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Recommendation of the Market Structure Subcommittee of the Investor Advisory Committee Regarding the Tokenization of Equity Securities

Today, the ownership and trading of equity securities is managed through centralized databases controlled by broker-dealers, the Depository Trust Company ("DTC") and the National Securities Clearing Corporation ("NSCC"). This is often referred to as the "plumbing" of U.S. equity markets and facilitates over $1.9 trillion in daily trading volume.[1] The advent of distributed accounting ledger technology ("blockchain") presents an opportunity to "tokenize" equity securities, whereby the use of centralized databases would no longer be necessary for the ownership and trading of stocks.

This recommendation by the Securities and Exchange Commission's ("SEC's") Investor Advisory Committee ("IAC") will define tokenized equity securities, consider the potential benefits and risks of tokenization and evaluate key policy issues that the SEC should consider to protect investors with respect to the issuance, ownership and trading of tokenized equity securities.

We conclude that the SEC should not adopt a "blanket" innovation exemption to existing SEC rules that have a long history of successfully providing strong investor protection. Instead, any SEC reforms to existing regulations should be limited to reforms that are necessary to facilitate the tokenization of equity securities and do not compromise fundamental investor protections. Investor protections that should not be compromised, include but are not limited to: (1) mandatory disclosures that provide investors with a clear understanding of their ownership rights; (2) SEC, state and/or FINRA regulation and oversight of intermediaries; and (3) a requirement that the trading of tokenized equity securities seeks to ensure that all investors receive the best terms for their orders. State authority over tokenized equity securities should also be preserved consistent with the National Securities Markets Improvement Act ("NSMIA").

Such reforms to existing SEC regulations can be achieved through a "limited" or "narrow" innovation exemption or through rule-by-rule reform, however the IAC recommends that either approach should be subject to the public comment and notice process. We further note that our recommendation focuses on high-level issues and

[1] SECURITIES AND EXCHANGE COMMISSION, *Covered Clearing Agency Resilience and Recovery and Orderly Wind-Down Plans*, 17 CFR Part 240 at n. 617 (Nov. 18, 2024), https://www.federalregister.gov/documents/2024/11/18/2024-25570/covered-clearing-agency-resilience-and-recovery-and-orderly-wind-down-plans.

principles, as the tokenization of equity securities remains at a very early stage and involves complex technological developments. In our view, a principles based recommendation is most practical and beneficial at this stage.

What is a tokenized equity security?

A tokenized equity security is a crypto asset[2] that meets the definition of an equity "security" under the federal securities laws.[3] The federal and state securities laws, SEC regulations and Financial Industry Regulatory Authority ("FINRA") requirements, therefore apply to the issuance and trading of tokenized equity securities as they do to traditional equity securities. However, the issuance and trading of tokenized equity securities differs from traditional equity securities in certain respects and therefore new regulations or exemptions from existing regulations will be necessary to safely enable the tokenization of equity securities.

Are there different ways to tokenize equity securities? How does this affect investors?

There are a variety of different approaches to tokenizing equity securities, and each approach raises distinct policy issues. Although a full taxonomy of the ways to tokenize equity securities is beyond the scope of this statement, we provide two defining characteristics.

First, tokenized equity securities can be "native" and issued directly on a blockchain, or they can be "wrapped" tokenized securities, meaning that the underlying equity security is custodied and a token is issued representing an interest in that custodied position.[4] Second, equity securities can be tokenized by or on behalf of the issuers of such securities or by third parties unaffiliated with the issuers of such securities.[5]

The policy issues raised by the tokenization of equity securities will vary depending on these characteristics. For example, an owner of a "wrapped" tokenized equity security

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[2] For clarity, a crypto asset is an asset for which the record of ownership exists in whole or in part on a distributed accounting ledger (e.g., a "blockchain"). The record of that ownership and the verification of transfers of ownership are determined through cryptography (e.g., secure digital means of communication).

[3] DIVISION OF CORPORATION FINANCE, DIVISION OF INVESTMENT MANAGEMENT, and DIVISION OF TRADING AND MARKETS, *Statement on Tokenized Securities* (Jan. 28, 2026), https://www.sec.gov/newsroom/speeches-statements/corp-fin-statement-tokenized-securities-012826-statement-tokenized-securities, [hereinafter, "Tokenized Securities Statement"].

[4] *See* SIFMA, *Memorandum to the SEC Crypto Task Force* at 22 (Dec. 16, 2025), https://www.sifma.org/wp-content/uploads/2025/12/SIFMA-Digital-Assets-SEC-Phase-V-Response.pdf.

[5] Tokenized Securities Statement.

issued by a third party may lack the same shareholder voting or bankruptcy rights as an owner of a "native" tokenized equity security issued on behalf of the public company.[6]

What are the potential benefits of tokenization?

Tokenization can enhance the efficiency of the settlement process for equity securities. Presently, there is a one-day delay (referred to as T+1) between an investor placing a trade with their broker and the settlement of that trade (i.e., the exchange of funds for stock ownership).[7] A primary reason for this delay is that trade settlement involves multiple counterparties, including brokers, transfer agents, the DTC and the NSCC that must update separate ledgers and facilitate the exchange. During this one-day delay, investors and brokers are exposed to the risk that the settlement will fail for a variety of potential reasons, including that the seller lacks the shares to deliver, the buyer lacks the cash to pay or that there are other unexpected operational and technical failures.[8]

On the other hand, with a tokenized equity security, the delivery of the tokenized security and the payment can happen as a single transaction, with ownership records embedded directly into a single blockchain. This is often referred to as "atomic settlement" and can eliminate settlement risk due to an inability to deliver shares or cash payments.[9]

Tokenization can also potentially enhance engagement between public companies and their shareholders. Presently, public companies lack complete information regarding their shareholder base, as shares are often held in "street name" only (e.g., under the name of a broker).[10] Tokenization of equity securities could potentially provide public companies with direct, transparent and real-time information about their shareholder base,[11] which would enable public companies to better understand and communicate

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[6] *Id*.

[7] Chair Gary Gensler, *Gensler Statement on Upcoming Implementation of T+1 Settlement Cycle*, SEC Press Release (May 21, 2024), https://www.sec.gov/newsroom/press-releases/2024-62.

[8] *See* Six Group, *What Happens When a Securities Transaction Fails* (Oct. 9, 2025), https://www.six-group.com/en/blog/settlement-fails.html.

[9] *See* BANK FOR INTERNATIONAL SETTLEMENTS ("BIS"), *Blueprint for the Future Monetary System: Improving the Old, Enabling the New* at 98 (Jun. 20, 2023), https://www.bis.org/publ/arpdf/ar2023e3.pdf.

[10] *See, e.g.,* PROPHASE LABS, INC., *Schedule 14A* (Oct. 21, 2025), https://www.sec.gov/Archives/edgar/data/868278/000149315225020375/formdef14a.htm.

[11] *See* Cromwell Coulson, *Tokenization and Public Companies: The Next Stage in the Evolution of Capital Markets? Separating the Substance from the Hype*, OTC MARKETS (Oct. 27, 2025), https://blog.otcmarkets.com/2025/10/27/tokenization-and-public-companies-the-next-stage-in-the-evolution-of-capital-markets-separating-the-substance-from-the-hype/.

with their shareholder base and facilitate targeted capital raising. We note that some investors specifically elect not to have their identity and contact information released to an issuer and even for tokenized equities, such investor privacy may still be preferred by some investors and should not be prohibited.

Tokenized equity securities can also reduce or eliminate the need for intermediaries for certain corporate actions,[12] including the payment of dividends and proxy voting, thereby potentially reducing the costs of such actions. And finally, a reduced need for intermediaries to facilitate transactions may also enable 24/7 trading of equity securities, which can enhance pricing efficiency and capital allocation.[13]

What are the potential risks of tokenization?

U.S. equity markets are the deepest and most liquid equity markets in the world.[14] Transaction costs have been steadily declining, with most retail brokerages charging zero commissions and institutional trading costs at a record low.[15] U.S. equity markets are also resilient. "Flash crashes," market outages and settlement failures are rare.[16] Investors also generally understand the ownership rights that they receive when they purchase a public equity security through a registered broker-dealer. Shareholder engagement with public companies is also strong and highly innovative, with large asset managers providing retail and institutional investors with enhanced opportunities to vote their own shares.[17] The strength of the U.S. equity markets is in large part due to

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[12] *See* World Economic Forum, *The Future of Financial Infrastructure* at 107 (Aug. 2016), https://www3.weforum.org/docs/WEF_The_future_of_financial_infrastructure.pdf.

[13] *See* COMMITTEE ON CAPITAL MARKETS REGULATION ("CCMR"), *Letter to CFTC Re: 24/7 Trading and Clearing of Futures* (Dec. 31, 2025), https://capmktsreg.org/wp-content/uploads/2025/12/CCMR-Letter-to-CFTC-Re.-24-7-Trading-12.31.25.pdf.

[14] SIFMA, *2025 Capital Markets Fact Book* at 10 (Jul. 2025), https://www.sifma.org/wp-content/uploads/2024/07/2025-SIFMA-Capital-Markets-Factbook.pdf; PROGRAM ON INTERNATIONAL FINANCIAL SYSTEMS ("PIFS"), *Implementing an Effective Cryptoasset Regulatory Framework in the United States* at 29 (Jun. 2024), https://www.pifsinternational.org/wp-content/uploads/2024/05/PIFS-Implementing-an-Effective-Cryptoasset-Regulatory-Framework-in-the-US.pdf.

[15] *See* Samuel W. Adams, Connor Kasten, and Eric K. Kelley, *How Free is Free? Retail Trading Costs with Zero Commissions*, 165 JOURNAL OF BANKING & FINANCE (Aug. 2024), https://doi.org/10.1016/j.jbankfin.2024.107226; PIFS, *International Review of Equity Market Structure Regulation: Phase III* at 11-13 (May 2021), PIFS-EMS-Phase-III-05.12.2021-1.pdf.

[16] *See* SEC, *Fails-to-Deliver Data February 2004-January 2026*, SEC Data Library (*Last Updated* Jan. 30, 2026), https://www.sec.gov/data-research/sec-markets-data/fails-deliver-data.

[17] *See, e.g.*, BLACKROCK, *Empowering Investors through BlackRock Voting Choice* (*Accessed* Feb. 18, 2026), https://www.blackrock.com/corporate/about-us/investment-stewardship/blackrock-voting-choice; VANGUARD, *A Voice for Investors* (*Accessed* Feb. 18, 2026), https://corporate.vanguard.com/content/corporatesite/us/en/corp/about-our-funds/proxy-voting-across-funds/investor-choice.html.

effective federal and state securities laws, as well as SEC, FINRA and state regulation and supervision.[18]

However, to enable the tokenization of equity securities, the SEC, states and FINRA will need to adopt new rules and provide exemptive relief from existing regulations. The most significant risk associated with the tokenization of equity securities is that these reforms or grants of exemptive relief could introduce new risks that investors do not understand and impose higher costs that outweigh the benefits of tokenization. These risks and potential costs are best understood through specific examples.

First, disclosures associated with the issuance of tokenized equity securities and the ownership rights that tokenized equity securities provide would need to be developed.[19] For example, public companies presently have the exclusive right to issue their own stock. If the SEC permits third parties unaffiliated with public companies to create tokenized equity securities, then the SEC will need to ensure that those third parties are adequately regulated, and that the disclosures associated with such issuances provide investors with the information they need to understand their ownership rights.

Second, allowing for the atomic settlement of tokenized equity securities requires exemptive relief or reforms to the SEC's existing T+1 settlement rules. However, atomic settlement can pose certain costs and risks of its own that may outweigh the benefits of reduced settlement time. For example, atomic settlement prevents multilateral netting where an investor's trades over the course of a day can be netted out to reduce how much capital is needed for the trades.[20] The elimination of multilateral netting can result in higher capital demands that increase costs for both broker-dealers and large institutional investors[21] as compared to the existing T+1 settlement process. T+1 also

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[18] *See* Zohar Goshen and Gideon Parchomovsky, *The Essential Role of Securities Regulation*, 55 Duke Law Journal 4 (Feb. 2006).

[19] *See, e.g.,* CCMR, *Designing a U.S. Digital Asset Regulatory Framework* (May 2025), https://capmktsreg.org/wp-content/uploads/2025/05/CCMR-Designing-a-U.S.-Digital-Asset-Regulatory-Framework-05.14.25-Final.pdf.; PIFS, *supra* note 14 at 46-47.

[20] *See* Dennis McLaughlin, *The Trade-Off Between Shorter Settlement Times and Multilateral Netting Benefits in Deferred Net Settlement,* Journal of Financial Market Infrastructures (Jan. 22, 2024), https://www.risk.net/journal-of-financial-market-infrastructures/7958850/the-trade-off-between-shorter-settlement-times-and-multilateral-netting-benefits-in-deferred-net-settlement; PIFS, *Mandatory Central Clearing for U.S. Treasuries and U.S. Treasury Repos* at 25 (Nov. 2021), https://www.pifsinternational.org/wp-content/uploads/2022/08/PIFS-Mandatory-Central-Clearing-for-U.S.-Treasury-Markets-11.11.2021.pdf.

[21] *See* DEPOSITORY TRUST & CLEARING CORPORATION, *Letter to SEC re: Exchange Release No. 95,763* at 1-2 (Dec. 27, 2022), https://www.dtcc.com/-/media/Files/Downloads/Microsites/Treasury-Clearing/File-No-S72322-Comment-from-DTCC-and-FICC.pdf.

facilitates the correction of trading errors that could potentially be reduced or eliminated by atomic settlement.[22]

Third, extensive SEC market structure regulations as well as FINRA requirements apply to intermediaries for equity transactions, including exchanges and registered broker-dealers. There is also state intermediary regulation, subject to NSMIA. Existing SEC and FINRA requirements include the duty of best execution,[23] post-trade transparency[24] and the prohibition on front running.[25] The existing "intermediary-based" approach to regulation works well today because retail and institutional investors can only place stock orders through registered broker-dealers.[26] However, the technology underlying the trading of tokenized equity securities may no longer require broker-dealers or exchanges, and without new SEC regulations, owners of tokenized equity securities could lose these existing protections and be exposed to significant new risks. Such trading without intermediaries is typically referred to as decentralized finance ("DeFi").[27]

For example, registered broker-dealers are effectively required to seek to execute client orders on the best terms reasonably available in the market (i.e., the duty of best execution).[28] This essentially guarantees that retail investors will obtain the best prices for their stock orders. But if tokenized equity securities can be traded between retail investors without the need for a broker-dealer, then the duty of best execution would potentially no longer apply, and retail investors may purchase or sell stock in a company at a worse price than is otherwise publicly available. Similarly, the SEC has market resilience measures, including "kill switches" [29] and "circuit breakers,"[30] that apply to broker-dealers and exchanges and halt trading in equity securities during periods of

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[22] *See* BIS, *Distributed Ledger Technology in Payment, Clearing and Settlement* at 18 (Feb. 2017), https://www.bis.org/cpmi/publ/d157.pdf.

[23] *See* Regulation NMS, FINRA Rule 5310; CCMR, *The U.S. Equity Markets: A Plan for Regulatory Reform* at 71 (Jul. 2016), https://capmktsreg.org/wp-content/uploads/2022/11/07_27_FINAL_DRAFT_EMS_REPORT-1.pdf.

[24] CFR §§242.605, 242.606.

[25] FINRA Rule 5270.

[26] 15 U.S. Code §78o.

[27] Fernando Cerezetti, Max Chan, and Rafael Plata, *Decentralized Clearing? An Assessment of the Impact of DLTs on CCPs* at 5, EUROPEAN ASSOCIATION OF CCP CLEARING HOUSES (Feb. 2023), https://eachccp.eu/wp-content/uploads/2023/03/Decentralized-Clearing-An-Assessment-of-the-impact-of-DLTs-on-CCPs-February-2023.pdf.

[28] FINRA Rule 5310; PIFS, *A Review of Cryptoasset Market Structure and Regulation in the United States* at 40 (Feb. 2023), https://www.pifsinternational.org/wp-content/uploads/2023/01/PIFS-Cryptoasset-Market-Structure-and-Regulation-in-the-U.S.-02.01.23.pdf.

[29] *See, e.g.,* SEC Release No. 34-71555, *NASDAQ Kill Switch* (Feb. 18, 2014), https://www.sec.gov/files/rules/sro/nasdaq/2014/34-71555.pdf.

[30] *See, e.g.,* Charles Schwab, *What Are Stock Market Circuit Breakers* (Apr. 8, 2025), https://www.schwab.com/learn/story/what-are-stock-market-circuit-breakers.

extreme price volatility. These requirements enhance market resilience and prevent flash crashes by providing market participants with additional time to react to new information. The application of market resilience measures to DeFi trading of tokenized equity securities would also need to be adequately addressed.

What are the key policy issues that the SEC should consider with respect to the tokenization of equity securities?

The potential investor benefits associated with the tokenization of equity securities are sufficient that the SEC should reform its existing regulations in a manner that enables public companies and market participants to tokenize equity securities, so long as such reforms do not compromise fundamental investor protections.

These protections should address at least three key principles:

1. Mandatory disclosures should seek to provide investors with a clear understanding of their ownership rights;

2. Intermediaries should be subject to SEC, state and/or FINRA regulation and oversight; and

3. The trading of tokenized equity securities should be subject to protections that seek to ensure that all investors receive the best terms for their orders.

The SEC can address the tokenization of equity securities in one of two ways: either through an innovation exemption, or through rule-by-rule reform. Either approach could be successful, so long as the SEC does not compromise these fundamental principles. Furthermore, either approach should be subject to the public comment and notice process, as investor protections associated with the issuance, ownership and trading of equity securities are fundamental to U.S. capital markets.

1. Mandatory disclosures should seek to provide investors with a clear understanding of their ownership rights

The U.S. capital markets have grown to become the largest and most liquid markets in the world,[31] due to a well-designed system of investor rights and ownership.[32] The equity markets would be taking a major step back by allowing investors to own

[31] *See* SIFMA, *supra* note 14.
[32] *See* Goshen and Parchomovsky, *supra* note 18.

tokenized shares of publicly listed companies without having a clear understanding of whether they:

- Hold the same ownership rights as holders of traditional equity shares;
- Are entitled to voting rights;
- Will receive dividends; and
- Are *pari passu* with traditional equity shares in instances of corporate actions (stock splits, mergers & acquisitions, spin-offs, bankruptcy).

The SEC should therefore require the issuer of any tokenized equity shares to directly provide investors with a brief disclosure document that clarifies how investor rights have been affected by tokenization (as well as other required disclosures). This disclosure document should also be publicly available on the SEC's EDGAR system for public disclosures,[33] as well as on the issuer's website.

Indeed, the need for disclosure requirements is heightened by tokenization. Tokenized securities present not only the risks of a traditional security but also additional risks, including the legal arrangement governing the tokenized arrangement, the identity of parties involved in the arrangement, the infrastructure supporting the arrangement, and restrictions related to transferability or how holders can redeem tokens. As tokenized arrangements can differ significantly, clear disclosures are critical to facilitate investor understanding and avoid investor confusion.

A failure to address these issues could create a market similar to that of certain foreign companies that are listed in the U.S. equity markets through American Depositary Receipts ("ADRs"), where investors may receive economic benefits linked to a Variable Interest Entity ("VIE") structure, but lack clear, direct legal ownership rights in the underlying foreign operating company.[34]

2. Intermediaries should be subject to SEC, state and/or FINRA regulation and oversight

Tokenization offers many potential ways to improve the issuance, trading, and settlement process of equities;[35] however, differences in the technology underpinning

[33] 17 CFR Part 232 – Regulation S-T, *General Rules and Regulations for Electronic Filings*.
[34] Terence Foo, He Wei, and Jiang Niao, *Vie structure in China Faces Scrutiny*, CLIFFORD CHANCE (Oct. 2011), https://www.cliffordchance.com/content/dam/cliffordchance/briefings/2011/10/vie-structure-in-china-faces-scrutiny.pdf; SEC, *Sample Letter to China-Based Companies*, https://www.sec.gov/rules-regulations/staff-guidance/disclosure-guidance/sample-letter-china-based-companies (*Last Updated* Jun. 26, 2024).
[35] *See* BIS, *supra* note 22.

the issuance or trading of equity shares should not allow tokenized equities to operate without an adequate regulatory regime.[36]

At this time, the IAC is not weighing in on the definition of an intermediary as it pertains to several new types of entities involved in tokenization, and it defers to Congress on the matter. However, the IAC believes certain regulatory principles promoting transparency and fairness should be the bedrock for any intermediary across the U.S. capital markets regardless of the underlying technology.

Intermediaries that issue, trade, or settle tokenized equities should therefore still follow the same overarching principles that have been well established for other regulated market participants that perform similar functions.[37]

For example, under longstanding SEC recordkeeping requirements, broker-dealers are required to maintain records identifying the name and address of the beneficial owner of each customer account.[38] Accordingly, equity trading conducted through regulated intermediaries does not operate on a fully anonymous basis. However, the tokenization of equity securities could in theory enable investors to take ownership interests in public companies without their identities being known to a regulated entity. This would present problems related to market function, corporate governance, and potentially even raise national security concerns.[39]

Fully anonymous trading would also weaken the ability of the SEC to take enforcement actions, as it would threaten the SEC's ability to identify and hold culpable individuals or firms accountable. The SEC has an important role in enforcing insider trading and market manipulation laws, where trades occur to the detriment of other shareholders.[40] It is therefore critical that the SEC continue to have the ability to bring enforcement actions against such violations of securities laws to protect investor interests and promote investor confidence and the integrity of the markets.

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[36] Commissioner Hester M. Peirce, *Enchanting, but not Magical: A Statement on the Tokenization of Securities*, SEC Statement (Jul. 9, 2025), https://www.sec.gov/newsroom/speeches-statements/peirce-statement-tokenized-securities-070925 ("As powerful as blockchain technology is, it does not have magical abilities to transform the nature of the underlying asset. Tokenized securities are still securities. Accordingly, market participants must consider – and adhere to – the federal securities laws when transacting in these instruments.").

[37] *See* CCMR, *supra* note 19.

[38] *See* 17 CFR §240.17a-3(a)(9).

[39] Tymon Kiepe, *Using Beneficial Ownership Data for National Security*, OPEN OWNERSHIP (Dec. 17, 2021), https://www.openownership.org/en/publications/using-beneficial-ownership-data-for-national-security/overview/.

[40] 15 U.S.C. § 78j(b); CFR § 240.10b-5.

Corporate issuers will also occasionally call for meetings, special votes, and certain corporate actions requiring that all shareholders be notified and contacted. Fully anonymous trading could pose challenges to issuers and transfer agents in reaching shareholders and, in turn, could present further issues in achieving a quorum for voting and in carrying out certain corporate actions.

Trading of tokenized equity securities must also adhere to Know Your Customer ("KYC") requirements so that individuals who are sanctioned or affiliated with hostile foreign state actors are unable to anonymously trade in U.S. equities. KYC verification, however, does not need to be conducted in the same manual, redundant, and siloed manner as it is currently conducted. Through tokenization, cryptographic credentials could be attached to digital wallets after an initial verification and could then be used repeatedly for other services.[41]

Blockchain technology may offer novel ways for investors to access financial markets; however, the foundational principles that have allowed the U.S. capital markets to become the world's deepest and most liquid markets must be preserved.

3. The trading of tokenized equity securities should be subject to protections that seek to ensure that all investors receive the best terms for their orders

Similarly, tokenized equity trading should ensure that decades of market structure rules that have been enacted to ensure that investors receive fair access to the U.S. equity markets are not eliminated for tokenized equity securities.

Regulation National Market System ("Reg NMS") was originally adopted to address issues related to transparent and competitive access to the equity markets that emerged with the rise of electronic trading, including:

- Order protection;
- Fair access;
- Minimum price increments; and
- Periodic reports showing how exchanges/market makers executed trades and to which venues brokers sent trades.[42]

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[41] Anish Srivastava, *Rethinking Identity Security: The Rise of Wallet-Based Credentials*, THE WALL STREET JOURNAL (Oct. 10, 2025), https://deloitte.wsj.com/riskandcompliance/rethinking-identity-security-the-rise-of-wallet-based-credentials-4af8471e.

[42] SEC Release No. 34-51808, *Regulation NMS* (Jun. 9, 2005), https://www.sec.gov/files/rules/final/34-51808.pdf; CCMR, *supra* note 23.

While certain principles are bedrock principles of a fair and efficient equity market, the technological benefits provided by tokenization also present an opportunity for the SEC to revisit certain rules, which were written well before the possibilities enabled by tokenization and blockchain technology. However, none of the fundamental goals of Reg NMS should be compromised in doing so.

The SEC can address these reforms through a "limited" or "narrow" innovation exemption or rule-by-rule reform of existing regulations. However, the SEC should not compromise basic investor protections in doing so and should follow the public notice and comment process for any reforms.

The SEC should consider and make public its view regarding the potential costs and benefits that tokenization and blockchain technology could provide for existing equity issuance, ownership and trading.

The SEC could then implement specific reforms to its existing regulations, either through an innovation exemption[43] or through rule-by-rule reform. Under either approach, the SEC should review the Securities Act, Exchange Act, and Investment Company Act to determine where the new technological capabilities from tokenization warrant amendment or rescission of existing rules without compromising fundamental investor protections.

The key, in our view, is that the SEC should provide a modified regulatory regime for tokenized equity securities that adheres to basic investor protection principles, including those set forth here, rather than granting a blanket exemption from existing state, SEC and FINRA requirements that have long successfully protected investors in equity securities.

Furthermore, the SEC should proceed through the public notice and comment process that gives all stakeholders the opportunity to provide the Commission input on proposed regulatory action, consequences and impacts of such rulemakings, costs and burdens and potential unintended consequences. Providing transparency and public input results in better policy making and promotes investor confidence.

[43] Chairman Paul S. Atkins, *American Leadership in the Digital Finance Revolution*, SEC Speech (Jul. 31, 2025), https://www.sec.gov/newsroom/speeches-statements/atkins-digital-finance-revolution-073125.