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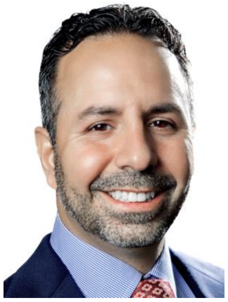
How Axing SEC Trade-Through Rule Could Reshape Markets

By **Alex Zozos, Lewis Rinaudo Cohen and Edward Leaf** (August 12, 2026, 4:16 PM EDT)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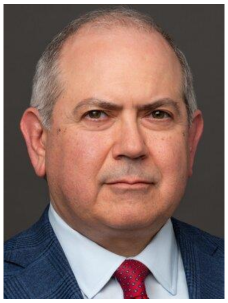
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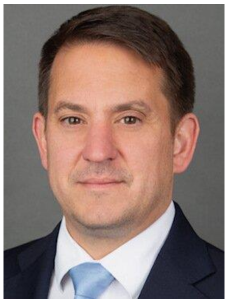
Edward Leaf

On June 11, the U.S. Securities and Exchange Commission voted to propose rescinding Rule 611 of Regulation National Market System, which for two decades has barred trading venues from executing orders for equity securities at prices worse than the national best bid or best offer.

SEC Chairman Paul Atkins has long argued that the rule, rather than providing investor protection, has fragmented liquidity and created a complex, costly and opaque marketplace whose compliance costs are simply passed through as higher costs for investors.

Less appreciated, however, is that by removing a rule built around centralized exchange architecture, the SEC may also clear a path for open, permissionless blockchain-based trading systems to participate in the registered securities market.

To be sure, the implications of Rule 611's rescission would reach well beyond crypto-asset securities. In its absence, any venue that trades a listed stock will necessarily compete on execution quality and pricing, rather than by deferring to a shared quotation floor, a shift that will likely reshape order routing and market-maker economics.

Viewed through this lens, blockchain-based trading becomes a highly visible test case for a broader question of whether investors are better served by a mandated price benchmark or by competition among execution venues and business models, a question that touches all corners of the equity markets.

The premise on which Rule 611 was based is straightforward: If a better price exists on another exchange, a venue may not execute the order at a worse one. That benchmark, the SEC now argues, produced a labyrinth of forced routing and a costly race for ever-faster quotation feeds.

Paradoxically, the number of venues has proliferated since Regulation NMS was adopted, even as each venue executes a historically low share of volume, with a majority of trade volume now executing in the "dark." This dark trading references the "lit" national best bid or best offer price but does not contribute to it for price discovery. The result, the SEC contends, is entrenched intermediation and a one-size-fits-all market structure.

Congress first created the mandate for a national market system in the Securities Acts Amendments of 1975 in response to another bout of technological disruption: the arrival of early computers. When the SEC eventually implemented that mandate through Regulation NMS three decades later in 2005, it added Rule 611 as a structural backstop to the broker-dealer's duty of best execution.

Practically speaking, the rule was meant to undergird this duty, not replace it. In this sense, rescinding Rule 611 does not disturb the broker's underlying best-execution obligation that has long protected investors, but instead removes a rigid, price-only expression of that obligation while leaving the obligation itself firmly in place.

Notably, the 1975 amendments did not mandate a single, centralized limit order book, though that approach had support and was technologically feasible at the time. As some market participants have argued, Congress' deliberate choice of the word "national" instead of "centralized" signaled an intent to promote competition among markets, rather than consolidation into one venue.

Measured against that original design, restoring competition among execution methods — including blockchain-based methods — is arguably more faithful to the 1975 mandate than the rigid quotation hierarchy that Rule 611 has come to require.

This reading is reinforced by Section 11A itself, which never mandated a trade-through rule and expressly contemplates subsystems for securities with unique trading characteristics. Additionally, this interpretive flexibility may matter more than before following the U.S. Supreme Court's 2024 decision in Loper Bright Enterprises v. Raimondo, which removed the default posture of judicial deference to agency statutory interpretations and instead allows courts to independently judge the SEC's reading of its own rules.

In opposing rescission, skeptics argue that trading the same stock across fundamentally different venues and technologies will inevitably lead to price divergence, though markets have already provided reasons to doubt this.

For example, dually listed U.S. and Canadian companies whose identical, fungible shares trade on exchanges in both countries under the Multijurisdictional Disclosure System consistently trade at or very near price parity, without any rule forcing one exchange to defer to the other's quote.

Further, research on these dual-listed Canadian stocks has found that ordinary arbitrage trading reliably pulls prices back into line. This same dynamic currently keeps exchange-traded funds and American depositary receipts priced consistently with the securities underlying them. If arbitrage can maintain price parity across international borders, currencies and settlement systems, there is reason to think it could do the same across domestic venues trading the same U.S.-listed stock in tokenized and traditional form.

Indeed, in moving past Rule 611, the SEC signals comfort in relying on those same existing investor protections — principally, a broker's best-execution duty, which is more dynamic and multifaceted than the clear but restraining proxy that Rule 611 supplied.

Under Rule 5310 of the Financial Industry Regulatory Authority, brokers are obligated to seek the most favorable terms for customer orders. FINRA has made clear that this duty is fundamental and applies irrespective of the manner in which a security is created or the technology on which it trades.

In any event, much of the current friction stems not from the absence of protection but from the absence of regulatory clarity confirming how these existing protections apply to new trading architectures, a gap that leaves market participants to bear real interpretive and enforcement risk. While a new approach promises more choice, how it will be applied at scale, or to self-directed orders, is unclear.

In the interim, crypto-asset trading markets offer a glimpse of what a post-Rule 611 system might enable.

Automated market-making platforms, built with decentralized finance technology, are a structurally different model: They are automated systems that allow transactions to settle rapidly and let prices adjust through algorithmic liquidity rather than firm, centralized quotes. Users choose the venue and trade parameters simply by linking a wallet — the kind of design competition that Rule 611 forecloses by assuming every order focuses only on a narrow price outcome, without regard to volatility, liquidity, convenience or quote depth.

Practically speaking, enabling this kind of trading is best conceptualized as enhancing the national market system through additional choice. A digital transfer agent, a role the SEC has long regulated, allows an investor to move between book-entry and tokenized ownership formats, much as investors already move shares between a brokerage account and certificated shares.

Once tokenized, a share can be held in a self-custodied wallet and traded through an automated market maker, with compliance tools such as an "allowlist" enforcing the same investor eligibility checks that transfer agents already apply, only automatically and in real time. Whether a more open-ended approach will deliver superior outcomes is an empirical question the SEC believes the market should be permitted to test.

Automated market-making platforms may also offer a useful proving ground to elicit clarity from definitions that Rule 611 otherwise leaves comfortably vague. For example, the rule applies only to a "trading center" and protects only "protected quotations."

A genuine automated market-making platform, however, is comprised of deterministic code that is intended to behave predictably, regardless of the user accessing the system. It further distinguishes itself by pricing trades algorithmically rather than through posted bids or offers disseminated on consolidated data feeds.

Because of this, some market participants argue that such a protocol is neither a trading center nor a source of protected quotations, meaning that Rule 611 may not reach this activity at all.

Billions of dollars in tokenized fund assets already operate on this infrastructure. Yet regulatory ambiguity about whether and how Rule 611 should apply to on-chain trading venues has constrained the development of integrated, permissionless trading environments for these securities.

Rescinding Rule 611 will remove this friction and will mean that regulation will no longer presumptively favor one execution architecture over another, letting investors judge trading pathways on their merits, rather than their conformity to aging infrastructure — a competition consistent with the congressional objectives of Section 11A of the Exchange Act.

Implementation will require significant effort. Brokers must develop new approaches to meet their best-execution obligations, and on-chain venues will need clarity on whether or how exchange or alternative trading system registration applies (which may be provided in the SEC's anticipated innovation exemption), how to integrate pre- and post-trade reporting and how order-handling rules are enforced. These hurdles are surmountable, but disruptive.

New on-chain market structures will also introduce new risks, from smart-contract immutability and vulnerability to evolving cybersecurity frameworks.

Other regulators are already working through these implications in parallel.

On July 24, FINRA issued a request for comment on modernizing its own best-execution guidance under Rule 5310 in light of the SEC's proposal to rescind Rule 611. FINRA's Regulatory Notice 26-15 asks whether the national best bid or best offer should remain the benchmark for price improvement once it is no longer a protected quotation. It also asks whether guidance specific to tokenized securities is needed.

FINRA's preliminary view is that Rule 5310's principles-based standard remains sound on its own, which arguably underscores a position that a durable, judgment-based best-execution standard, rather than a rigid trade-through rule, may be the framework best suited to let new trading models compete with traditional exchanges on equal footing.

In any event, the timing is significant, as the rescission proposal arrives amid a broader reassessment of how legacy frameworks apply to on-chain finance.

A joint interpretation by the SEC and the U.S. Commodity Futures Trading Commission, released on March 17, set out a taxonomy for classifying crypto-assets as securities or commodities, while recent SEC staff guidance addressed how registered securities may themselves be tokenized. Together, they describe a commission willing to fit existing law to new architecture.

Important questions remain for the 60-day comment period, including how best execution should function without a price protection mandate, what transparency suits markets with different quotation structures and how investor confidence holds through the transition. After a critical comment period, a final rule could come as early as 2027.

Now that the nation has marked its 250th anniversary, it is worth recalling that American capital markets became the world's deepest and most trusted not by mandating a single way of doing business, but by letting competition, transparency and investor choice drive their evolution.

Decentralized finance, built on investor self-sovereignty, open networks and transparent execution, reflects those same principles. Rescinding Rule 611 is a powerful step toward a regulatory framework where rules serve investors' current needs and market realities rather than the assumptions of a prior era.

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