

To:

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory
Authority
1700 K Street, N.W.
Washington, DC 20006

September 25, 2026

**Re: Regulatory Notice 26-15, Modernizing FINRA's
Best Execution Guidance (FINRA Rule 5310)**

Coinbase Global, Inc. (together with its subsidiaries, "**Coinbase**") appreciates the opportunity to respond to Regulatory Notice 26-15 (the "**Notice**") published by the Financial Industry Regulatory Authority ("**FINRA**").

Coinbase is the most trusted service provider of crypto trading, custody, and infrastructure in the world. Founded in 2012 and publicly listed on the NASDAQ, we offer a secure and user-friendly interface for millions of verified retail and institutional investors globally. We are committed to building an open financial system and are doing so with the strongest regulatory compliance and security protocols available.

The Securities and Exchange Commission ("**SEC**" or "**Commission**") proposed to retire Rule 611 of Regulation NMS and to rely on the duty of best execution as the operative protection at the point of execution. The SEC also recently released the Innovation Exemption to bring onchain trading of tokenized equities via self-custodial wallets to the U.S. FINRA can meet the moment with a confirmation that Rule 5310, as written, already accommodates an informed customer's choice of self-custodied, peer-to-peer execution with settlement finality.

Coinbase appreciates FINRA's attention to this matter and looks forward to continued engagement as FINRA develops its guidance.

Yours sincerely,



Scott Bauguess
Vice President, Global Regulatory Policy
Coinbase

Introduction

The tokenization of equity securities will fundamentally alter the relationship between issuers and stockholders. It will also shape how stockholders hold, use, transfer, and trade their assets. The historical paper-based stock ownership system, which is a vestige of the back office paper crisis of the 1970s, has made centralized custody the default method of stock ownership. This is no longer required, and the existing regulatory framework, centered on managing the risks of the historical financial intermediaries, is due for an update.

Onchain ownership of tokenized equity, held sovereign and traded in DeFi applications, recently enabled by the SEC's Innovation Exemption, previews the coming innovation. Stablecoin settlement rails for onchain tokenized equity transfers make it possible for billions of global investors to enter U.S. capital markets, and substantially increase demand for U.S. equity. FINRA's existing best execution guidance is flexible enough to accommodate this transformation. Our response provides FINRA with a roadmap on how to do that.

The Notice asks what the duty of best execution requires when the customer has chosen the technology for their own reasons. FINRA Rule 5310 already contains the answer. The rule directs a FINRA member to weigh the terms and conditions of the order as the customer communicated them,¹ and its Supplementary Material directs the member's review of execution quality to "customer needs and expectations."² An investor who elects atomic execution and delivery of a tokenized security into a self-custodial wallet, with finality under the applicable network's rules, has communicated a term of the order and an expectation about it. The duty of best execution then runs to that customer's objectives, measured in the environment the customer chose.

Broker-dealers are currently the primary channel through which most investors reach any market. Failure to properly highlight self-custody as an a relevant attribute of execution quality in the guidance may inappropriately lead an examiner to treat a fill on an open-network through a decentralized finance ("**DeFi**") protocol as deficient if, for example, it sat a mere basis point away from the midpoint at some central limit order book

¹ FINRA Rule 5310(a)(1)(E), <https://www.finra.org/rules-guidance/rulebooks/finra-rules/5310> (listing among the facts and circumstances "the terms and conditions of the order which result in the transaction, as communicated to the member").

² FINRA Rule 5310, Supplementary Material .09(b)(7). The eight factors listed in Supplementary Material .09(b) are price improvement opportunities, differences in price disimprovement, the likelihood of execution of limit orders, the speed of execution, the size of execution, transaction costs, customer needs and expectations, and the existence of internalization or payment for order flow arrangements.

available using very different technology. Yet, in that circumstance, the customer may have chosen the DeFi protocol for attributes the midpoint does not carry.

FINRA should therefore confirm that an investor's choice of self-custodied, peer-to-peer execution with atomic settlement finality is a legitimate customer objective within the existing multi-factor duty of best execution, one that a member may honor consistent with Rule 5310.

I. The Duty of Best Execution Follows the Customer's Instruction

The Notice describes the duty of best execution as one that supplements the common law duties of agents.³

An agent's duty runs to the principal. The principal defines the undertaking, and the agent has "a duty to comply with all lawful instructions received from the principal."⁴ The duty of care requires the agent to act with the care, competence, and diligence normally exercised by agents in similar circumstances,⁵ and the duty of loyalty forbids the agent from placing its own interests ahead of the principal's.⁶ Each is owed to the customer, on the customer's terms.

As the Notice acknowledges, the same duty applies in securities regulation. A broker must "use reasonable efforts to maximize the economic benefit to the client."⁷ For example, when an investor (as principal) has a stated preference for delivery into a self-custodial wallet, the investor benefits from atomic delivery-versus-payment and a 24/7 market, and the broker (as agent) who secures those attributes at a price consistent with the trading opportunities available in the particular market the client chose is maximizing the investor's choice.

Self-Custody and Settlement Finality Are Customer Objectives in the Same Class as Price

The fill price of a transaction is measured to the tenth of a cent for purposes of best execution. However, a customer who will hold a position for years may be largely insensitive to that level of resolution, and best execution as measured by price to the penny may not be what matters most.

³ Notice, Section A (Background) and n.10 (citing Order Execution Obligations, Exchange Act Release No. 34-37619A, 61 Fed. Reg. 48,290, 48,322 (Sept. 12, 1996)).

⁴ Restatement (Third) of Agency § 8.09(2) (Am. L. Inst. 2006).

⁵ Restatement (Third) of Agency § 8.08.

⁶ Restatement (Third) of Agency § 8.01.

⁷ *Newton v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 135 F.3d 266, 270 (3d Cir. 1998) (en banc), cert. denied, 525 U.S. 811 (1998)).

This point is well illustrated through the SEC's economic analysis. In its 2022 Order Competition Rule proposal, the Commission estimated the competitive shortfall borne by retail investors on marketable orders at approximately 1.08 basis points per dollar traded, about \$1.5 billion a year across the entire retail market.⁸ For a \$20,000 order, the difference would be roughly two dollars. Whether a customer captures or forgoes some part of two dollars on a single fill, while a legitimate issue when considered in the aggregate, is just one of many factors that may not be most relevant to the trade decision of a buy-and-hold investor. The rule text recognizes this by stating that price is only one of many factors.

Four attributes of self-custodied onchain holdings bear directly on the economic benefit to the customer brokers must maximize.

1. Custody and counterparty risk

While a customer holding shares in street name benefits from customer-property protections and, for eligible shortfalls, Securities Investor Protection Corporation ("**SIPC**") advances, brokerage failure can still cause delays and leave losses where customer property and available protection are insufficient. Cases like the Madoff and Stanford ponzi liquidations, in which SIPC successfully declined to cover certain paper gains by retail investors, show that SIPC does not cure counterparty risk.⁹ Self-custody offers a different risk profile that may be preferred by some investors.

It is well understood that shortening the settlement interval can reduce settlement exposure and thus counterparty risk. When the Commission moved settlement from T+2 to T+1 in 2024, it relied on an estimate that the volatility component of the clearing agency's margin requirement could fall by 41 percent.¹⁰ Atomic settlement through an onchain delivery-versus-payment process can further reduce that settlement risk by entirely eliminating the interval between execution and exchange of the onchain assets.

2. Privacy

Custodial account records are a honeypot of personal information. Each record links a person's identity to holdings and a physical address, and account takeover and

⁸ Order Competition Rule, Exchange Act Release No. 34-96495 (Dec. 14, 2022), 88 Fed. Reg. 128 (Jan. 3, 2023).

<https://www.federalregister.gov/documents/2023/01/03/2022-27617/order-competition-rule> (estimating a competitive shortfall of approximately 1.08 basis points per dollar traded, or roughly \$1.5 billion annually, on marketable orders of individual investors).

⁹ See, e.g., testimony of Professor J.W. Verret before the Senate Committee on Banking, Housing, and Urban Affairs, available at <https://www.banking.senate.gov/imo/media/doc/VerettTestimony93015SII.pdf>.

¹⁰ Securities Investor Protection Corporation, What SIPC Protects; id., How a Liquidation Works; 15 U.S.C. § 78fff-2(c)(1); SEC Divisions of Corporation Finance, Investment Management, and Trading and Markets, Statement on Tokenized Securities, sections "Issuer-Sponsored Tokenized Securities" and "Third Party-Sponsored Tokenized Securities" (Jan. 28, 2026).

cyber-enabled fraud sit at the top of FINRA's own list of current concerns.¹¹ A pseudonymous onchain position separates the holding from the identity, which is the separation the law of agency has always allowed an anonymous principal to utilize.

3. Continuous access

Unlike traditional exchanges, open-network markets operate 24/7. Subject to available liquidity, network operation, and risk controls, a customer may submit an order at any time and have it executed through an onchain liquidity pool, solver, aggregator, or other venue. In a pool, execution occurs against reserves and a size-dependent pricing function rather than displayed quotes. Customer-set slippage tolerances and transaction deadlines are enforced by the smart contract. And, the trade and transfer can settle atomically, with network and protocol fees disclosed before signing and finality determined by network rules.

4. Composability

A tokenized share in a customer's wallet can serve as collateral, be lent, or move between applications without an intermediary's permission or delay, and each of those uses is executed by code the customer can inspect. None of these attributes appear in an effective spread, yet all of them are captured in the "customer needs and expectations" factor that FINRA placed in its own list, and in the "terms and conditions of the order" that the rule tells the member to weigh.¹²

Coinbase made the same point to the Commission, that an investor who holds assets in self-custody and transacts peer-to-peer is not neglecting execution quality but exercising it across the full set of attributes the investor rationally values.¹³ The Chairman of the Commission has described self-custody of one's private property as "a core American value."¹⁴ FINRA's confirmation would align its guidance with that view.

The difference between an election and a blanket provision

Section 7, Question 1 of the Notice asks about blanket "not held" provisions in account agreements.¹⁵ The election described above is not such a provision. A blanket provision transfers discretion to the member for every order without a decision by the customer on any of them. A customer's election of onchain execution does the opposite. It records a

¹¹ FINRA, 2026 FINRA Annual Regulatory Oversight Report (Dec. 9, 2025), <https://www.finra.org/rules-guidance/guidance/reports/2026-finra-annual-regulatory-oversight-report> (cyber-enabled fraud and senior investor protection).

¹² FINRA Rule 5310(a)(1)(E) and Supplementary Material .09(b)(7).

¹³ Letter from Scott Bauguess, Vice President, Global Regulatory Policy, Coinbase Global, Inc., to Vanessa Countryman, Secretary, SEC, regarding File No. S7-2026-20 (Aug. 17, 2026) (the "Coinbase Rule 611 Letter")

¹⁴ Chairman Paul S. Atkins, American Leadership in the Digital Finance Revolution (July 31, 2025), <https://www.sec.gov/newsroom/speeches-statements/atkins-digital-finance-revolution-073125>.

¹⁵ Notice, Section 7 (Held and Not Held Orders), Question 1.

specific decision by the customer, on a specific attribute, that the member must then honor, and it leaves the member's diligence on every other attribute in place.

A customer who elects onchain execution has fixed the settlement modality and the custody form, but has not necessarily chosen the network, the pool, the solver, the slippage default, or the handling of transaction ordering. The latter choices may yet remain within the member's diligence.¹⁶ That is the feature of the election that makes it protection-compatible: the customer chooses the environment, and the member can still compete for the customer's benefit within it. Nothing about such an election relieves the member of the obligation to seek the most favorable terms reasonably available inside the environment the customer selected.

II. Investor Protection Is Not Diminished By Self-Custody

Smart Contract Features Can Ensure Investor Protection During Self-Custody

Coinbase supports FINRA's investor protection program. Where a member has a reasonable belief that a specified adult is being financially exploited, Rule 2165 permits such member to place a temporary hold on a disbursement of funds or securities and, since the March 2022 amendments, on a transaction in securities, for fifteen business days, extendable by ten, and by thirty more once the member has reported the matter to a state regulator, agency, or court.¹⁷ Rule 4512 requires members to make reasonable efforts to obtain a trusted contact person for each account.¹⁸ The 2026 Annual Regulatory Oversight Report places senior investors and cyber-enabled fraud at the top of FINRA's priorities, faults members for undocumented reliance on Rule 2165 holds and for weak trusted-contact efforts, and asks members to build escalation practices into daily supervision.¹⁹ We endorse each of these protection mechanisms, and a customer's election of onchain execution leaves every one of them operative.

Section 7, Question 4 of the Notice asks whether members should have flexibility under the duty of best execution to protect customers from fraud-related risks.²⁰ We believe

¹⁶ See also Douro-Securitize Letter, n.16 (distinguishing a customer's election of an execution environment from a customer's direction of a complete execution destination, and observing that the variables remaining within the member's control remain within its diligence obligation).

¹⁷ FINRA Rule 2165(a), (b)(1) through (b)(4), <https://www.finra.org/rules-guidance/rulebooks/finra-rules/2165>; FINRA, Regulatory Notice 22-05 (Feb. 2022) (announcing amendments, effective March 17, 2022, extending temporary holds to transactions in securities and permitting an additional thirty-business-day extension where the member has reported the matter to a state regulator or agency or a court of competent jurisdiction).

¹⁸ FINRA Rule 4512(a)(1)(F).

¹⁹ FINRA, 2026 FINRA Annual Regulatory Oversight Report (Dec. 9, 2025) (senior investor protection; cyber-enabled fraud, including confidence schemes that rely on phony investment applications).

²⁰ Notice, Section 7, Question 4.

they should. A member that delays or declines an execution on a reasonable belief that the customer is being exploited is serving the customer's interest, and the duty of best execution, which exists for the customer, should not be read to penalize it. Rule 2165's Supplementary Material .01 already provides a conditional safe harbor from Rules 2010, 2150, and 11870 for qualifying temporary holds.²¹

The strongest objection is that self-custody is an exit from the perimeter of Rule 2165 because, once the shares are in the customer's wallet, the member can hold nothing, and the victim of a confidence scheme who elects onchain settlement has removed the member's ability to intervene. Coinbase takes the objection seriously, and thankfully there are tools available for the customer to carry protection directly into the self-custodial wallet via smart contract functionality. The same programmability that enforces a customer's price bound can enforce a customer's chosen friction, and the table below maps FINRA's existing instruments to customer-chosen onchain protections.

Yet, sovereign ownership is not without unique risks of its own. Self-custodial wallet owners can lose private keys or expose the keys on their devices that make them subject to malware that steals them. Coinbase invests significant resources in investor education and looks forward to working with FINRA to educate investors about the benefits, risks, and tradeoffs of sovereign tokenized equity ownership and the smart contract functionality and wallet features available to protect investors.

Investor protection tools available in existing self-custodial wallets that could be adapted to sovereign tokenized equity ownerships include:

- smart contract or wallet functionality like time locked or delayed withdrawals, where the wallet enforces a waiting period before withdrawal that is set by the customer, spending or transfer limits that cap the amount that can move in a period without additional authorization;
- co-signer or multi-signature arrangement: a designated person must approve a transfer above a threshold;
- assigning designated persons who can restore access if keys are lost;
- allow-list, whereby the wallet will transfer only to addresses the customer approved in advance, so a new destination supplied by a stranger cannot receive funds; and
- customer-set slippage bound: the contract rejects any fill outside the tolerance the customer signed.

These analogs show that a customer who elects self-custody is not choosing to be unprotected, but rather choosing who holds the protection.

²¹ FINRA Rule 2165, Supplementary Material .01 (providing a safe harbor from FINRA Rules 2010, 2150, and 11870 when members exercise discretion in placing temporary holds).

III. Measuring Execution Quality Where No NBBO Exists

Absence of a singular price feed

Section 1, Question 4.c of the Notice asks how firms should benchmark execution quality in markets that lack a singular price feed, i.e. a consolidated tape. Coinbase does not propose a version of the consolidated tape or NBBO for onchain markets comparable to that in central limit order book markets, nor do we believe this would be beneficial or necessary for the onchain economy. One particular complication is that tokenized equities are envisioned, even by the SEC, to trade against and thus be priced in terms of effectively an unlimited number of other assets such that a consolidated tape would be impractical.²² At the same time, the fact that price data is publicly available for free, in real-time, on public blockchains calls into question the very need for a consolidated tape.

An exhaustive description of how to compare prices across different execution methods in DeFi is beyond the scope of this comment letter, in part because the methods of execution within DeFi are markedly different between aggregators, intents, and even wallet types.²³

Access fees

Section 2 of the Notice addresses access fees and transaction costs against the background of the Chairman's direction that Commission staff review Rule 610(c) by year end.²⁴ The access fee problem does not arise onchain. There is no rebate paid to the routing broker and hidden from the customer. The network fee is displayed in the customer's wallet before the customer signs, is paid to the network rather than to any intermediary, and on modern, high-throughput blockchains is typically measured in cents.²⁵

Extended hours

Section 6 of the Notice asks how the duty applies in extended trading sessions.²⁶ Pools do not close, while the Security Information Processor will not operate continuously even

²² See Order Granting Temporary Conditional Exemptive Relief for Certain Distributed Ledger Trading Venues and Liquidity Providers for Tokenized NMS Stocks, and Request for Comment, , at page 11, Exchange Act Release No. 34-106402 (Sept. 17, 2026), <https://www.sec.gov/files/rules/exorders/2026/34-106402.pdf>.

²³ See also Douro-Securitize Letter.

²⁴ Notice, Section 2 (Access Fees and Transaction Costs) and n.33 (citing Chairman Paul S. Atkins, Statement at the Open Meeting on the Proposed Rescission of Rule 611 (June 11, 2026), <https://www.sec.gov/newsroom/speeches-statements/atkins-statement-open-meeting-061126>).

²⁵ See, e.g. Base, Network Fees, <https://docs.base.org/base-chain/network-information/network-fees> (describing the execution and security components of a Base transaction fee and providing worked examples).

²⁶ Notice, Section 6 (Extended Trading Hours), Question 1.

after the December 2026 expansion to roughly 23 hours on weekdays.²⁷ However, a member's best execution obligation continues to apply regardless. This is true for extended hours in traditional markets as well as onchain markets outside of traditional market hours.

A Neutrality Principle

Coinbase suggests that FINRA state that a member does not violate its duty of best execution only because it routes a customer's order to a venue that displays no quotation, where the customer elected that venue's attributes and the member exercised diligence within it. At the same time, a member does not comply with that duty when it executes at a displayed price, where the customer's instruction called for attributes the chosen venue does not carry. *Newton* anticipated the second half of the principle when it held that the national best bid and offer does not exhaust the prices reasonably available,²⁸ and the Commission's proposal to retire Rule 611 rests on the same premise.²⁹ As Rule 611 recedes and best execution carries the full weight of execution regulation, the risk is not that FINRA will affirmatively rebuild price primacy in a rule, but that examination practice will rebuild it quietly, one deficiency letter at a time. A stated principle protects against that outcome.

Anticipated Objections

Some commenters may urge FINRA to answer the Notice's questions with prescriptive standards. Coinbase urges FINRA to decline that approach. A required benchmark drawn from the displayed market would restore price primacy for a customer who chose a market without displayed prices. A numerical slippage ceiling set too tightly can cause orders to fail in thin and volatile conditions in which customers most need to transact, because tighter slippage tolerances increase the risk of non-execution.³⁰ The duty's strength has always been that it is principles-based, and the Notice's own decision to leave the rule text alone recognizes that.³¹

Others will note that execution in an onchain pool can cost more at the moment of the fill than execution in a displayed market, and will present the difference as a reason to doubt the customer's choice. The difference is real for some orders, and Coinbase has said so above. It is also fully disclosed before the customer signs, which is more than can be said

²⁷ Exchange Act Release Nos. 34-105779 and 34-105780 (June 26, 2026).

²⁸ *Newton*, 135 F.3d at 274.

²⁹ Rescission Proposal, 91 Fed. Reg. at 36,656 (stating that Rule 611 is not needed as a backstop to best execution given today's automated, interconnected, and competitive equity markets).

³⁰ Douro-Securitize Letter, Section V.B, at 16–17 (discussing the trade-off between tighter price bounds and execution certainty, and the risk of non-execution under an overly restrictive slippage cap); Uniswap Labs, How to Change Slippage on the Uniswap Web App (explaining that an excessively low slippage tolerance may cause a transaction to revert or fail).

³¹ Notice, Section D (stating FINRA's preliminary belief that the rule text and its supplementary material remain appropriately calibrated).

of every cost in the traditional securities markets, and it is the price of self-custody and atomic settlement that customers may value and opt for. Coinbase's August 17 letter to the Commission addresses the comparative economics in more detail, including why the costs of the intermediated architecture are systematically undercounted, and we incorporate that discussion by reference rather than repeating it.³² Ultimately, if an investor pays a premium for onchain execution in the face of better prices on a limit order book, this proves nothing more than that the investor put a premium value on execution onchain.

Conclusion

FINRA should therefore confirm that an informed customer's choice of self-custodied, peer-to-peer execution with atomic settlement finality is a legitimate customer objective within the existing multi-factor duty of best execution under FINRA Rule 5310, that a member may honor the choice consistent with the rule, and that the member's diligence for such a customer is measured within the environment the customer elected.

Coinbase appreciates FINRA's careful approach to modernizing its guidance and welcomes the opportunity to provide further technical assistance as that work proceeds.

³² Coinbase Rule 611 Letter, Part II.