



August 11, 2026
Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1700 K Street, N.W.
Washington, DC 20006

Re: Comment on Regulatory Notice 26-15 (Modernizing FINRA's Best Execution Guidance)—FINRA Rule 5310 (Best Execution)

Dear Ms. Mitchell:

Douro Labs LLC (“**Douro Labs**”) and Securitize Markets, LLC (“**Securitize**”) jointly and respectfully submit this letter in response to Regulatory Notice 26-15 (the “**Notice**”), in which the Financial Industry Regulatory Authority (“**FINRA**”) requests comment on modernizing its best execution guidance and asks, among other things, whether FINRA should provide best execution guidance specific to tokenized securities. Our answer is that FINRA should, and this letter explains why and proposes what that guidance should include. We write to urge FINRA to issue updated interpretive guidance under FINRA Rule 5310 (Best Execution and Interpositioning) to address the specific structural characteristics of on-chain execution venues for tokenized national market system (“**NMS**”) securities. The need for such guidance is urgent and has become newly acute in light of the Securities and Exchange Commission’s (“**SEC**”) June 11, 2026 proposed rescission of Rule 611 of Regulation NMS,¹ which explicitly invites self-regulatory organizations (“**SROs**”) to opine on whether and how best execution requirements and guidance should be updated. The comment period for that proposal closes August 17, 2026; the comment period for the Notice closes September 25, 2026.

Rule 5310’s current framework—and FINRA’s existing interpretive guidance, most recently reflected in the 2025 Annual Regulatory Oversight Report (including Regulatory Notice 14-21 (Best Execution in Equity Markets (2014)) and Regulatory Notice 15-46 (Best Execution in Equity, Options, and Fixed Income Markets))²—was designed for a market structure in which executions occur on national securities exchanges, alternative trading systems (“**ATSs**”), and other venues that submit quotations and transaction reports to securities information processors (“**SIPs**”). Tokenized NMS stock traded via on-chain

¹ FINRA, Regulatory Notice 26-15, FINRA Requests Comment on Modernizing FINRA’s Best Execution Guidance (July 24, 2026), <https://www.finra.org/rules-guidance/notices/26-15>; Trade-Through Rule and Locked and Crossed Markets Provisions of Regulation NMS, Exchange Act Release No. 34-105655, File No. S7-2026-20 (June 2026), <https://www.sec.gov/files/rules/proposed/2026/34-105655.pdf>. We note that on-chain executions of tokenized NMS securities likely fall outside Rule 611’s trade-through prohibition even under the current framework. 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 embodying the standard terms and conditions of a market. On-chain execution—with its atomic blockchain settlement, smart-contract mechanics, and absence of standard T+1 DTCC clearing terms—does not embody those conventional terms and conditions. Accordingly, and to the extent the proposed rescission of Rule 611 is delayed or not adopted, we believe on-chain executions are not “regular way” contracts and fall within this existing enumerated exception to Rule 611’s trade-through prohibition. This structural exception does not, however, relieve broker-dealers of their best execution obligations under Rule 5310, which apply to all NMS security transactions by FINRA member firms regardless of settlement mechanism or execution architecture. Rule 5310 thus serves as the primary investor-protection check on execution quality for on-chain executions both today and following any rescission of Rule 611.

² FINRA, Regulatory Notice 26-15, FINRA Requests Comment on Modernizing FINRA’s Best Execution Guidance (July 24, 2026), <https://www.finra.org/rules-guidance/notices/26-15>; FINRA, Regulatory Notice 14-21, SEC Approves Amendments to Equity Trade Reporting and OATS Rules (May 15, 2014), <https://www.finra.org/rules-guidance/notices/14-21>; *see* FINRA, 2025 *FINRA Annual Regulatory Oversight Report* (Jan. 2025), <https://www.finra.org/sites/default/files/2025-01/2025-annual-regulatory-oversight-report.pdf>.

execution venues operates under a materially different architecture. Its execution mechanics, liquidity structures, settlement timing, and cost components are distinct in ways that make the current Rule 5310 framework, applied without adaptation, both unworkable in practice and inadequate to protect investors. This is not simply ambiguity; rather, it is a structural mismatch that leaves broker-dealers without meaningful guidance and investors without the protections Rule 5310 is designed to ensure.

This letter identifies the specific structural differences between on-chain and off-chain execution that the current Rule 5310 framework does not address, explains why those differences cannot be resolved through analogy to existing guidance, and proposes the inclusion of specific elements in FINRA's updated guidance. Although the Notice addresses best execution modernization broadly, our comments respond most directly to Section 9 of the Notice (Emerging Technologies) and, in particular, to Question 9.a, which asks whether FINRA should provide best execution guidance specific to tokenized securities. Our comments also bear on Question 1.d (the continuing role of the NBBO, appropriate alternative benchmarks, and how firms benchmark execution quality in markets that lack a consolidated quote); Question 1.g (clarification of "prevailing market conditions," including reference price reliability and venue characteristics specific to the trading session); Question 1.i (whether Rule 5310 safe harbors should be developed and on what parameters); Section 2 (access fees and transaction costs); Section 3 (best execution review standards); and Section 6 (extended trading hours). We further encourage FINRA to convey to the Commission, in any response to the Rule 611 rescission proposal, that updated best execution guidance addressing on-chain execution is under development.³

I. The On-Chain Execution Environment: Structural Differences from Traditional Markets

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.⁴ As the SEC acknowledged in its March 23, 2026 release on the application of federal securities laws to crypto assets, tokenized NMS stocks (as we use that term herein)

³ We add clarification to frame the analysis below. As discussed below (*e.g.*, in footnote 16, *infra*) a broker-dealer should be permitted to route a customer order to an automated market maker or other on-chain execution venue where on-chain execution and a shorter settlement cycle are what the customer wants—for example, a customer who expresses a desire to self-custody a tokenized security in her own wallet, or who otherwise seeks direct access to a tokenized NMS stock and the on-chain infrastructure through which it is held. For the clearest version of this case, and as discussed below, FINRA's existing guidance already supplies the governing principle: where a customer, on an unsolicited basis, directs the member to route an order to a particular market or venue, 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. The guidance we propose below builds on, and is consistent with, that principle: it addresses the venue-selection, benchmarking, and review obligations that remain within the member's discretion—whether because the customer has given no routing instruction, or because the customer's election of on-chain execution specifies an execution environment rather than a complete execution destination, as we discuss in connection with cross-market routing below.

⁴ We note at the outset that the definitional treatment of these instruments is itself an area of badly needed regulatory clarity. An "NMS stock" is defined by reference to reporting under an effective national market system transaction reporting plan—i.e., through the SIPs—and the NMS plans in turn cover securities listed and traded on a national securities exchange. 17 CFR § 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"). Read strictly, unless and until on-chain venues report last-sale information in a tokenized security to the SIPs, the tokenized instrument may not technically constitute an "NMS stock" at all, even where it represents beneficial ownership of a security that indisputably is one. This definitional gap—under which the same security's regulatory status could turn on the ledger where a given transaction settles—requires clarification from the SEC. We do not attempt to resolve it here; we use "tokenized NMS stock" in the functional sense described above, consistent with the SEC's March 23, 2026 acknowledgment that such instruments are "digital securities" subject to the full panoply of applicable federal securities laws and FINRA rules, including Rule 5310.

are “digital securities” subject to the full panoply of applicable federal securities laws and FINRA rules, including Rule 5310.⁵

On-chain execution venues, including automated market makers (“AMMs”), proprietary AMMs (“PropAMMs”), on-chain order books, and concentrated-liquidity pools, exhibit structural features that distinguish them fundamentally from national securities exchanges and ATSS.⁶ The following features are directly relevant to any best execution analysis:

A. Near-Simultaneous Execution and Settlement on a Deterministic Ledger

On-chain venues typically settle transactions simultaneously with or immediately upon execution, on a deterministic, publicly verifiable ledger. This “atomic” settlement architecture contrasts sharply with the T+1 settlement cycle currently governing non-tokenized NMS stock transactions.⁷ Where execution and settlement are near-simultaneous, pricing inputs must be synchronized with ledger state and liquidity availability for many on-chain venues such as AMMs. The SIP data infrastructure, optimized for sub-millisecond order matching and deferred settlement, may not reflect the real-time, on-chain conditions relevant to a transaction that will settle atomically.

B. Continuous 24/7/365 Trading Sessions

Certain on-chain venues operate continuously, including during periods when the SIP-derived NBBO does not exist (i.e., evenings, weekends, holidays, and other periods outside SIP operating hours). Although the SEC has approved amendments that are 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.⁸ Accordingly, on-chain activity may occur during periods for which no contemporaneous SIP-derived NBBO is available. A broker-dealer routing customer orders to an on-chain venue during these periods has no NBBO against which to benchmark execution quality under any conventional application of Rule 5310. Furthermore, given that the inside market price may be substantially determined by non-U.S. offshore market participants, best execution and best price will be determined from sources that differ from those that determine prices during standard U.S. market hours today.

C. Novel Liquidity Structures: AMMs, PropAMMs, and Concentrated-Liquidity Pools

Certain on-chain venues do not express executable interest through traditional bid and offer quotations nor in quotations compatible with traditional trading and market systems. Instead:

⁵ 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. 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”).

⁶ We refer to “*on-chain execution venues*” or any 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.

⁷ 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 on-chain settlement differs in kind, not merely in speed: settlement occurs at the moment 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 on-chain venues such as AMMs. The SIP data infrastructure, optimized for sub-second order matching and deferred settlement, may not reflect the real-time or on-chain conditions relevant to a transaction that will settle atomically.

⁸ See Securities Exchange Act Release No. 34-105779 (June 26, 2026), 91 FR 40082 (July 1, 2026) (Order Approving the Fortieth Substantive Amendment to the Second Restatement of the CTA Plan and Thirty-First Substantive Amendment to the Restated CQ Plan) (File No. SR-CTA/CQ-2026-01); Securities Exchange Act Release No. 34-105780 (June 26, 2026), 91 FR 40058 (July 1, 2026) (Order Approving the Fifty-Fifth Amendment to the UTP Plan) (File No. S7-24-89).

- An AMM determines execution price continuously along a mathematical curve (e.g., a constant-product or constant-sum bonding curve). The price a customer receives is a function of the order size, pool depth, and the shape of the curve, not a pre-trade quoted price. While arbitrageurs will help to keep such prices ‘in line’ with traditional markets, an AMM price in a DeFi venue is venue-specific and offers liquidity in an on-chain ecosystem that is not subject to cumbersome inter-market linkage requirements.
- A PropAMM continuously re-prices its liquidity based on an off-chain pricing model, then settles transactions against on-chain liquidity.⁹ The resulting execution is independently verifiable on-chain, but the pre-trade “price” is determined by the PropAMM’s model, not by a resting bid or offer.
- An on-chain order book, unlike an AMM, does display resting bids and offers. But those quotations are not—and could not practically be—disseminated to a SIP and therefore exist entirely outside of the process that produces the NBBO. Moreover, a displayed on-chain quotation is executable only subject to blockchain mechanics that have no traditional analog: the order must be successfully included in a block, sufficient network fees (where applicable) must be paid, and the quote must remain available in the ledger state at the moment of settlement. A displayed price on an on-chain order book is accordingly a conditional indication of executable interest rather than the firm, immediately accessible quotation that Rule 5310’s framework presupposes.

The critical implication is that on-chain execution price is inherently size-dependent and state-dependent. Because an AMM prices each order along its liquidity curve, the effective price a customer receives is a function of the order’s size relative to the depth of the pool at the moment of execution. This means that two customer orders of different sizes submitted to the same AMM at the same moment may receive different effective prices.¹⁰ There is no single “quoted price” for certain on-chain venues in the sense that Rule 5310 presupposes.

D. Block Time Architecture and Settlement Finality Timing

Many blockchains on which tokenized securities are deployed operate at materially different timing than U.S. equity markets. Two distinct timing concepts are relevant. The first is block time—the interval at which transactions are executed and included in the public ledger, which is the on-chain analog of execution and last-sale publication. 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 follows block inclusion by seconds (Solana), minutes (Ethereum), or, probabilistically, an hour or more (Bitcoin). Finality has no direct analog in traditional market structure, where an execution is immediately certain even though settlement follows at T+1. For benchmarking purposes, the relevant comparison is between block inclusion and traditional execution: a SIP-derived NBBO refreshing at microsecond resolution is not a meaningful price reference for an order that will

⁹ A PropAMM is an on-chain 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 off-chain pricing model. A user’s transaction settles directly against the program’s on-chain liquidity on the blockchain, and the resulting execution is independently verifiable by anyone. See Maher Latif & Daniel Gerhardstein, *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>.

¹⁰ 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 Rule 5310 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 the current framework assumes.

execute at 400-millisecond to 12-second block intervals, and the additional interval to finality introduces a settlement-assurance dimension that the current framework does not contemplate at all. The temporal architecture of on-chain execution makes NBBO-based execution benchmarks inapplicable.¹¹

E. SIP Infrastructure Does Not Capture On-Chain Market State

SIPs receive quotation and transaction information for NMS securities from national securities exchanges and FINRA-operated facilities, all of which are currently subject to a T+1 settlement period. SIPs do not receive real-time state information from AMMs, PropAMMs, decentralized liquidity pools, or smart-contract-based execution venues. SIPs do not currently process the data formats, settlement mechanics, pool state, network conditions, or venue-state information necessary to characterize expected execution quality at an on-chain venue. During regular market sessions, SIP data reflects prices available on conventional venues but does not reflect the price at which a tokenized form of the same security is actually available for on-chain settlement. The result is that a SIP-derived NBBO can be materially incomplete—or actively misleading—as a measure of execution quality for an order routed to an on-chain venue with a different set of price considerations.

To the extent that on-chain venues do integrate with the SIPs with respect to some information, such efforts will likely take years to implement and require NMS plan amendments and significant coordination among SROs.¹² And the temporal and other differences among these trading ecosystems may create more confusion than useful market information among otherwise unlinked and dissimilar environments.

II. How On-Chain Execution Strains Rule 5310's Current Framework

Rule 5310 requires that a broker-dealer FINRA member firm and its associated persons use “reasonable diligence” to ascertain the “best market” for a subject security and buy or sell in such market so that the resultant price to the customer is “as favorable as possible under prevailing market conditions.” Supplementary Material .09 further requires firms to conduct “regular and rigorous” reviews of execution quality across a defined set of factors. Each of these elements presents distinct analytical problems when applied to on-chain execution.

A. The “Best Market” Concept Assumes Point-in-Time Quotations

Rule 5310's “best market” analysis was designed to answer a comparatively straightforward question: which of the competing venues displaying a quoted price for the subject security offers the most

¹¹ The distinction between block inclusion and finality maps onto, but does not perfectly replicate, the traditional execution/settlement dichotomy. In at least one model already in production—the Securitize platform—execution time is defined as the moment price agreement is reached on-chain (e.g., when a participant accepts a price in a request-for-quote workflow), while finality constitutes the settlement event, even where that settlement is atomic or near-atomic. This framing is significant for two reasons. First, it preserves a conceptual separation between execution and settlement that regulators and market participants can map to existing best execution and trade reporting frameworks, even though the elapsed time between the two may collapse from T+1 to seconds. Second, instant or atomic settlement creates economic value—eliminating counterparty risk, reducing capital lockup, and providing immediate availability of the security—that will be reflected in the price of the transaction in ways not present for a security subject to T+1 settlement. Any benchmarking framework must account for the possibility that price differences between the tokenized and traditional forms are attributable to this settlement-value differential rather than to data-source deficiency.

¹² Trade reporting is a partial exception: on-chain transactions can be reported to existing FINRA facilities if submitted as cash-settled and understood to arrive “late” relative to the execution timestamp. That said, trade reporting and quotation display serve different functions. Reporting a completed transaction after the fact provides post-trade transparency; it does not supply the real-time, pre-trade quotation information that the Vendor Display Rule is designed to govern. Quotation data from on-chain venues—reflecting AMM pool state, smart-contract-based execution pricing, or RFQ responses—is structurally distinct from the order-book quotations the SIP is built to process, and integrating it would require changes to NMS plan data formats, SRO coordination, and potentially new message types that do not exist today. The cash-settlement trade reporting pathway, while functional, does not close the quotation-display gap that this framework is designed to address.

favorable terms?¹³ In an on-chain AMM execution context, that question has no direct answer because there is no quoted price. The “price” available at an on-chain venue is a function of the specific order—its size, timing, and the instantaneous state of the liquidity pool at the moment the transaction is submitted to the blockchain for settlement. And in an on-chain orderbook context, the quote is a conditional indication of executable interest rather than the firm, immediately accessible quotation that Rule 5310’s framework presupposes. We urge FINRA to clarify that for on-chain execution, the “best market” analysis turns on the expected effective execution price for the specific order being routed, rather than on a comparison of displayed quotations in off-chain markets, as further explained in Section IV.A, below.

B. The SIP-Derived NBBO Is an Inadequate Benchmark for On-Chain Execution Quality Review

The practical backbone of most firms’ Rule 5310 compliance programs is a comparison of execution prices against the NBBO at the time of execution. (Regulatory Notice 14-21 established the NBBO as the operative baseline for this comparison.) That comparison presupposes that the NBBO is a meaningful measure of prevailing market conditions for the specific order and venue. For on-chain execution, that presupposition fails for at least three independent reasons.

First, the NBBO may simply be unavailable. On-chain venues operate continuously; the SIPs do not. During the overnight period until at least December 2026, and weekends and holidays, there is no NBBO against which to measure execution quality.

Second, even when the NBBO exists, it may not reflect on-chain conditions or execution quality. The NBBO for the traditional form of the same security does not incorporate on-chain liquidity, pool depth, transaction costs, settlement timing, or the venue state of any on-chain execution venue. Comparing an on-chain execution price to an off-chain NBBO can inform whether the customer would have been better served in the traditional market—a legitimate routing consideration—but it does not measure the quality of the on-chain execution itself, because it compares what the customer paid for on-chain settlement against what a structurally different transaction, on different infrastructure with different costs and settlement characteristics, might have cost.

Third, the temporal architecture mismatch discussed above means that even a technically current NBBO is not synchronized to the settlement-finality assumptions of the on-chain venue. A SIP-derived NBBO refreshing at microsecond cadence is not a useful benchmark for an order that will execute at block inclusion—400 milliseconds to 12 seconds after submission, depending on the chain—and whose settlement assurance follows at the venue’s finality interval.

FINRA should formally recognize that for on-chain execution, firms may (and should) use a reference price that incorporates on-chain pricing data (such as Pyth) as the benchmark for regular and rigorous reviews of execution quality, in lieu of or as a supplement to the NBBO. Such a reference price should meet defined criteria for reliability, methodology transparency, data provider independence, and auditability. Market participants, including Douro Labs, have developed reference-price services designed for this purpose, and FINRA’s guidance should acknowledge their legitimate role in on-chain execution quality analysis.

C. Transaction Cost Components in On-Chain Execution Extend Beyond the Traditional Definition

Rule 5310 identifies “clearing costs” and the “cost and difficulty associated with achieving an execution in a particular market center” as relevant factors in the best execution analysis. In on-chain

¹³ Rule 5310’s “best market” analysis is actually a bit 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.

execution, the relevant transaction cost components are materially different from, and in some cases have no analog in, traditional equity execution costs. 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.¹⁴
- **Protocol fees:** Smart contract interaction fees charged by the AMM or on-chain execution 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:** On-chain settlement often requires that assets be pre-funded or collateralized in the on-chain wallet before a transaction is submitted. The cost of this 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 bring any such tokenized NMS stock to other blockchain networks may represent a material cost component.
- **Settlement timing costs:** The opportunity cost of capital committed during block confirmation periods, which can range from sub-second (Solana) to minutes (Ethereum, Bitcoin), must be considered in total cost analysis.

We encourage FINRA to clarify that each of these cost components is a legitimate factor in a firm's best execution analysis for on-chain execution, and should provide guidance on how firms should quantify and disclose them to the extent such fees are passed through to customers.

D. The "Regular and Rigorous" Review Framework Requires Structural Adaptation

Supplementary Material .09 to Rule 5310 requires firms to conduct periodic "regular and rigorous" reviews of execution quality across defined factors, including price improvement, effective spread, the likelihood of execution, and speed of execution. Each of these factors presents analytical complications in the on-chain context for which FINRA guidance should be provided to account for differences in on-chain executions.

Price improvement and effective spread cannot be calculated against an NBBO for the reasons discussed above. Likelihood of execution for an AMM order approaches certainty if the transaction is submitted with adequate gas and pool depth, but collapses to zero if the transaction is rejected due to gas estimation failure, pool depletion, or smart contract error—a failure mode without analog in traditional order routing. Speed of execution is measured in block times rather than order-book matching latency, making sub-second metrics inapplicable. And there is no consolidated on-chain transaction tape equivalent to SIP or TRF reporting, meaning that the trade-level data underlying a regular and rigorous review must be assembled from blockchain explorers, smart contract event logs, and proprietary order records rather than from a centralized reporting infrastructure.

To be clear, the structural differences in on-chain execution do not excuse venues from meaningful execution-quality competition. Just as certain broker-dealer dark pools have been found to deliver

¹⁴ 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 or ("MEV") (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

materially adverse execution quality due to elevated adverse selection, information leakage, or undisclosed internalization practices, on-chain venues will vary in the quality of execution they deliver.¹⁵ A regular and rigorous review framework adapted to the on-chain context should enable firms to distinguish among venues based on factors including realized slippage relative to quoted price, exposure to MEV (including the incidence of front-running and sandwich attacks and whether the venue employs mitigation mechanisms), price impact relative to available pool depth, revert rates and associated failed-transaction costs, total implicit transaction costs (gas, protocol fees, and embedded spread), reference price oracle quality and manipulation susceptibility, and adverse selection metrics adapted to measure whether a venue's execution pricing systematically disadvantages liquidity-taking orders relative to contemporaneous pricing on other accessible venues.

We encourage FINRA to provide guidance specifying: (i) what constitutes an adequate regular and rigorous review for on-chain execution, including acceptable proxy benchmarks and data sources; (ii) how firms should document execution quality in the absence of a consolidated on-chain reporting infrastructure; and (iii) whether the review frequency standard (quarterly or more often) applies equally during periods of 24/7 on-chain activity.

E. Cross-Market Routing in a Dual-Market Environment Raises Unresolved Obligations

For a tokenized NMS stock that trades both on-chain (at AMMs, PropAMMs, or on-chain order books) and off-chain (at traditional exchanges or ATs), a broker-dealer must determine which market to route to in order to satisfy Rule 5310. But comparing these markets is structurally challenging in ways that current guidance does not address.

A customer trading NMS stock on a traditional exchange generally receives T+1 settlement via DTC for custody of resulting positions. A customer trading at an on-chain venue receives atomic blockchain settlement, on-chain custody, and DeFi composability. These are not merely price differences but differences in the nature of the instrument received and the settlement infrastructure through which ownership is held. Where a customer has specifically requested on-chain settlement, that preference is itself a relevant factor in the best execution analysis.¹⁶ The Commission has recognized that price alone does not

¹⁵ See, e.g., Haoxiang Zhu, *Do Dark Pools Harm Price Discovery?*, 27 Rev. Fin. Stud. 747 (2014). The same principle applies on-chain: a permissionless AMM with shallow liquidity, no MEV protection, and oracle-dependent pricing will deliver materially different execution quality than a regulated venue with deep liquidity, MEV-mitigation infrastructure, and first-party reference pricing.

¹⁶ See FINRA Rule 5310.08 (2014) (relieving 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, while preserving the member's obligation to process the order promptly and on its terms). By its terms, .08 is addressed to a customer's selection of a "particular market," a concept developed against a market structure in which the available markets differed in venue but not in the nature of the instrument or the settlement infrastructure through which ownership is held. The advent of tokenized NMS stock that trades both on-chain and off-chain presents a threshold question .08 does not squarely answer: whether a customer's election to be routed to an on-chain venue—and thereby to receive atomic settlement and on-chain custody—constitutes a directed instruction within the meaning of .08, such that the member is relieved of any best execution determination beyond that election as to the displaced settlement modality. We submit that it should not, at least not in the manner a conventional directed order does. A customer's instruction to route to a single, identified market under .08 specifies the execution destination completely; the member need only effect the order promptly and on its terms because no material execution variable remains within the member's discretion. A customer's election to trade "on-chain," by contrast, specifies an execution environment rather than a complete execution destination, and leaves a range of consequential variables still within the member'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 on-chain order book; and the selection among multiple on-chain venues trading the same tokenized security. The customer's preference fixes the settlement modality and credits the associated on-chain benefits as relevant factors in the analysis; it does not discharge the member's obligation to seek the most favorable terms reasonably available within the on-chain environment the customer has selected. Accordingly, we respectfully request that any guidance clarify that a customer's election of on-chain execution, while a relevant and potentially dispositive factor as to settlement modality, does not by itself satisfy Rule 5310 as to the downstream execution-quality variables that remain within the member's discretion, and that the member's reasonable-diligence and regular-and-rigorous-review obligations continue to apply to those variables.

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. Consistent with Rule 5310’s “most favorable terms reasonably available” standard, a proper best execution analysis for on-chain venues must affirmatively consider the on-chain execution benefits—including atomic settlement and elimination of counterparty settlement risk, DeFi composability, privacy, continuous 24/7 market access, and smart-contract-enforced order parameters—against any potentially incremental execution costs. The analysis should not simply be whether on-chain execution achieves a better NBBO price at one given millisecond than off-chain alternatives.

FINRA should clarify how firms should approach the cross-market routing decision when the same tokenized NMS stock trades in both on-chain and off-chain venues, including: (i) whether and when a cross-market comparison is required; (ii) what methodology is appropriate for comparing execution quality across structurally incompatible venues; and (iii) when a customer’s settlement preference appropriately supersedes a pure price-comparison analysis.

F. Off-Hours Trading and the NBBO Gap

On-chain venues are open when SIPs are not. FINRA Regulatory Notice 99-11, which addresses best execution in after-hours trading, presupposes predictable post-4:00 PM ET liquidity degradation; that framework may be inapplicable to 24/7 on-chain markets (for example, AMMs have resting pool liquidity available around the clock). The current Rule 5310 framework provides no guidance on best execution obligations, reference prices, or benchmarks for orders routed to on-chain venues during periods when no SIP-derived NBBO exists. This is not an edge case as it encompasses every weekend, every holiday, and every hour outside SIP operating windows. FINRA should be mindful of and monitor for different liquidity profiles for on-chain venues. Broker-dealers need clear guidance on what standard applies, and investors need assurance that their orders receive the same diligence during off-hours on-chain execution as during regular market hours.

G. Maximal Extractable Value (MEV) as a Best Execution Consideration

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 in exchange for compensation from market participants seeking to have their transactions prioritized. MEV is a feature of on-chain execution with no direct analog in traditional equity markets. Depending on how an order is constructed and routed, it can either improve or degrade a customer’s execution quality, and a broker-dealer is in a position to anticipate and influence which outcome obtains.

MEV considerations relevant to broker-dealer best execution obligations fall on both sides of the ledger as certain MEV dynamics extract value from a customer’s order, while others can be harnessed to improve the execution a customer receives:

- **Front-running:** A block producer or MEV bot observes a pending customer transaction in the public mempool and submits a competing transaction ahead of it, profiting at the customer’s expense by altering the 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, 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 in the form of price improvement or rebates, converting value that would otherwise accrue to searchers or block producers into a benefit for the customer.

FINRA should provide guidance recognizing MEV as a factor within the scope of Rule 5310's best execution obligations. A broker-dealer can structure customer transactions to address adverse MEV through technically feasible steps within its reasonable control—including the use of 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. But MEV mitigation should not be treated as a per se requirement of best execution, because MEV-enabled execution can itself yield superior terms for the customer: transaction inclusion certainty during periods of congestion or volatility, MEV rebates or order-flow auctions that return value to the customer, and arbitrage-driven price correction that tightens effective spreads. The relevant question under Rule 5310 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.

Accordingly, FINRA should clarify that, where applicable, a broker-dealer satisfies Rule 5310 by (i) structuring customer transactions to account for MEV in a manner consistent with its best execution obligations, or (ii) affording customers the ability to elect for themselves whether and how MEV is addressed in the routing of their orders. We further request that any guidance establish a principles-based safe harbor for firms employing reasonable, documented MEV-mitigation practices, including reliance on a customer's informed election under (ii).

III. The Notice and the SEC's Rule 611 Rescission Proposal Together Frame the Need for Guidance Addressing On-Chain Execution

The SEC's June 11, 2026 proposed rescission of Rules 611 and 610(e) of Regulation NMS sharpens the urgency of the guidance we request and supplies much of the impetus for this Notice. The proposal is explicit: FINRA Rule 5310 is the primary regulatory mechanism that will backstop investor protection in the absence of Rule 611's trade-through prohibition. The proposing release states that Rule 611 "is not needed as a backstop to best execution given today's highly automated, interconnected and competitive equity markets" because "a broker's duty to provide best execution would apply regardless." It further states 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."

In substituting Rule 5310 for Rule 611 as the operative investor protection mechanism, the SEC has placed the full weight of market-wide best execution protection on a rule whose interpretive framework (at least as applied to on-chain execution) has significant gaps. The release itself acknowledges this, explicitly inviting comment on "whether, and to what extent, best execution requirements and guidance should be updated" and asking: "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?"

The release explicitly 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. Having identified on-chain execution as part of the rationale for removing Rule 611, the Commission should expect (and FINRA should anticipate) that on-chain best execution will be a central question in the resulting guidance landscape.

We also note a parallel development that underscores the need for FINRA to lead this effort. In recent months, several exchange SROs adopted their own best execution rules—patterned on FINRA Rule 5310 and filed for immediate effectiveness under Section 19(b)(3)(A) of the Exchange Act, such that they took effect upon filing with comment solicited only after effectiveness—governing the order-handling conduct of their members.¹⁷ We do not address the substance of those filings here. But the structural posture they create warrants 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 on-chain 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. These filings reinforce the case for FINRA to issue modernized, market-wide guidance under Rule 5310 that serves as the authoritative baseline, and we encourage FINRA and the Commission to remain attentive to whether exchange-level best execution rules are applied in a manner that restricts competition among execution venues.

The comment period for the Rule 611 rescission proposal closes August 17, 2026, approximately five weeks before the comment period for the Notice closes on September 25, 2026. Through the Notice, FINRA has taken the first step by opening its best execution guidance to review. We respectfully urge FINRA to take the second by confirming, both in any response to the SEC’s invitation and in the guidance that follows this Notice: (i) that updated Rule 5310 guidance will address on-chain execution of tokenized NMS securities; (ii) the elements that such guidance will address; and (iii) a timeline for developing and issuing that guidance. Such a signal would provide broker-dealers with needed regulatory certainty and would allow market participants to structure their on-chain compliance programs in anticipation of the forthcoming guidance framework.

IV. Proposed Elements of Updated Rule 5310 Guidance

We respectfully propose that FINRA’s updated interpretive guidance under Rule 5310 address the following specific elements. We strongly recommend a principles-based approach, consistent with the SEC’s own suggestion in the Rule 611 proposal, given the rapid evolution of on-chain execution technology and the difficulty of prescribing specific technical standards that will remain accurate as the market develops.

A. Redefining “Best Market” for On-Chain Execution

For orders routed to on-chain execution 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 as described above, and the settlement characteristics of the relevant venue—because there is not yet a FINRA-recognized on-chain displayed

¹⁷ See, e.g., Exchange Act Release Nos. 34-105626 (SR-NYSEAMER-2026-47), 34-105627 (SR-NYSEARCA-2026-59), 34-105628 (SR-NYSESTAT-2026-16), and 34-105629 (SR-NYSETEX-2026-20) (June 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).

quotation to compare. This does not mean, however, that broker-dealers must independently model AMM curve dynamics or pool mechanics: the on-chain market has already developed—and competitive pressure will continue to drive—pre-trade price discovery infrastructure that performs this function, as 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 smart-contract slippage parameters convert any pre-trade indication into an enforceable outermost, acceptable execution bound. A reliance-based standard aligns the diligence obligation with this market structure: a broker-dealer satisfies its reasonable-diligence obligation by (a) obtaining pre-trade expected-price indications for the specific order from one or more on-chain venues, routing services, or qualifying reference price sources (including services meeting the criteria described in Section IV.B below); (b) comparing those indications across reasonably available 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 FINRA has 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 either firms or examination staff to independently reconstruct venue-level liquidity mechanics. Accordingly, FINRA’s guidance should adopt this reliance-based framework as the “best market” standard for on-chain execution.

B. Acceptable Benchmarks for On-Chain Execution Quality Review

A reliable public reference price promotes the core objectives of best execution in the on-chain context. It supplies the reference function that the NBBO cannot perform for on-chain executions: a continuously available price reference that reflects conditions in the markets where the security actually trades, operates during all periods of on-chain activity including weekends and overnight sessions, and is synchronized with on-chain 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 on-chain executions are measured against genuine market conditions rather than left unbenchmarked. Accordingly, a qualifying reference price should be a recognized component of on-chain 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 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 Rule 5310 compliance in the on-chain context, and FINRA’s guidance should recognize them as such.

C. On-Chain Transaction Cost Components

Gas, protocol fees, slippage, pre-funding, bridge fees, and settlement timing (including MEV) each introduce costs (and in some cases, benefits) of an on-chain execution that has no analog in traditional equity markets. Recognizing these components within the best execution analysis serves Rule 5310’s core purpose of ensuring that the price to the customer is as favorable as possible under prevailing market conditions because a routing decision that ignores them can favor a venue whose nominally better price is

worse for the customer once all costs of the transaction are accounted for. This recognition is also a natural extension of the rule’s existing framework, which already treats “clearing costs” and the “cost and difficulty associated with achieving an execution in a particular market center” as relevant factors; on-chain cost components are simply the form those factors take in a blockchain settlement environment. Accordingly, guidance should explicitly recognize these components as legitimate factors in the best execution analysis for on-chain executions, and should address how firms estimate, measure, and disclose them—including the prospective nature of gas estimation at the time of order submission.

D. Regular and Rigorous Review for On-Chain Execution

Regular and rigorous review is the mechanism through which Rule 5310’s diligence obligation is verified in practice, and it depends on inputs that on-chain execution supplies differently than traditional markets do. There is no consolidated on-chain tape from which trade-level data can be drawn; execution records instead reside in 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. On-chain 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, and continuous 24/7 trading raises the question whether a quarterly review cadence designed around discrete market sessions remains meaningful. A principles-based framework adapted to these realities would give firms a workable compliance standard and give examiners a consistent basis for oversight. Accordingly, guidance should address: (a) acceptable data sources and proxy benchmarks in the absence of a consolidated on-chain reporting infrastructure; (b) documentation requirements for on-chain execution records, including blockchain transaction hashes, smart contract event logs, and network fee records; (c) how to treat transaction reverts and failed submissions in execution quality analysis; and (d) whether the standard review frequency is appropriate for 24/7 on-chain trading activity or whether continuous monitoring is more appropriate.

E. Cross-Market Routing Obligations in a Dual-Market Environment

Rule 5310’s “most favorable terms reasonably available” 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 same principle applies where a customer’s objectives mandate on-chain settlement and custody—for that customer, off-chain execution does not deliver the instrument in the form sought, and a comparison against off-chain alternatives measures the wrong thing. Where no such mandate exists and the same security is reasonably available to the customer in both forms, a cross-market comparison is appropriate, but it must contend with the structural reality that on-chain and off-chain executions differ not merely in price but in settlement modality, custody form, and infrastructure, so a raw price comparison understates what each execution actually delivers. Accordingly, guidance should clarify: (a) that a firm routing customer orders to on-chain venues without comparing execution quality against available off-chain alternatives satisfies its Rule 5310 obligation when the investor’s objectives mandate on-chain settlement and custody; (b) the methodology appropriate for comparing on-chain and off-chain execution quality when settlement modality, custody form, and infrastructure differ fundamentally; and (c) the extent to which a customer’s affirmative election of on-chain settlement appropriately affects the cross-market comparison obligation.

F. Off-Hours and No-NBBO Execution

We expect that a substantial and growing share of on-chain trading activity will occur during evenings, weekends, and holidays—periods when no SIP-derived NBBO exists and when the assumptions underlying existing off-hours guidance, which presupposes predictable post-close liquidity degradation rather than continuous markets, do not hold. Investors transacting during these periods are entitled to the same diligence as investors transacting during regular sessions; a best execution framework that functions only when the SIPs are operating would leave a large fraction of on-chain executions effectively

unsupervised, precisely when reference prices are scarcest and execution risks are most pronounced. At the same time, off-hours on-chain trading carries distinct risks—thinner liquidity, wider effective spreads, elevated volatility, corporate announcements landing outside traditional sessions, and heightened technology risk—that customers should understand before electing to trade. Accordingly, guidance should specify: (a) that best execution obligations under Rule 5310 apply during all periods of on-chain 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 IV.B, above); (c) whether any accommodations apply to execution quality review methodology for off-hours on-chain trades; and (d) whether member firms engaged in on-chain order routing during off-hours should be required to provide customers with a risk disclosure statement addressing, at minimum: (i) reduced liquidity; (ii) wider bid-ask spreads; (iii) higher price volatility; (iv) absence of linkage to traditional market hours; (v) potential for material corporate announcements during off-hours; and (vi) heightened technology and system risk—and whether such disclosures should be posted prominently on the firm’s website when accounts can be opened or orders placed online.

G. MEV Mitigation as a Best Execution Obligation

MEV bears on the price a customer receives, and a broker-dealer’s routing and transaction-structuring choices materially influence whether MEV degrades or improves that price—which places MEV squarely within the scope of Rule 5310’s diligence obligation. But because MEV dynamics cut both ways, as discussed above, a rigid mitigation mandate would misfire: adverse MEV such as front-running and sandwich attacks extracts value from customer orders, while MEV-enabled routing can deliver inclusion certainty during congestion, rebates through order-flow auctions, and tighter effective spreads through arbitrage-driven price correction. The appropriate standard is therefore the one Rule 5310 already supplies—whether the firm has reasonably considered MEV and routed consistent with the most favorable terms reasonably available—which in a given case may mean mitigating adverse MEV or affirmatively electing an MEV-enabled route, and which properly accommodates a customer’s own informed election. Firms adopting reasonable, documented practices under this standard should be able to do so with certainty that unpreventable MEV exposure, or exposure reflecting a customer’s own routing choice, will not be second-guessed. Accordingly, guidance should: (a) formally recognize MEV as a best execution consideration within the scope of Rule 5310; (b) identify categories of reasonable measures firms should consider for addressing adverse MEV, including private mempool use, 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, and that a firm satisfies Rule 5310 by either structuring transactions to address MEV consistent with the most favorable terms reasonably available or affording customers the ability to elect for themselves whether and how MEV is addressed in routing their orders; 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 under (c)—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.

H. Supervisory Procedures and Written Standards

Written supervisory procedures are how a best execution framework becomes operational within a firm: they translate regulatory standards into defined responsibilities, methodologies, and records that can be executed consistently and examined objectively. The elements discussed throughout this letter involve judgments and data sources that existing WSP frameworks, built around NBBO benchmarking and traditional venue analysis, do not address. Firms entering on-chain execution need clarity on what their supervisory systems must cover, and examiners need a consistent baseline against which to assess them; WSP guidance also reinforces the reliance-based and principles-based standards proposed above by ensuring that each firm’s chosen methodologies are documented and reviewable rather than ad hoc. Accordingly, guidance should clarify that member firms engaged in on-chain execution of tokenized NMS securities must establish written supervisory procedures specifically addressing on-chain best execution,

including: (a) the reference prices and benchmarks to be used for routing and quality review purposes; (b) the on-chain cost components to be included in the best execution analysis; (c) the methodology and frequency of regular and rigorous reviews; (d) documentation and recordkeeping requirements for on-chain execution records; and (e) MEV assessment procedures.

I. SEC Coordination

FINRA should coordinate with the SEC in developing best execution guidance for on-chain execution, ensuring that FINRA's Rule 5310 interpretive framework is consistent with any parallel SEC guidance on broker-dealer best execution obligations for on-chain order routing. In particular, we encourage FINRA to engage with the pending Douro Labs no-action request under Rule 603(c) of Regulation NMS (the Vendor Display Rule), which seeks regulatory relief to use the Pyth Pro reference price service as an alternative benchmark for on-chain routing decisions. That no-action request provides a concrete model for how alternative reference price standards developed for on-chain markets can be formally recognized within the existing regulatory framework. FINRA should also ensure that any Rule 5310 guidance it issues is coordinated with the SEC's ongoing rulemaking under the Rule 611 rescission proposal so that FINRA's interpretive framework functions as a cohesive and consistent backstop for investor protection in on-chain markets.

V. Investor-Directed Slippage Parameters as a Best Execution Mechanism

Beyond the structural guidance elements described above, we propose that FINRA endorse a specific order-parameter mechanism that would allow investors to affirmatively specify a maximum permissible price deviation—expressed in basis points relative to the NBBO or a qualifying reference price such as the Pyth price at the time of order placement—when placing an order to be executed at an on-chain venue. This mechanism, which we refer to as an “investor-directed slippage parameter,” would be enforced at the smart-contract level: if the execution price at the on-chain venue would exceed the investor-specified tolerance, the transaction reverts automatically and the order is not filled. Price-deviation constraints are not foreign to the existing regulatory framework: broker-dealers apply price collars as part of their market access controls under Exchange Act Rule 15c3-5, exchanges impose order price protections that reject or reprice orders deviating excessively from the prevailing market, and the Limit Up-Limit Down mechanism constrains executions to defined price bands. Each of these, however (other than Limit Up-Limit Down), is a firm- or venue-imposed backstop, calibrated at levels designed to intercept erroneous or disruptive orders rather than to express any individual customer's execution preferences—and each depends on centralized market infrastructure that does not extend to on-chain venues. The investor-directed slippage parameter translates this familiar protective architecture into the on-chain environment while improving upon it in two respects: the tolerance is set by the investor, at the granularity of the individual order, rather than imposed generically at the firm or venue level; and enforcement is deterministic, executed by the smart contract itself rather than dependent on intermediary systems. 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 order parameters rather than assumed from market structure.

A. The Regulatory Character of the Slippage Parameter

The investor-directed slippage parameter is not a relaxation of Rule 5310's 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 on-chain execution, including atomic settlement, on-chain custody, DeFi composability, and continuous 24/7 market access. We emphasize that the slippage parameter operates *ex ante* as a binding order condition, not merely as an after-the-fact review benchmark. Like a limit price, it is an executable term of the order itself: 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 smart contract enforces that bound at settlement—the order either executes within the

tolerance or reverts unexecuted, the on-chain analog of an unfilled limit order. It differs from a traditional limit order only in mechanics: the bound is expressed relative to a reference price rather than as an absolute price, it constrains the effective execution price inclusive of curve impact rather than only a quoted match price, and it is enforced deterministically by the settlement layer rather than by a venue's matching engine. At the same time, because the parameter and the execution outcome are both recorded immutably on-chain, the mechanism serves a second, complementary function: it generates the objective compliance record against which the firm's regular and rigorous review of on-chain executions is conducted, as described in Section V.E below. The on-chain slippage parameter is thus the structural analog of the limit order in a smart-contract execution environment—an investor instruction that defines the terms of the execution at the moment of order entry and self-documents compliance with those terms at the moment of settlement.

Critically, the parameter creates a measurable, auditable standard for on-chain best execution compliance. A broker-dealer that routes a customer order to an on-chain 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 rather a translation of that standard into a form that is architecturally appropriate for, and verifiable on, a public distributed ledger.

B. Specific Recommendations

We recommend that FINRA endorse a principles-based approach to slippage parameters for investor-directed on-chain orders in tokenized NMS securities, rather than a prescriptive numerical ceiling or floor. The objective should be to require that firms and the venues they route to offer slippage tolerances that will balance best execution objectives with being responsive to customer demand and a customer's willingness to accept slippage risk, subject to disclosure and reasonable-design standards.

At the outset, we note two scope limitations. First, the slippage parameter framework described here is addressed to execution at truly on-chain venues—AMMs, PropAMMs, and on-chain 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. The recommendations in this section should be understood accordingly: slippage tolerance is a venue-architecture question, not a token-format question.

FINRA guidance should provide that a broker-dealer satisfies Rule 5310 with respect to slippage by adopting and documenting a reasonable methodology for setting and offering an outermost, acceptable execution bound that accounts for the structural cost components of on-chain execution (gas, AMM spread, price drift, and pool depth) for the relevant security and execution layer. Firms and the venues to which they route should be permitted to offer customers a range of slippage tolerances calibrated to customer demand and the customer's willingness to accept slippage risk against fill certainty, including tolerances appropriate to the liquidity actually available in the relevant AMM pools.

Where a customer directs a tolerance, the firm should provide clear disclosure of the tradeoff—that tighter tolerances reduce price deviation but increase the risk of non-execution, and that wider tolerances do the inverse—so the customer's election is informed. Firms should retain reasonable design discretion to set defaults and offered ranges that differ by execution-layer blockchain and 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.

The analysis also differs depending on whether on-chain execution reflects the customer's affirmative election or the broker-dealer's routing judgment. For example, where the customer has elected on-chain settlement (or a shorter settlement period) and directed (or knowingly accepted) a disclosed slippage tolerance, the tolerance is a customer instruction of the kind Rule 5310 has always accommodated, and the framework described above applies in full. Where, by contrast, a firm routes to an on-chain venue as its own best execution judgment for a customer who has expressed no settlement preference, the firm bears a correspondingly greater burden: it must be able to demonstrate that on-chain execution—inclusive of the slippage tolerance the firm itself selected and all associated cost and benefit components—represented the most favorable terms reasonably available relative to off-chain alternatives for the same security, under the cross-market comparison framework described above. In the broker-directed case, the slippage 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.

By contrast, a mandated slippage cap produces 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 (*e.g.*, a prescriptive 100 bps) 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 depth for the security at the time of the order. Because liquidity conditions vary by token, chain, order 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.

This approach keeps the best execution inquiry where Rule 5310 places it—on whether the firm has reasonably pursued the most favorable terms reasonably available under prevailing conditions—rather than substituting a fixed numerical proxy that will systematically misfire as liquidity conditions change. It preserves customer choice, avoids the perverse outcome of rule-induced failed orders and stranded positions, and allows venues to compete on offering tolerance structures that match real pool liquidity and genuine customer preferences.

C. Required Disclosure at Order Entry

The investor-protection value of the slippage parameter depends entirely on the investor understanding what they have specified. FINRA guidance should require that at the time of order entry for an on-chain tokenized NMS stock order, the broker-dealer provides appropriate disclosures clearly and prominently that include:

- The current NBBO for the security at the time of order placement, clearly identified as sourced from the SIP, or qualifying aggregates such as Pyth data;
- The investor's specified slippage parameter, expressed in basis points and/or as a dollar-equivalent per share at the current NBBO or alternative reference price;
- The resulting maximum execution price (for a buy order) or minimum execution price (for a sell order) at which the order will execute, below which the order will revert and not fill;
- To the extent on-chain fees are to be passed onto the customer, a plain-language disclosure that on-chain 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;

- A statement that the on-chain execution venue is distinct from the national securities exchanges and ATSs through which the security trades in traditional form, and that the investor's order is being routed to an on-chain venue at the investor's direction.

These disclosures operationalize the investor's affirmative election of on-chain 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 broker-dealer's best execution records for the order.

D. Integration with the Best Execution Framework

The investor-directed slippage parameter should be integrated into the broader Rule 5310 best execution framework as follows. First, an execution within the investor-specified slippage 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 compliance with Rule 5310 for that order. Second, the slippage parameter does not relieve the broker-dealer of its obligation to conduct regular and rigorous reviews of execution quality across its on-chain 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 slippage tolerances. Third, the slippage parameter is an investor-facing mechanism and does not substitute for firm-level MEV considerations.

VI. Conclusion

The emergence of tokenized NMS securities trading at on-chain execution venues represents the most significant structural change to the equity market order-routing environment since the adoption of Regulation NMS in 2005. It presents structural challenges for Rule 5310 compliance that cannot be resolved simply by analogy to existing guidance or traditional market infrastructures. The SEC's proposed rescission of Rule 611, which explicitly relies on Rule 5310 as the investor protection substitute for the trade-through prohibition, makes FINRA's updated guidance all the more timely.

We respectfully urge FINRA to: (1) confirm, in any response to the SEC's Rule 611 rescission proposal comment solicitation and in the guidance that follows this Notice, that updated Rule 5310 guidance for on-chain execution is forthcoming; (2) initiate the development of such guidance on an expedited basis, including the investor-directed slippage parameter framework; and (3) continue to engage with market participants, including broker-dealers, on-chain venue operators, and digital asset market infrastructure providers, through appropriate notice and comment processes to ensure the resulting guidance reflects the operational realities of on-chain execution; (4) engage with and monitor the pending Douro Labs no-action request under Rule 603(c) of Regulation NMS as a model for how reference price standards for on-chain best execution can be formally recognized within the existing regulatory framework—the relief sought in that proceeding, if granted by the SEC, will provide concrete precedent directly applicable to the on-chain best execution guidance FINRA is developing; and (5) affirm that best execution policy, guidance, and enforcement should remain within the purview of FINRA rather than the exchange SROs—FINRA's rules reach across markets to the broker-dealers that handle customer orders, and FINRA has no commercial stake in where order flow is routed, whereas the exchange SROs, which have begun adopting their own best execution rules as described in Section III above, are themselves competitors for order flow and appear inclined to implement standards that could impede routing to venues, including on-chain venues, that present a competitive challenge to their own markets.

We are available to meet with FINRA staff to discuss any aspect of this letter and to provide additional technical or operational information that would assist in the development of updated guidance.

Respectfully submitted,



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cc:

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