that custody tokens for users or provide software to enable ‘self-custody’” and labeling them an “intermediary.”).

⁴ Transaction-based compensation does not apply uniformly across the entities in the technology stack as described in the Citadel Letter. Some of these actors receive compensation but not transaction-based compensation, and even so, transaction-based compensation alone does not make an entity into a “broker.” See Commissioner Hester M. Peirce, *Statement Regarding Neovest, Inc.* (June 29, 2021), <https://tinyurl.com/49jnc99v> (“using [transaction-based compensation] to bootstrap non-broker activity into the broker definition is contrary to law because it reduces the broker definition to a question of form of compensation and disregards the nature of the actual business activity of the firm.”); see also *Coinbase*, No. 1:23-cv-04738 at 83 (“the fact that Coinbase has, at times, received a commission does not, on its own, turn Coinbase into a broker”); see also *Rhee v. SHVMS, LLC*, No. 21 Civ. 4283, 2023 WL 3319532, at *9 (S.D.N.Y. May 8, 2023) (“Commission-based payment, standing alone, is not dispositive of whether a party acts as a broker-dealer under the Exchange Act.”) (quoting *Quantum Cap., LLC v. Banco de los Trabajadores*, No. 14 Civ. 23193 (UU), 2016 WL 10536988, at *7 (S.D. Fla. Sept. 8, 2016)).



be necessary.”⁵ As Chair Atkins underscored recently, SEC rules assume layers of intermediaries, but in distinguishing DeFi from centralized onchain finance: “A durable rulebook must recognize this spectrum without forcing square pegs into round holes.”⁶ When developers provide technical infrastructure that allows users to custody their own funds or trade on their own behalf, and those developers do not have control over funds or trades, those developers are not “brokers” or “dealers.” Merely being paid for creating and providing such software does not change this analysis.⁷

Commissioner Peirce recently asked, “Looking longer term, how can we build a regulatory framework that is fit for a future where intermediaries have less sway and investors exercise more autonomy as they move through our markets?”⁸ The answer is not to force intermediation when achieving the goals of the registration regime is possible without it. We urge the Commission to continue on the path the Crypto Task Force began by embracing innovation and rejecting calls for stagnation and regulatory moats. We have written to the Commission about the proper treatment of various parts of the DeFi technology stack in other submissions⁹ and will not further belabor the point here.

Second, Citadel misapplies and expands the definitions of “exchange” and “broker-dealer” to capture DeFi technologies and participants. In prior submissions to the SEC, many of the undersigned emphasized that further expanding the definitions of “exchange” and “broker-dealer” is in no one’s best interest—not even traditional financial institutions like Citadel—and the traditional definitions of “exchange” and “broker-dealer” do not apply to disintermediated software.¹⁰ These definitions must be carefully applied so that they do not

⁵ Commissioner Hester M. Peirce, *Iceboxes and Soapboxes: Remarks at the Meeting of the SEC Investor Advisory Committee* (“Iceboxes and Soapboxes Remarks”) (Dec. 4, 2025), <https://tinyurl.com/2ujw8at9>.

⁶ SEC Chair Paul Atkins, *Remarks at the Investor Advisory Committee Meeting* (“SEC Remarks at the Investor Advisory Committee Meeting”) (Dec. 4, 2025), <https://tinyurl.com/bdy6zh67>.

⁷ See a16z, DEF, *Recommendations Regarding a Safe Harbor for Applications from the Broker Registration Requirements of the Securities Exchange Act of 1934* (Aug. 13, 2025) (hereinafter, “a16z DEF Broker Safe Harbor Letter”) at 12-14, <https://tinyurl.com/3suwf7eu>.

⁸ Peirce, *Iceboxes and Soapboxes Remarks*.

⁹ See a16z, *Comments on the SEC Crypto Task Force’s Questions Concerning the Security Status of Crypto Assets* (Mar. 13, 2025), <https://tinyurl.com/y2kthce5>; DEF, *Guiding Principles for Token Safe Harbor Framework* (Apr. 18, 2025), <https://tinyurl.com/46ntpmxn>; a16z, *DEF Broker Safe Harbor Letter*; DEF and Uniswap Foundation, *Comments on Decentralization and DAO Governance* (May 27, 2025), <https://tinyurl.com/4cys7m3w>.

¹⁰ DEF, *Comments on Proposed Amendments Regarding the Definition of Exchange and ATSs That Trade U.S. Treasury and Agency Securities, NMS Stocks, and Other Securities* (“ATS Proposal”) (Apr. 18, 2022), <https://tinyurl.com/2aum24zn>; a16z, *DEF Broker Safe Harbor Letter*; TDC, *Comments on Custody of Digital Asset Securities by Special Purpose Broker-Dealers* (Apr. 9, 2021), <https://tinyurl.com/2m5z9mh8>; TDC, *Comments on ATS Proposal*, (June 19, 2023), <https://tinyurl.com/3av8dpwe>; TDC, *Comments on Proposed Rule to Further Define “As a Part of a Regular Business” in the Definition of Dealer and Government Securities Dealer* (June 13, 2022), <https://tinyurl.com/ynwzajau>.



inadvertently scope in software developers who do not have custody or control over users’ assets. As Chair Atkins called for, the Commission “will be able to craft rules that distinguish between truly decentralized finance and the wide spectrum of centralized, on-chain finance in existence today . . . **If we attempt to regulate decentralized protocols as if they were centralized brokers, we will undermine the very innovation that makes them resilient and transparent.**”¹¹

A trade association to which Citadel belongs, the Securities Industry and Financial Markets Association (SIFMA), has made similar points in the context of the proposed expansion of Exchange Act Rule 3b-16 and Regulation ATS. In April 2022, SIFMA filed a comment letter to the SEC proposed rulemaking, arguing that the Commission’s proposed amendments “would fundamentally change the definition and interpretation of ‘exchange’ under which market participants have been operating for more than two decades.”¹² SIFMA continued, “the undefined concept of ‘communication protocol systems’ could capture a broad range of activity, beyond that which would typically be considered that of, or that actually functions as, an exchange or market place.”¹³ In June 2022, SIFMA once again wrote to the Commission, correctly distinguishing between systems that offer messaging services and the intermediaries (broker-dealers) that use them to connect to customers.¹⁴ Further, SIFMA warned that an overly broad interpretation of the ATS rule would potentially capture “market participants’ internal systems and third-party technology platforms that do not, in substance, perform market place functions and for which registration as a national securities exchange or operation subject to Regulation ATS brings no obvious policy benefit.”¹⁵ As recently as June 2024, SIFMA affirmed that it correctly understood the nature of software providers in the context of traditional finance,¹⁶ and points out that requiring such systems to comply with compliance requirements

¹¹ Atkins, SEC Remarks at the Investor Advisory Committee Meeting (emphasis added).

¹² SIFMA, Comments on ATS Proposal (Apr. 18, 2022), <https://tinyurl.com/2s96t83j>.

¹³ *Id.* SIFMA’s arguments are consistent with the Commission’s own implicit reasoning on this point. Indeed, the very fact that the Commission felt the need to broaden the definition of “exchange” in this manner suggests that it recognized its lack of authority over such systems. Recognizing this, in a recent speech, then-Acting Chair Mark T. Uyeda discussed the proposed expansion of the definition of “exchange” to include “communications protocols.” He stated that, in his view, “it was a mistake for the Commission to link together regulation of the Treasury markets with a heavy-handed attempt to tamp down the crypto market,” and that he asked SEC staff for “options on abandoning that part of the proposal.” See Mark T. Uyeda, SEC Comm’r, Remarks to the 2025 Annual Washington Conference of the Institute of International Bankers (March 10, 2025), <https://tinyurl.com/3ax3zb5j>.

¹⁴ SIFMA, Comments on ATS Proposal (June 13, 2022), <https://tinyurl.com/4rhcjnvn>.

¹⁵ *Id.*

¹⁶ SIFMA and SIFMA Asset Management Group, Additional Comments on Proposed Amendments to Exchange Act Rule 3b-16 Regarding the Definition of “Exchange” (June 28, 2024), <https://tinyurl.com/2naj6j4w> (“Operators of Communication Systems are essentially software providers that do not have the sophistication or ability to manage risk on behalf of the counterparties to a transaction. They are generally focused on managing cyber security and operational risk related to their technology platform. They do not have the skill or expertise required to assess and appropriately establish credit limits—which requires a complex understanding of a client’s investment strategies, assets under management, committed financing facilities, and degree of sophistication.”).



under Regulation ATS would be impracticable given their functions.¹⁷ We and others in the DeFi industry ask for the same thing SIFMA requested: that the Commission provide an exemption for emerging technologies that “ensure[s] that the proposed framework does not harm innovation and ultimately result in increased costs for end investors.”¹⁸

Third, we write to correct certain assertions about DeFi and the citations to which Citadel refers in its letter. Citadel makes the remarkable claim that DeFi technology does not provide users with “fair access.”¹⁹ However, in contrast to traditional financial systems, DeFi technology is transparent and verifiable, and it is built on permissionless public blockchain networks that are available to anyone with an internet connection, providing unparalleled and inclusive fair access to financial services. Ensuring equitable access is exactly why DeFi was created: to reduce reliance on intermediaries who serve as gatekeepers and to create transparent systems where all participants are on equal footing. While Citadel claims that the consequence of “overly broad exemptions” for DeFi technology would “severely undermine the regulatory *framework* designed to protect investors and safeguard market integrity and resiliency,” Citadel does not say that DeFi actually undermines market integrity and resiliency, because it does not.²⁰ DeFi technology is a new innovation that was designed to address market risks and resiliency in a different way than traditional financial systems do, and DeFi protects investors in ways that traditional finance cannot. Users retain total control and custody of their own assets, interact peer-to-peer, and are shielded from many of the risks associated with traditional intermediaries.

The table attached identifies citations that were mischaracterized in Citadels’s letter, ordered from the most to least egregious claims, and provides an accurate statement of the arguments and positions in each source.

* * *

¹⁷ *Id.* (“Systems that function as ‘transmission pipelines’ (systems lacking imposed dealers, communication parameters, aggregation of buyers or sellers, and trade-execution capabilities facing the aggregation of buyers or sellers) (‘Communication Systems’) do not perform the same functions as, nor present characteristics similar to, exchanges or alternative trading systems (‘ATS’). These dissimilarities make application of Regulation ATS inappropriate and would likely result in impossible compliance obligations that would yield no discernable benefits to markets and investors. Application of Regulation ATS to such systems would be misaligned with the policy objectives of the Proposal and leave market participants in the unreasonable position of being unable to comply with the rule in any manner.”).

¹⁸ *Id.*

¹⁹ Citadel Letter at 9.

²⁰ Brogan, Aaron, *The Fallacy at the Heart of Citadel Securities’ DeFi Polemic*, Brogan Law (Dec. 8, 2025), <https://tinyurl.com/ysx79a2y> (“Citadel Securities does not argue that DeFi would severely undermine market integrity and resiliency, but rather a regulatory framework designed to promote them. And whether undermining that framework has a corresponding effect on the values themselves is directly dependent on how effective those frameworks are.”).



We appreciate the Commission's attention to an accurate understanding of DeFi technology and respectfully submit these clarifications. The undersigned organizations remain committed to supporting the Commission's efforts and we are available to provide any additional information the SEC may find helpful.

Sincerely,

DeFi Education Fund
a16z
The Digital Chamber
Orca Creative
J.W. Verret
Uniswap Foundation

Citadel’s Claim	What We Actually Say
<p>Page 8: “There would be no equivalent requirements [for venue transparency] for unregistered DeFi trading systems, enabling bad actors to charge investors exorbitant fees and use opaque, conflicted, and discriminatory order handling practices.”²⁸</p> <p>Footnote 28: citing a16z DEF Broker Safe Harbor Letter at 21 (DeFi trading protocols can “intermediate transactions, restrict execution access, or derive priority-based advantages.”).</p>	<p>a16z DEF Broker Safe Harbor Letter: This mischaracterization significantly distorts the original language of the letter, which states that, in order to qualify for the letter’s proposed broker safe harbor, Apps generally must integrate <i>only</i> with DeFi protocols where “<i>no party retains operational control that would allow them to intermediate transactions, restrict execution access, or derive priority-based advantages.</i>” Citadel’s omission of the safe harbor’s limiting language—which appears in the same sentence that Citadel selectively quotes—twists a proposed qualification criterion into a statement about the technical characteristics of DeFi protocols in general, which is far from what a16z and DEF suggested.</p> <p>Indeed, a16z and DEF included a limitation on which protocols Apps generally must integrate with in order to fall within the proposed safe harbor precisely to address the investor protection concerns that Citadel discusses, and to be clear about the “risk differential” between Apps that integrate exclusively with DeFi protocols that have eliminated operational control and those that do not. The latter could give rise to the risks that the broker registration regime is intended to address, and such Apps would therefore not be able to avail themselves of the proposed safe harbor, the guiding principle of which is that “<i>only those Apps which do not engender the risks that the Exchange Act’s broker-dealer regulatory regime was designed to address should be eligible; in such cases, registration as a broker under the Exchange Act is</i></p>

	<p><i>unwarranted and inappropriate. Conversely, Apps that do pose traditional risks that broker regulations were designed to address should not be able to avail themselves of this safe harbor.”</i></p>
<p>Page 2: “However, some have argued that “decentralized” trading protocols (“DeFi”) can be utilized to trade tokenized U.S. equities without implicating the statutory definitions of an “exchange” or “broker-dealer.” In their telling, these DeFi trading protocols use smart contracts and algorithms to facilitate “peer-to-peer” trading of tokenized shares without the presence of a registered intermediary. And, if there is no registered intermediary, then nearly all of the rules governing the secondary trading of U.S. equities that are designed to protect investors would no longer apply.”³</p> <p>Footnote 3: citing Letter from Andreessen Horowitz (July 21, 2025) at 23.</p>	<p>Letter from a16z (July 21, 2025) at 23: Citadel misconstrues the a16z letter, which narrowly argues that: “<i>Regulation NMS should not be implicated</i> in connection with peer-to-peer (including peer-to-pool) transactions in tokenized securities occurring through blockchain networks that are not controlled (as described in our initial response to the present Request for Information) as such disintermediated transactions do not involve a registered broker-dealer or regulated trading center.”</p> <p>Moreover, the a16z letter goes on to explain that: “This interpretation is consistent with the objectives of the Exchange Act, as such disintermediated technology protocols are incapable of engaging in the types of misconduct and manual performance failures that the registration regimes are designed to address. <i>This is also consistent with the historic lack of prohibition on persons engaging in private peer-to-peer securities transactions.</i>”</p>
<p>Page 3: “Arguments to the contrary by DeFi proponents are unpersuasive, either seeking to insert new criteria into the statutory definition¹² or making policy arguments as to why DeFi trading protocols should be exempted from the longstanding definition.¹³ Notably, the latter arguments implicitly concede that DeFi trading protocols in fact do fall within the statutory definition of an “exchange.””</p> <p>Footnote 12: “For example, some have argued that DeFi</p>	<p>Letter from DEF (June 12, 2023): DEF’s June 2023 letter to the SEC in response to the second reopening of the proposal to amend Rule 3b-16 and Reg. ATS argues that the new proposed rule “<i>improperly reads and misapplies the Exchange Act,</i>” and exceeds the Commission’s jurisdiction under the statute. Citadel ignores the first 8 pages of the letter arguing why the proposed rule exceeds the SEC’s statutory authority based on the plain text of the Exchange Act and cites the last paragraph in a section arguing against</p>

<p>protocols are not exchanges because they (i) lack “an exchange operator that includes a management team,” (ii) do not “perform a self-regulatory function,” or (iii) “because investors do not entrust their assets to others.” citing Letter from the DeFi Education Fund (June 12, 2023), Letter from Bain Capital Crypto (June 13, 2023).</p> <p>Footnote 13: citing Letter from the DeFi Education Fund (June 12, 2023), Letter from Bain Capital Crypto (June 13, 2023), Letter from the DeFi Education Fund (April 18, 2025).</p>	<p>the Commission’s proposed definitional and interpretive additions to Rule 3b-16’s definition of an “exchange” that would result in an overbroad universe of regulated entities.</p> <p>Letter from DEF (April 18, 2025): DEF’s April 18, 2025 letter proposes a Token Safe Harbor for exemption from the 33 Act registration requirements for offers and sales of tokens during the development of a decentralized network.</p> <p>Nowhere in this letter does DEF “implicitly concede” that DeFi protocols fall within the statutory definition of an “exchange.”</p>
<p>Page 7: “Conceding that their activities meet the statutory definitions of an “exchange” and “broker-dealer,” many DeFi proponents have requested exemptive relief from the Commission.²¹”</p> <p>Footnote 21: citing Letter from the DeFi Education Fund (June 12, 2023), Letter from Bain Capital Crypto (June 13, 2023), Letter from the DeFi Education Fund (April 18, 2025).</p>	<p>Letter from DEF (June 12, 2023); Letter from DEF (April 18, 2025): While DEF does propose a framework for exemptive relief <i>for offers and sales of tokens during the development of a decentralized network</i>, DEF never concedes that any activities meet the statutory definition of an “exchange” or “broker-dealer.” In fact, the cited June 12, 2023 comment letter argues DeFi technology does not meet the definition of an “exchange” and the SEC’s proposed rulemaking to expand the “exchange” definition exceeded its statutory mandate.</p>
<p>Page 11: “There would be no equivalent requirements for unregistered DeFi intermediaries, meaning that conflicts of interest can pervade the execution process, as an intermediary can ‘manipulate transaction ordering, impose selective fees, or advantage affiliated apps.’³⁶ There could also be ‘structural incentives for [a]pps to route users to opaque, non-compliant venues to gain pricing or execution advantages.’³⁷”</p>	<p>a16z DEF Broker Safe Harbor Letter at 22 and FN 21: Citadel misstates the core argument of a16z and DEF’s submission, and incorrectly presents qualification criteria for a Broker Safe Harbor as an affirmative statement about real, ongoing conflicts of interest by so-called “unregistered DeFi intermediaries.” Indeed, a16z and DEF specifically write that the Broker Safe Harbor would not apply to Apps that connect to protocols that lack credible neutrality and maintain operational control. Indeed, protocols that are not</p>

<p>Footnote 36: citing a16z DEF Broker Safe Harbor letter at 22.</p> <p>Footnote 37: citing a16z DEF Broker Safe Harbor letter at footnote 21.</p>	<p>credibly neutral are not “DeFi” protocols at all; DeFi protocols eliminate operational control and are not intermediaries.</p> <p>Contrary to Citadel’s argument, this proposed safe harbor explicitly disapplies to Apps that connect to protocols that present intermediary risks. For example, the letter asserts that if a protocol’s <i>“operators could manipulate transaction ordering, impose selective fees, or advantage affiliated Apps—thus turning the protocol into a venue for discriminatory routing or solicitation,”</i> then Apps that integrate with it would not be able to avail themselves of the proposed safe harbor. The letter goes on to explain that such characteristics create <i>“informational asymmetries and conflicts of interest akin to those addressed by broker registration requirements, especially in fragmented or opaque execution environments.”</i></p>
<p>Page 7: “As with the exchange definition, arguments to the contrary by DeFi proponents are unpersuasive, either seeking to insert new criteria into the statutory definitions¹⁸ or making policy arguments as to why DeFi intermediaries <i>should be exempted</i> from the longstanding definitions.^{19”}</p> <p>Footnote 18: “For example, some have argued that the decentralized system is not a broker-dealer since it does not “retain custody of the liquidity provided.” (citing May 27, 2022 Letter from a16z) “Separately, we note that many of these “DeFi” intermediaries appear to have “customers” in respect of the various services being provided.”</p> <p>Footnote 19: Citing a16z DEF Broker Safe Harbor Letter</p>	<p>Letter from a16z (May 27, 2022): The language quoted in footnote 18 does not appear in a16z’s May 27, 2022 letter, which is about the SEC’s proposed dealer rulemaking, or, for that matter, in any other letter submitted by a16z.</p> <p>a16z DEF Broker Safe Harbor Letter: As explained above, this letter proposes a safe harbor from registration requirements for a narrowly defined category of Apps. Significantly, this safe harbor is not based exclusively on policy arguments (as footnote 19 of the Citadel letter implies), but on legal analysis explaining why such Apps, due to their technical architecture, do not give rise to the risks that the Exchange Act’s broker-dealer regulatory regime was designed to address and, therefore, warrant the</p>

	<p>exclusion discussed in the letter.</p> <p>The letter states that Apps that “do not act on behalf of users, custody crypto assets, exercise discretion, actively solicit investors, provide investment recommendations, exercise control over user assets, or engage in other ordinary brokerage activities [...] should fall outside the scope of the broker-dealer registration regime of the Exchange Act.” <i>Id.</i> at 4. This too aligns with the guiding principle of the letter, which is that “only those Apps which do not engender the risks that the Exchange Act’s broker-dealer regulatory regime was designed to address should be eligible.”</p>
<p>Page 11: “Frontrunning Prohibition. Broker-dealers are prohibited from trading ahead of customer orders. There would be no equivalent requirements for unregistered DeFi intermediaries. In fact, there is acknowledgement of the ability to frontrun customer orders without regulatory consequence in order to ‘extract profit by inserting their own transaction first or rearranging user transactions.’³⁸”</p> <p>Footnote 38: citing J.W. Verret Letter at 13.</p>	<p>Letter from J.W. Verret (Feb. 23, 2025) at 13: The Citadel Letter turns a neutral, technical explanation into an advocacy position. In the original letter, when explaining “Maximal Extractable Value (MEV)”, which refers to the additional profit block producers on certain blockchains can capture, the letter says, “<i>typical examples include front-running, backrunning, and so-called ‘sandwich’ attacks on decentralized exchanges(DEXs). These activities arise because block producers, or entities with access to the transaction mempool, can extract profit by inserting their own transactions first or rearranging user transactions.</i>”</p>
<p>Page 9-10: “Exchanges and ATSS must monitor and surveil for manipulative trading activity, including (i) spoofing, (ii) frontrunning, and (iii) wash trading. There would be no equivalent requirements for unregistered DeFi trading systems, leading to concerns about ‘non-compliant or even illicit protocols’³⁴ that harm investors.”</p>	<p>a16z DEF Broker Safe Harbor Letter at FN 21: This appears to be a drafting error as no relevant statement appears at footnote 21, but the quoted language does appear on page 21 at footnote 66, which describes the wide range of protocols to which Apps can connect, and why protocols that have eliminated control present lower risks to consumers: “Because Apps serve as the public-facing gateway to</p>

Footnote 34: citing a16z DEF Broker Safe Harbor Letter at FN 21.

protocol infrastructure, they are best positioned to control which systems they facilitate access to. Permitting them to integrate with protocols that retain discretionary control, lack neutrality, or are custodial—without consequence—would incentivize riskier designs, distort competition, and shift regulatory burdens to unreachable protocol operators. In particular, absent regulatory requirements applied to Apps with respect to the protocols they provide access to, there would be no regulatory mechanisms available to U.S. regulators to safeguard U.S. persons from *non-compliant or even illicit protocols*. . . Conditioning safe harbor eligibility on integration with trust-minimized protocols ensures Apps do not act as unregistered brokers by proxy, aligns with SEC safe harbor precedent that ties eligibility to venue characteristics, and preserves the investor protections that the broker regime was designed to uphold.” As aforementioned, under the proposed safe harbor, *only* Apps that integrate with such trust-minimized protocols would be able to benefit from the exclusion discussed in this letter.

Page 9: “Post-trade Transparency. Exchanges and ATSS must report all executed trades to the market-wide consolidated tape for immediate dissemination. There would be no equivalent requirements for unregistered DeFi trading systems. Validators can dictate the sequencing of customer transactions, impacting when they are reported to a blockchain. In addition, many transactions may only be reported on a public blockchain on a delayed basis (if at all) due to a variety of factors, including the use of omnibus wallets, off-chain transactions, or a private Layer 2 blockchain.²⁹”

[Letter from Perkins Coie LLP, on behalf of The Digital Chamber at 8](#): The cited language from the Perkins Coie letter describes limitations on visibility when trading *does not occur through DeFi* and instead takes place offchain and through proprietary, centralized exchanges. DeFi is built on transparent, public blockchain networks which significantly reduces information asymmetries.

As explained in the next paragraph of the Perkins Coie letter “Open-source data is therefore sufficient to monitor parts of the market, particularly decentralized protocols and onchain

<p>Footnote 29: citing Letter from Perkins Coie LLP on behalf of The Digital Chamber at 8 (“significant limitations when activity occurs offchain or through centralized intermediaries. Nested accounts, omnibus structures, and internal/proprietary trading by centralized exchanges (CEXs) are examples of activities that are largely invisible to public blockchains”).</p>	<p>token activity...” <i>id.</i></p>
<p>Page 3: “First, many DeFi trading protocols have a group of persons that “constitutes, maintains, or provides” the trading protocol. This can include the founding designers, governance organizations, and ‘foundations’ who write and update the code and smart contracts, create and modify the rules of the protocol, publish user manuals, enter into business-related contracts, engage in marketing activities through websites and advertisements, and engage in lobbying activities regarding the regulatory treatment of the trading protocol.”⁷”</p> <p>Footnote 7: citing August 31, 2025 Uniswap Governance Proposal (“enabling engagement with the offchain world (e.g., entering into contracts, retaining service providers, and fulfilling any potential regulatory and tax responsibilities)”) and Letter from Orca Creative (June 17, 2025) at 12.</p>	<p>Uniswap Governance Proposal (Aug. 31, 2025) posted by the Uniswap Foundation: Unlike in traditional intermediated markets, where “a group of persons” intermediates transactions, the Uniswap Protocol is deployed to a blockchain as a suite of immutable smart contracts that operate independently via a set of predefined rules. No person or “group of persons” can change or upgrade the Protocol. The only update possible via Uniswap Governance that has any significance to users’ assets is the activation of the fee switch, which must be done via a Uniswap Governance vote. Neither the Uniswap Foundation nor Uniswap Labs can unilaterally activate the Protocol Fee Switch or otherwise alter the Uniswap Protocol. Further, as it pertains to entering “business related contracts,” which are separate and distinct from the operation of the protocol, those too are made only by the collective decision of Uniswap Governance.</p> <p>Letter from Orca Creative (June 17, 2025): the cited portion of Orca Creative’s letter states that it could provide information disclosures to the SEC, including information about its founders and key personnel, and in no way states or suggests that it engages in activity meeting the definitions of a securities “exchange.”</p>