STATEMENT

Slumber Number: Innovation Exemption Statement

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The innovation exemption has arrived. Today, the Commission issued an order containing time-limited exemptions designed to permit onchain trading of stocks listed on major U.S. exchanges. Adapting the Commission's rules to new technologies is hard work, and I commend the Division of Trading and Markets, the Crypto Task Force, and other staff for their work on these exemptions. These exemptions enable market participants to experiment to be prepared for a future in which trading tokenized stocks onchain is commonplace. Taken together with the Division of Trading and Market's April statement on interfaces used to prepare transactions in crypto asset securities,[1] today's action is also a major step forward in allowing individuals greater personal autonomy to own and trade their own assets without the need for unnecessary intermediaries.

In issuing this order, the Commission is rejecting the approach that the mythological Procrustes would have taken. He was not asking the guests their sleep number; he claimed to have a bed that fit every traveler. In reality, he brute-forced each traveler to fit the one bed he had by stretching short travelers and cutting the legs off tall ones. Here, by contrast, the Commission is using its

exemptive authority to tailor the bed to fit the sleeper. Carefully crafted conditions on that relief should ensure that nobody else's sleep is disturbed.

What does the order do? Its limited nature may cause you to yawn. More precisely, the order creates an exemption for a new category of entity known as "tokenized securities venues" ("TSVs"). TSVs provide automated market maker ("AMM") liquidity pools and set the standards governing participant access to trading within those pools.[2] TSVs are exempt from the definition of "exchange" under the Securities Exchange Act of 1934, and certain liquidity providers that supply liquidity to TSVs are exempt from the definition of "dealer" under the same statute. Together, these exemptions enable tokenized National Market System ("NMS") stocks to trade onchain within TSV environments. Issuers who do not want their stock trading on TSVs can opt out. The exemptions are available to U.S. persons, including incumbents and new entrants.

What regulatory categories do TSVs and their liquidity providers fit into? It is too soon to tell. The Commission does not presume that parties involved in offering onchain trading or liquidity qualify as "exchanges" or "dealers" merely by virtue of their reliance on these exemptions. Before jumping to regulatory conclusions, we want to see who uses the exemptions and how.

Why is the Commission issuing this order? Temporary, limited exemptions like this one are intended to provide the Commission and market participants with an opportunity to observe how tokenized NMS stocks are used and traded in different onchain contexts and how onchain and traditional markets interact with one another. The insights gained will inform the development of durable, comprehensive rules to govern this emerging market activity. The innovation exemption is an interim step on the road to permanent rules, and the Commission welcomes public input on what those rules should look like.

What does the order not do? This order is not about decentralized finance. Truly decentralized systems that are driven by automated software do not give rise to the foundational concerns underlying securities regulation, namely that an intermediary you trust to act on your behalf will be foolish, careless, or compromised. An investor does not need an exemption to avail herself of permissionless smart contracts that mediate peer-to-peer trading.

What if the TSV model does not work for my tokenized stock trading project? The exemption addresses one particular model for trading securities onchain, but the

Commission is open to other models and welcomes the opportunity to work with market participants who are thinking about other ways of trading tokenized securities. And onchain trading models that can fit within current Exchange Act requirements may not need an exemption at all.

The Congress that gave us the exemptive authority we are using today was no Procrustes. Making practical, careful, and sensible adjustments to the existing framework allows us to accommodate innovation without undermining our regulatory objectives of protecting investors and market integrity. The innovation exemption may not be the stuff of mythology, but it is a small step toward waking up to a tokenized tomorrow.

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1 Staff Statement Regarding Broker-Dealer Registration of Certain User Interfaces Utilized to Prepare Transactions in Crypto Asset Securities, U.S. Sec. & Exch. Comm'n, Speeches and Statements (Apr. 13, 2026), https://www.sec.gov/newsroom/speeches-statements/staff-statement-regarding-broker-dealer-registration-certain-user-interfaces-utilized-prepare-staff-statement-regarding-broker-dealer-registration-certain-user-interfaces-utilized (https://www.sec.gov/newsroom/speeches-statements/staff-statement-regarding-broker-dealer-registration-certain-user-interfaces-utilized-prepare-staff-statement-regarding-broker-dealer-registration-certain-user-interfaces-utilized).

2 As referenced in the order, AMM business models and pricing mechanisms vary. Accordingly, TSVs can operate using various pricing mechanisms and methodologies in addition to the constant product formula, including through mechanisms that use external pricing sources and market data. See section III. of the order.

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