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Securities Industry and Financial Markets Association (SIFMA)

Before the U.S. House of Representatives Committee on Financial Services

Hearing on Tokenization and the Future of Securities: Modernizing Our Capital Markets

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Introduction

Chairman Hill, Ranking Member Waters, and distinguished members of the Committee, thank you for the opportunity to testify today on tokenization and the future of the U.S. securities markets. My name is Ken Bentsen, and I am the President and CEO of the Securities Industry and Financial Markets Association ("SIFMA").[1]

The United States leads the world with the deepest, most liquid capital markets built on a foundation of robust investor protection and market transparency and integrity. The undergirding of that foundation is the most technologically sophisticated market infrastructure that ensures robust operational resiliency proven to deliver maximum execution quality and efficiency including during periods of extreme stress. Our markets' quality and growth, including operational efficiency, are the result of constant investment in new technology and processes to better serve clients. As such, SIFMA and its members strongly support innovation in the securities markets and believe new technologies such as distributed ledger technology ("DLT") and tokenization offer many potential benefits for the U.S. While still nascent, tokenized securities products are growing rapidly, with the global market value of tokenized real-world assets now exceeding $26 billion—up by 280% over the past year alone. This includes more than $11 billion in tokenized Treasury debt and in excess of $1B in tokenized products based on U.S. equities and ETFs.[2] Our members – broker-dealers, investment banks, and asset managers, and other industry participants including exchanges and clearing agencies, have been investing in integrating DLT for more than a decade to determine how such new technologies could benefit investors, issuers and other market participants across the securities lifecycle. This includes enhancing market infrastructure, increasing investor access and choice and supporting more efficient capital formation.

At the same time, the continued strength of the U.S securities markets depends on preserving the investor protections and market integrity safeguards that provides the trust and confidence. That strength and efficiency provides for lower cost and greater availability of capital for issuers, broader access and liquidity for investors, and supports retirement savings, business investment, and economic growth. Indeed, our capital markets fund three-quarters of U.S. economic activity[3], making them essential to the ability of governments, businesses, and consumers to fund their activities – whether that be a company looking to invest in new plant and equipment, a local government seeking to raise funds for infrastructure projects, or a family taking out a mortgage to buy a home. Robust capital markets also provides American workers with opportunities to invest and prepare for retirement, directly and through investment vehicles like 401(k)s and pension funds.

As SIFMA has emphasized across a series of submissions to the Securities and Exchange Commission ("SEC")[4], our securities markets thrive because of, not despite, long-standing regulatory frameworks that protect investors and ensure market quality and integrity. The goal of policy makers

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[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate for legislation, regulation, and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association.

[2] Source: RWA.xyz as of March 17, 2026

[3] SIFMA, *2025 Capital Markets Fact Book* (2025), p. 5, available at https://www.sifma.org/wp-content/uploads/2024/07/2025-SIFMA-Capital-Markets-Factbook.pdf.

[4] *See* SIFMA, Digital Assets webpage, available at https://www.sifma.org/explore-issues/digital-assets/ for more on SIFMA's digital assets work, including submissions made to the SEC on tokenization issues.

should be to modernize markets in a way that builds on these strengths rather than bypassing them. Developing a durable approach that is built on existing regulatory frameworks will provide the necessary foundation for the growth and development of tokenized securities markets, enabling innovation to flourish and new operating models to develop while also protecting investors and ensuring that our markets remain the envy of the world.

In my testimony today, I would like to highlight the following recommendations as a path forward to maintain US leadership:

- **First,** tokenized securities are securities, technology does not change the underlying definition of the instrument. And like any securities, tokenized securities should be subject to the same robust investor-protection and market-integrity rules that have helped make the U.S. securities markets the deepest, most liquid, and most efficient in the world.

- **Second,** DLT and tokenization can deliver meaningful benefits across the securities lifecycle, but those benefits will be realized on a scalable and durable basis only through technology-neutral, functional regulation that protects investors and preserves market quality.

- **Third,** while there may be areas where the unique features on DLT create genuine "square peg - round hole" challenges in complying with established regulations, and carefully tailored exemptive relief may be necessary to allow innovation while maintaining the spirit of the regulations and the protections they offer such relief should be reserved for instances where the current regulatory framework is fundamentally incompatible with the technology, making existing requirements infeasible. Even then, bespoke exemptions must be narrow, transparent, time-bound, and aligned with the intent of the underlying regulations. They should never bypass notice-and-comment rulemaking or serve as a substitute for formal rulemakings, especially when investors and other market participants may not benefit from understanding how such exemptive relief could result in changing broader regulatory protections they rely upon today. In such cases, Congress and the Commission must ensure regulations are calibrated to actual risks, avoiding work arounds that might undermine investor protection or market integrity.

- **Fourth,** tokenization must be evaluated as part of a broader set of market-structure reforms that also includes extended-hours (23/5 and eventually 24/7) trading and the ongoing review of Rule 611 on trade through prohibitions and other areas of Regulation National Market System ("Regulation NMS"), and more.

Tokenization Offers Potential Benefits Across the Securities Lifecycle

As we have discussed in our submissions to the SEC and a report[5] issued by our global affiliate, the Global Financial Markets Association ("GFMA"), SIFMA members are exploring a wide variety of at-scale capital markets use cases involving tokenization. These use cases include collateral management, fixed-income issuance, and fund tokenization. As these and other use cases demonstrate, DLT and tokenization in capital markets may deliver material benefits, including operational efficiencies, reduced settlement times, enhanced transparency across the trade lifecycle, and more precise and automated post-trade processes.

These benefits are especially significant in collateral management and repurchase agreement markets, where operational frictions can constrain liquidity and impair efficiency. As the GFMA report

[5] GFMA, *The Impact of Distributed Ledger Technology in Capital Markets: Shaping the Future of Finance* (August 2025), available at GFMA, https://www.gfma.org/wp-content/uploads/2025/08/1.-full-report-impact-of-dlt-in-cap-mkts-final-1.pdf.

explains, tokenization can help create a more unified view of collateral across fragmented systems, reduce the need for duplicative reconciliation, and improve the speed and precision of collateral movements. In a live use case highlighted by the report, DLT supported intraday liquidity optimization by significantly shortening settlement times and enabling highly tailored short-term borrowing arrangements. This demonstrates how these technologies can help reduce operational bottlenecks, free up collateral and cash more quickly, and improve the functioning of the core market infrastructure that supports liquidity and resiliency across the capital markets.

SIFMA has similarly recognized that DLT and tokenization may offer the potential for faster settlement in certain products, markets, and transactions on a voluntary basis, including exploration of same-day settlement for U.S. Treasury, corporate debt, and repo transactions. But SIFMA has also cautioned that regulatory modernization for tokenized asset markets should not be used as a basis for a mandatory, industry-wide move to T+0 or "atomic" settlement in the near term, given the significant risks, costs, and added complexity such a shift would create for traditional markets. Those challenges include major technology rebuilds, strains on existing operating models, and complications for allocations, securities lending, prime brokerage, cross-border transactions, and related wholesale payments and foreign exchange processes. The better policy conclusion from these live use cases is that tokenization may strengthen market infrastructure and improve settlement efficiency in selected use cases without displacing T+1 as the standard settlement cycle for U.S. securities markets.

Fund tokenization is another area where the potential benefits of tokenization are becoming clearer. As the GFMA report explains[6], fund tokenization has begun to show how fund shares can be issued, transferred, and serviced more efficiently, with faster settlement, improved transparency, and more automated processing. The report also notes that traditional fund distribution and servicing can still involve fragmented data, manual workflows, delayed information, and higher operational and compliance costs. In that respect, DLT-enabled tokenization may, over time, may support more efficient distribution, transfer, collateral use, and servicing of fund interests. At the same time, the lesson here should be a measured one: broader adoption will depend on regulatory clarity, systems that can work together, strong operational safeguards, and continued coordination between industry and regulators.

SIFMA organized an industry initiative in 2024 – the Regulated Settlement Network – to explore the potential of DLT infrastructure to drive efficiency. That project was proof-of-concept exercise by our members and financial infrastructure providers to explore how an interoperable network of tokenized cash and select tokenized securities could facilitate multi-asset and cross-network settlement within a shared ledger financial market infrastructure (FMI). That project – and similar initiatives which our member firms are putting into production – demonstrated the potential of DLT projects to support innovative new operating models and deliver greater efficiencies and reduce risk.

The recent recommendation of the SEC Investor Advisory Committee's Market Structure Subcommittee[7] also recognized that tokenization may offer meaningful benefits for equity markets

[6] *Ibid*., pp. 197-98.

[7] Recommendation of the Market Structure Subcommittee of the Investor Advisory Committee Regarding the Tokenization of Equity Securities, at 3–4 (Feb. 26, 2026), available at https://www.sec.gov/files/recommendation-market-structure-subcommittee-tokenization-equity-securities-022626.pdf.

and investors, including more efficient settlement, the potential for more direct, transparent, and real-time information about a company's shareholder base, reduced reliance on intermediaries for certain corporate actions, and the possibility that tokenization could eventually support 24/7 trading of equity securities. At the same time, the Subcommittee emphasized that these potential benefits must be evaluated within the broader context of investor protection and market integrity. It stressed the importance of giving investors a clear understanding of their ownership rights, maintaining appropriate oversight of intermediaries, and preserving core protections that ensure investors receive the best terms for their orders.

That is the right lens for policymakers to approach tokenization. As the Subcommittee recognized, the greatest dangers do not come from these new technologies but rather from pursuing regulatory reforms that create risks that investors do not understand and impose costs that ultimately outweigh the promised benefits. If developed within a framework that preserves investor protection, market integrity, and confidence in fair and orderly markets, tokenization can deliver meaningful benefits across the securities lifecycle – from issuance, settlement design, collateral mobility, recordkeeping, transparency, and operational efficiency – thereby bolstering, rather than undermining, the depth, efficiency, and resiliency of the U.S. securities markets.

Modernizing the Securities Regulatory Framework to Accommodate Tokenization

As SIFMA has emphasized in its submissions to the SEC, the central policy challenge is not whether tokenized securities can fit within the federal securities regulatory framework. Tokenized securities are securities, and could be characterized as the most recent evolution of the digitization of book entry securities and they can and should be integrated into that framework by allowing all market participants the opportunity to innovate. Rather, the challenge is how to modernize existing regulatory frameworks in a way that accommodates new technology without weakening core investor protections and market-integrity safeguards. SIFMA has consistently urged the SEC and other regulators to adopt a technology-neutral approach under which regulatory treatment should be based on the functions performed and risks created, rather than on the technology used or the labels attached to an activity.

SIFMA underscored this point in a regulatory mapping project submitted to the SEC's Crypto Task Force[8], which identified the key federal securities-law provisions that apply to the issuance and trading of securities, the protections those provisions are intended to provide, and the practical questions that may arise when they are applied to tokenized securities. That mapping, included in the Appendix, reinforces a central conclusion: the existing federal securities laws are well equipped to accommodate the issuance and trading of tokenized securities, except in genuine "square peg/round hole" situations in which particular provisions are inappropriate or unnecessary when applied to tokenized securities or DLT-related activities.

In order to regulate tokenized securities effectively, the Commission must begin with clear and consistent taxonomies. This begins with clearly defining what on-chain products are and are not securities. Within the broader category of tokenized securities, it is also important to recognize when certain technology and design features raise different legal and operational questions. A natively

[8] Securities Industry and Financial Markets Association, Re: *Regulatory Mapping Chart Showing the Application of the Federal Securities Laws to Tokenized Securities* (Dec. 22, 2025), available at https://www.sec.gov/files/ctf-written-input-reg-map-chart-showing-application-fed-securities-laws-tokenized-securities-122225.pdf.

issued tokenized security, a wrapped token based on a traditionally issued security, and a security entitlement token that reflects an interest in an underlying security held through an intermediary, each present distinct issues for disclosure, custody, transfer restrictions, corporate actions, and secondary trading.[9] Regulatory modernization therefore begins with an appropriately precise and commonly understood taxonomy. To that end, we welcome recent efforts by the Commission and Commission staff to provide greater clarity in this area. As the Commission has stated, "A security is a security regardless of whether it is issued, or otherwise represented, off-chain or on-chain" and we look forward to continued engagement as the Commission and its staff build on these efforts in the future.[10]

Issuance is another focus area for regulatory modernization. SIFMA's submissions to date on issuance make clear that tokenized securities should remain subject to the same core disclosure, offering, and investor-protection principles that apply to traditionally issued securities. At the same time, issuing securities in tokenized form may raise practical questions about applying existing requirements, such as appropriate disclosures and tracking ownership. These questions should be addressed through targeted modernization and clarifications which consistently apply standards to on-chain issuance, not by placing the issuance of tokenized securities outside the established issuance framework.

In terms of trading, SIFMA has consistently maintained that tokenized securities markets should be subject to the same fundamental investor protection and market integrity standards that govern traditional securities markets, including best execution, pre- and post-trade transparency (consistent with existing rules), anti-fraud protections, and surveillance. These protections are essential to ensure that innovation does not come at the expense of execution quality, market confidence, or investor protection.

These trading issues are inseparable from broader questions of market structure. Existing market structure rules help prevent fragmentation by, for example, ensuring that trading venues are linked within the same asset class, and ensuring transparency regarding pricing and liquidity across markets. It is critical that regulatory reform avoid creating separate liquidity pools with inconsistent pricing, weaker transparency, or reduced interoperability between tokenized and non-tokenized versions of the same security. Existing rules also limit the extent to which trading, brokerage, custody, clearing, and other core functions may be vertically integrated within a single platform. Those structural limits help preserve customer optionality, mitigate conflicts of interest, and reduce concentrations of financial and operational risk, thereby protecting investors. As tokenized securities markets develop, the industry should work to ensure that this does not create fragmented liquidity, such as due to tokenization models that limit interoperability or on-chain trading models that do not allow broad market access.

The same principles apply in the custody context. SIFMA has repeatedly emphasized that custody requirements should remain technology neutral and continue to rest on long-standing principles, including segregation of client assets, proper control of assets, and the separation of financial

[9] Securities Industry and Financial Markets Association, *Re: Additional Input to the SEC Crypto Task Force on the Regulation of Tokenized Securities Markets* (Dec. 16, 2025), available at https://www.sec.gov/files/cft-written-sifma-digital-assets-12-16-2025.pdf

[10] *See* U.S. Securities and Exchange Commission, *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. 17, 2026); U.S. Securities and Exchange Commission, Division of Corporation Finance, Division of Investment Management, and Division of Trading and Markets, *Statement on Tokenized Securities* (Jan. 28, 2026).

activities. Tokenization does not lessen the need for robust custody protections. Indeed, it may make clarity around possession or control, legal rights over customer assets, and the allocation of responsibilities among custodians, brokers, and other intermediaries even more important. In this context, it is also important to distinguish investor self-custody from arrangements in which a third party holds or controls private keys or otherwise assumes safekeeping responsibilities, because those arrangements can raise the same investor protection and market integrity concerns as traditional custody arrangements. Regulatory modernization therefore should build on existing custody frameworks, not replace them with an entirely separate regime for digital assets, while providing targeted guidance where necessary to ensure that those frameworks can be applied appropriately in a DLT-based environment.

Post-trade requirements also provide some opportunities for regulatory modernization. SIFMA has acknowledged that DLT may support more efficient settlement in certain products and markets and has urged the SEC to consider targeted reforms of clearing, settlement, and transfer-agent rules to support the development of tokenized securities markets. In a tokenized environment, DLT and smart contracts may be able to perform or automate functions traditionally performed by transfer agents, including recordkeeping, transfer processing, settlement facilitation, and compliance enforcement. At the same time, as discussed above, modernization should not be used as a vehicle for a mandatory, industry-wide move to T+0 or "atomic" settlement. The focus instead should be on updating post-trade rules to take advantage of the benefits offered by tokenization, without imposing broader changes that could disrupt the functioning of securities markets.

Regulation of Wallet & New Trading Models Providers: Focus on Functions, Not Technology

As tokenized markets develop, wallet providers are likely to become an important part of the infrastructure through which investors hold, access, and transact in tokenized securities. For that reason, how wallet providers are regulated is an important part of the broader modernization agenda. The key distinction is between wallet providers that offer "disinterested technology solutions" and those that exercise control or discretion over some aspect of the securities lifecycle. That includes safekeeping of customer assets, but it also extends to non-custodial wallet providers that engage in activities such as order routing and venue curation, price aggregation and other execution-related services, soliciting trades, and providing investment advice. Where wallet providers perform these functions, they are replicating core brokerage activities that are subject to well-established investor protection and market integrity requirements.

To better protect investors and better enable innovation in this space, SIFMA has urged the SEC to adopt a clear, functional framework for wallet providers that clearly delineates between providers offering technology solutions and those engaged in regulated broker or custodial functions.[11] Drawing those lines clearly through a durable rulemaking process would help protect investors and reduce opportunities for regulatory arbitrage. It would also support innovation by giving technology

[11] *See* SIFMA, Letter to the SEC Crypto Task Force re: Wallet Provider Regulation (Jan. 15, 2026), available at https://www.sec.gov/files/sifma-letter-wallet-provider-regulation-011526.pdf; SIFMA, Follow-Up Letter to the SEC Crypto Task Force re: Wallet Provider Regulation (Feb. 27, 2026), available at https://www.sec.gov/files/sifma-follow-wallet-letter-022726.pdf; Peter Ryan and Micah Smith, "Regulating Wallet Providers: Focus on Functions, Not Technology," SIFMA Blog (Mar. 4, 2026), available at https://www.sifma.org/news/blog/regulating-wallet-providers-focus-on-functions-not-technology/.

providers, regulated entities, and new entrants a clearer pathway to develop compliant products, services, and partnerships that can help drive the growth of tokenized securities markets.

Similar approaches should guide policymakers' engagement with potential models for decentralized trading, often referred to as DeFi. The DeFi trading models seen in the unregulated crypto markets are based on structurally different frameworks than modern securities markets, and any attempt to apply these models to support the trading of tokenized securities will need to grapple with a range of issues to ensure they offer consistent outcomes in terms of investor protection and market outcomes.

Innovation Exemptions Should be Subject to Clear Guardrails and Supplement Broader Policy Efforts

SIFMA has recognized that a carefully designed innovation exemption or set of exemptions could play a constructive role in supporting responsible experimentation and helping the SEC and other agencies gather information about how particular tokenization models operate in practice.[12] At the same time, regulators should exercise caution to ensure that any grant of exemptive relief is supporting rather than undermining the regulatory architecture that tens of millions of American families rely on to save for retirement, purchase homes, fund education, and achieve long-term financial security, and that issuers rely on to raise capital. Exempting entities that perform analogous functions to intermediaries in conventional securities markets simply because those functions occur through DLT would create regulatory arbitrage, fragment liquidity into isolated pools, undermine price discovery and best execution, and erode investor and issuer confidence.

To avoid that outcome, it is critical that the SEC follow a robust, analytical process when evaluating requests for exemptive relief. The burden should rest squarely on applicants to clearly and convincingly demonstrate why existing requirements are inappropriate or unnecessary when applied to their specific business model and why compliance would be inconsistent with – or unnecessary to achieve – regulatory objectives, such as promoting capital formation, market quality, and investor protection. It is also important that proposed exemptions should be subject to rigorous cost-benefit analysis and published for notice-and-comment with adequate time for meaningful stakeholder input.

An innovation exemption or set of exemptions should also be subject to appropriate guardrails and should not be seen as a substitute for a broader rulemaking process. Key guardrails should include limiting participation, at least initially, to sophisticated investors; placing caps on transaction size, customer volume, and the scope of projects; imposing duration limits; and requiring a defined exit ramp into a permanent regulatory regime. While exemptive relief should be open to all similarly situated market participants, the SEC must avoid providing categorical exemptions from longstanding statutory definitions of a broker, dealer, exchange, or clearing agency, as doing so could pose significant harm to investors. Finally, while an innovation exemption has a role to play in the regulatory modernization process, it neither can nor should substitute for broad, consultative notice-and-comment rulemaking.

[12] SIFMA, Re: *Requests for Exemptive Relief from the Federal Securities Laws for Tokenized Securities* (Nov. 26, 2025), available at https://www.sec.gov/files/sec-exemptive-relief-short-letter-112625.pdf.

Tokenization and the Move Toward Extended Trading Are Interconnected

The changes coming to markets mentioned above are all interconnected. In particular, tokenization is closely linked to the broader movement toward extended hours and, ultimately, more continuous trading. Tokenization, extended trading (23/5 and eventually 24/7), and ongoing reviews of Regulation NMS are all interconnected developments that raise overlapping questions about market structure, operational readiness, and investor protection. For that reason, they should be evaluated holistically, not in isolation.

SIFMA's work in connection with upcoming trading hours expansions by national securities exchanges that facilitate trading in equities and options highlights many of the same issues raised by the tokenization transition. These include how best execution would function in 23x5 equity and option markets; how trading-day boundaries, trade dates, settlement processing, and margin would operate across longer trading sessions; how corporate actions, books and records, and other back-office functions would adapt; and how the industry would maintain data accuracy, operational resilience, and consistency as the volume of quoting and trading activity potentially expands. To ease the transition to expanded trading hours, SIFMA has supported a gradual approach, starting with 23x5 in equities, as well as practical guardrails such as standardized trading-day boundaries, a regular maintenance window, harmonized corporate action treatment, and flexibility for firms to opt in or opt out based on their business models and operational readiness. Those guardrails become even more significant if tokenized forms of the same security can trade on a more continuous basis across multiple venues or networks with differing controls, liquidity conditions, or reporting conventions.

SIFMA has consistently argued to the SEC that the impact of extended trading hours, tokenization, and ongoing Regulation NMS review – among other changes coming to markets - must be analyzed collectively.[13] Market structure involves many interconnected moving pieces and evaluating each change in isolation risks missing their combined effects on liquidity, price discovery, operational resilience, and investor outcomes. The key point for policymakers is that tokenization is not just an innovation issue; it is also a market-structure issue, and it should be assessed on those terms.

Congress Should Advance Responsible Innovation While Preserving the Strength of U.S. Securities Markets

Congress can play an important role – through legislation and hearings such as these – in supporting the responsible development of tokenized securities markets by reinforcing that tokenized securities are securities, and they should be integrated into the existing federal securities regulatory framework, not placed outside it. The goal of public policy should be to modernize markets in a way that builds on the strengths of the U.S. securities markets rather than bypassing them. That means supporting a durable, technology-neutral, and functional approach that maintains the longstanding investor protection and market integrity standards long applied to securities activities.

Congress can also help ensure that modernization proceeds in a thoughtful and durable manner. Broader reforms affecting trading, intermediation, market structure, or investor protection should proceed through transparent processes supported by rigorous analysis and meaningful stakeholder

[13] Securities Industry and Financial Markets Association, *Re: RFI Response to SEC RFI "And Then Some" and Linked FAQ* (Mar. 17, 2026), available at https://www.sec.gov/files/ctf-written-sifma-ats-rfi-letter-03-17-2026.pdf

input. While limited exemptive relief or innovation exemptions have a role to play in the policymaking process, they should be narrowly drawn and subject to clear guardrails so that they support responsible experimentation without creating fragmented markets with lower investor protection standards. Tokenization offers real promise across the securities lifecycle, including in issuance, settlement design, collateral mobility, recordkeeping, transparency, and operational efficiency. But those benefits will only be realized if tokenization develops within a framework that preserves investor protection, market integrity, and confidence in fair and orderly markets – thereby building on, rather than undermining, the strength, depth, and efficiency of the U.S. securities markets that investors globally have trust and confidence in today.

Thank you for the opportunity to testify today. I look forward to answering the Committee's questions.

Appendix: Securities Mapping Chart

This chart examines at a high level the applicability of certain provisions of the Securities Act, the Exchange Act, the Advisers Act, the Investment Company Act, the Securities Investor Protection Act and the SEC's regulations thereunder (as well as certain FINRA rules) to tokenized equity securities. It also considers whether the policy considerations motivating such provisions are implicated in the context of tokenized equity securities, whether applying the provisions to tokenized equity securities would present challenges that may require SEC action, any additional risks related to such provisions that tokenized equity securities may raise relative to traditional securities, and any inherent mitigants that tokenization provides to the risks that the provisions seek to address. This chart is by no means an exhaustive catalogue of all relevant provisions of the U.S. securities laws or the SEC's regulations thereunder. It is simply a selection of a few notable requirements, exclusion of a specific rule does not imply that it is not applicable to tokenized securities. SIFMA may supplement this chart in the future with additional provisions, as well as with additional analysis concerning other kinds of tokenized securities (*e.g.*, debt securities, security-based swaps, security futures and other derivatives involving securities), and we look forward to working with the Commission on such expansion. This chart considers the relevant provisions as they are in effect today, with the recognition that the SEC is considering certain changes (*e.g.*, to Regulation NMS). Any such changes should be considered in view of all equity securities regardless of recordkeeping methodology and may require a reassessment of these considerations.

This document is intended to be an illustrative reference providing a framing for understanding the core pillars of the US securities regulatory framework and its applicability to tokenized securities. For a more extensive list of applicable regulations, please consult the draft inventory at https://www.sec.gov/files/ctf-written-input-sifma-sec-rule-inventory-122225.xlsx.

As we have discussed in the past, individual tokenization arrangements may differ dramatically from one another. This chart examines the applicability of certain key securities laws and regulations to the following types of tokenized securities:

1. Native tokenized securities: Securities issued directly on chain, without an intermediary or wrapper, that purport to convey rights to the token-holder which are legally equivalent to the rights of a holder that is recorded directly on the issuer's or its transfer agent's books as the security holder.
2. Wrapped tokenized securities: An arrangement in which the underlying securities are custodied and an ADR-type token is issued representing an interest in that custodied position. The wrapped tokenized security enables the token-holder to receive the stock upon the delivery of the token to the issuer. These wrapped tokens constitute separate securities, and the transfer of such tokens constitutes the transfer of rights to the underlying securities.
3. Security entitlement tokens: An arrangement in which a security is held with a custodian and a token is simply a mechanism for the custodian to record a customer's entitlement thereto. Under such an arrangement, a transfer of the token is nothing more than the custodian recording on its books and records the transfer of the security's ownership from one of its customers to another. The token itself is not a security but a digital record-keeping mechanism used by the custodian to track security entitlements. Nonetheless, because any transfer of security entitlements on a custodian's books and records constitutes a transfer of the security, a transfer of the token constitutes a transfer of the security.

Rule	Rule Summary	Applicable to Tokenized Securities?	Policy Considerations	Challenges in Application to Tokenized Securities	Additional Risks Arising from Tokenized Securities	Technological Mitigants of Tokenized Securities
Securities Act § 2 – Security and Dealer Definitions 15 U.S.C. § 77b Exchange Act § 3 – Exchange, Security, Broker, and Dealer Definitions	The Securities Act and the Exchange Act define a security as including, among others, any note, stock, security future, security-based swap, bond, debenture, investment contract, as well as any put, call, straddle, option, or privilege on any security, and any certificate of interest, participation in, receipt for, or right to subscribe or purchase any of the foregoing. The Securities Act and Exchange Act define dealer as any person engaged in the business of offering, buying, selling, or	**Applicable to Native Tokenized Securities:** Yes, since native tokens are securities, just in a digital form, any activities in relation to the token would constitute activities in relation to the security. Accordingly, a market participant that acts as broker, dealer, or exchange in relation to the token would qualify as a broker, dealer, or exchange. **Applicable to Wrapped Tokenized Securities:** Yes, it is well established that a receipt	The definitions of security in the Securities Act and the Exchange Act and the case law interpreting the definitions focus on economic substance, so as to ensure that substantively identical instruments and activities are treated similarly. That a security is recorded using distributed ledger technology rather than a centralized ledger does not affect its substance. There is therefore no basis for broadly treating tokenized securities and the intermediaries that engage with them differently from traditional securities and their market participants. Any different regulatory requirements should be narrowly tailored to address (i) practical challenges that may arise from subjecting tokenized securities to existing regulatory	Challenges that arise in applying existing requirements to tokenized securities are described with regard to the relevant statutory or regulatory provisions below.	Additional risks that tokenized securities raise, as compared to traditional ones, are addressed in relation to the relevant statutory or regulatory provisions below.	Technological mitigants that may counsel relaxing certain regulatory requirements in relation to tokenized securities are discussed in relation to the relevant statutory or regulatory provisions below.

Rule	Rule Summary	Applicable to Tokenized Securities?	Policy Considerations	Challenges in Application to Tokenized Securities	Additional Risks Arising from Tokenized Securities	Technological Mitigants of Tokenized Securities
15 U.S.C. § 78c	otherwise dealing in securities issued by another person. The Exchange Act defines broker as any person engaged in the business of effecting transactions in securities for the account of others. The Exchange Act defines an exchange as any organization, association, or group of persons which constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities.	for a security is a security. Similarly, since the token qualifies as a security, a market participant that acts as a broker, dealer, or exchange in relation to the token would qualify as a broker, dealer, or exchange. **Applicable to Security Entitlement Tokens:** Although the token itself would not be a security since it is simply a recordkeeping mechanism, any activities in relation to the token would constitute activities in relation to the security. Accordingly, a market participant that acts as a broker, dealer, or exchange in relation to the token would qualify as a broker, dealer, or exchange.	requirements (*i.e.,* square peg / round hole issues), (ii) additional risks that tokenized securities present, and (iii) mitigants inherent in blockchain technology that serve to reduce the risk of tokenized securities as compared to traditional ones.			
Registration and Disclosure Requirements						
Securities Act §§ 5, 6, 7, 10 – Registration Requirements 15 U.S.C. §§ 77e, 77f, 77g, 77j	Unless an exception applies, the Securities Act requires the filing of a registration statement containing certain key information about the issuer and the security to be issued and the delivery of a prospectus relating to the security.	**Applicable to Native Tokenized Securities:** Yes, the registration requirements apply to sales involving native tokens because the tokens are securities. **Applicable to Wrapped Tokenized Securities:** Yes, because a wrapped token is a security, the registration requirements would apply to sales of the token. In addition, the issuer of the underlying security is subject to registration statement and prospectus requirements. **Applicable to Security Entitlement Tokens:** Yes, the registration requirements apply to sales involving the tokens because the tokens represent ownership interests in the underlying securities such that a sale of the token is a sale of the security itself.	The registration statement and prospectus requirements under the Securities Act are designed to ensure that investors are provided with sufficient information regarding the risks and profile of a security so that they can make an informed decision as to whether to purchase such security. Because tokenized securities have all of the risks of the underlying security, there is no reason to apply weaker disclosure requirements. Further, since tokenized securities may present additional risks, additional disclosure would likely be appropriate.	None. The fact that tokenized securities are recorded using distributed ledger technology rather than a centralized ledger should not make it more difficult for the issuer to provide the requisite disclosure. If anything, the greater functionality of distributed ledger technology may make delivery of prospectuses easier.	Particularly in the case of wrapped tokenized securities and native tokenized securities, a tokenized security may present not only the risks of a traditional security, but also additional risks. In order to make informed decisions about these risks, investors need clear information regarding, among other things, the legal arrangement governing the tokenization arrangement, the technological infrastructure supporting the tokenization arrangement, how, in the case of a wrapper, the underlying securities are held and how holders can redeem their tokens, the identity of the parties involved in the arrangement, and any restrictions related to transferability. This information is particularly critical since tokenization arrangements differ markedly from one another and there is a significant risk of investors conflating or misunderstanding the particular kind of token they are purchasing.	None. While blockchain technology may facilitate the delivery of prospectuses, it does not mitigate any of the risks that the securities laws' disclosure requirements aim to address.

Rule	Rule Summary	Applicable to Tokenized Securities?	Policy Considerations	Challenges in Application to Tokenized Securities	Additional Risks Arising from Tokenized Securities	Technological Mitigants of Tokenized Securities
Securities Act §§ 12, 13, 15, 17, 23 – Liability for untrue statements, control persons, antifraud provisions 15 U.S.C. §§ 77k, 77l, 77o, 77q, 77w Exchange Act §§ 9, 10, 20 – Manipulation of securities prices, manipulative and deceptive devices, control person liability 15 U.S.C. §§ 78i, 78j, 78t; 17 C.F.R. § 240.10b-5 Regulation M 17 C.F.R. §§ 242.100-105 FINRA Rules 2020, 2210 – Use of Manipulative, Deceptive or Other Fraudulent Devices, Communications with the Public	The anti-fraud provisions of the Securities Act create civil liability for untrue statements of material fact or omissions of material facts in registration statements, prospectuses, and other communications; establish control person liability; and prohibit the use of fraudulent devices, schemes, and practices in offering or selling securities. The anti-fraud provisions of the Exchange Act prohibit manipulative practices in securities trading including matched orders, market manipulation, false statements to induce sales, paid promotions, and the use of any manipulative or deceptive device in connection with securities trading, as well as establishing control person liability. Reg M prohibits potentially manipulative conduct during securities distributions. FINRA Rules 2020 and 2210 apply anti-fraud principles and content standards to communications with the public.	**Applicable to Native Tokenized Securities:** Yes, since the token is a security equivalent to a traditional equity security, the anti-fraud provisions apply to the registration, offering, and sale of the token and transactions involving the token. Similarly, the anti-fraud provisions apply to statements and omissions regarding the token. **Applicable to Wrapped Tokenized Securities:** Yes. the anti-fraud provisions apply to the registration, offering, and sale of the token and transactions involving the token since it is well established that wrappers are securities. In addition, the issuer, insiders, and other relevant market participants would be subject to these requirements in relation to the underlying security. **Applicable to Security Entitlement Tokens:** Yes, the anti-fraud provisions apply to the registration, offering, and sale of the underlying security that the token represents and transactions involving the security that the token represents. Since the token is a means of recording the security entitlement to the underlying security, the anti-fraud provisions apply to statements and omissions regarding that underlying security and its registration/offering.	The anti-fraud provisions of the Securities Act and the Exchange Act aim to protect investors and market integrity by ensuring access to truthful, material information necessary for informed investment decisions, restricting deceptive trading activity, and promoting accountability for parties with privileged access or information. The control person liability provisions incentivize oversight and accountability for parties that supervise a violation of the securities laws. That securities may be recorded using distributed ledger technology rather than a centralized ledger does not diminish the relevance or importance of these investor protection and market integrity objectives. The policy goal of ensuring investors receive truthful, material information remains equally critical regardless of the medium used to record securities. In addition, particularly in the case of wrapped securities, there are arguably two different issuers and groups of distribution participants. The SEC should seek notice and comment on whether additional guidance or requirements may be advisable to ensure that each issuer and set of distribution participants provides the requisite disclosure and refrains from engaging in manipulative practices.	None. Tokenization of securities does not make it more difficult for issuers, insiders, underwriters, or market participants generally to avoid making untrue statements or engaging in manipulative or deceptive practices. If anything, the greater programmability that distributed ledger technology may offer may facilitate compliance (e.g., by ensuring smart contracts prohibiting trading are activated during blackout periods).	Considering the additional risks tokenization presents, particularly under the wrapper model, and the variance among tokenization models, tokenization may magnify the risk of investor confusion and make market participants more susceptible to deceptive schemes or fraudulent activities. Moreover, the fact that a tokenized version (or multiple tokenized versions) of a security may trade concurrently with its traditional analogue may increase the opportunity for bad actors to engage in manipulative or deceptive trading practices across multiple instruments or venues. Prohibitions on wash sales, matched orders, and price manipulation may be more difficult to detect and prevent on decentralized finance platforms. DeFi platforms must build the necessary infrastructure to surveil for compliance with these prohibitions.	None. There is nothing about the fact that a security is tokenized that addresses the information asymmetries or the potential for manipulation or deception that the securities laws were designed to address. Blockchain technology can provide transparent, publicly available audit trails with real-time surveillance of on-chain activity to detect manipulative trading patterns, but operators must actually implement these strategies to prevent fraud.
Disclosure Requirements – Regulations S-K/S-X and Regulation FD	Reg FD requires issuers to publicly disclose any material non-public information, in the event that such information is disclosed to a covered recipient, including broker-dealers, investment advisers, investment companies,	**Applicable to Native Tokenized Securities:** Yes, because the token constitutes a security, the disclosure requirements apply. **Applicable to Wrapped Tokenized Securities:** Yes,	The disclosure requirements under the federal securities laws and the SEC's regulations thereunder seek to ensure fair access, avoid preferential treatment of market intermediaries, and provide investors with the information necessary to make informed decisions. The fact that tokenized securities are recorded using distributed ledger technology rather than a	None. The fact that securities are recorded using distributed ledger technology rather than a centralized ledger does not make it any more difficult for issuers to comply with these requirements.	Particularly in the case of wrapped tokens and native tokenized securities, a tokenized security may present not only the risks of a traditional security, but also additional risks. In order to make informed decisions about these risks, investors need clear information regarding, among other things, the legal	None.

Rule	Rule Summary	Applicable to Tokenized Securities?	Policy Considerations	Challenges in Application to Tokenized Securities	Additional Risks Arising from Tokenized Securities	Technological Mitigants of Tokenized Securities
17 C.F.R. § 229; 17 C.F.R. § 210 17 C.F.R. § 243.100-103	and holders of the issuer's securities. Reg S-K establishes disclosure requirements covering the material qualitative descriptions that must be included in registration statements, periodic reports, proxy statements, and other filings. Reg S-X establishes the form, content, and other requirements for financial statement filings.	because a wrapper is a security, the disclosure requirements would apply to sales of the token. In addition, the issuer of the underlying security is subject to disclosure requirements. **Applicable toSecurity Entitlement Tokens:** Yes, the disclosure requirements apply to sales involving the tokens because the tokens represent ownership interests in the underlying securities such that a sale of the token is a sale of the security itself.	centralized ledger does not affect the relevance, necessity, or utility of these mechanisms to achieve these objectives. Reg S-K and Reg S-X include tailored, industry-specific provisions for certain industries. Tokenization-specific disclosures will be important to improving investor information in a new area of the securities market. The SEC should seek notice and comment on whether the creation of specific tokenization disclosure standards could address the additional risks presented by tokenizing equity securities.		arrangement governing the tokenization arrangement, the technological infrastructure supporting the tokenization arrangement, how, in the case of a wrapper, the underlying securities are held and how holders can redeem their tokens, the identity of the parties involved in the arrangement, and any restrictions related to transferability. This information is particularly critical since tokenization arrangements differ markedly from one another and there is a significant risk of investors conflating or misunderstanding the particular kind of token they are purchasing. Reg S-K and Reg S-X's industry-specific provisions could similarly include tokenization-specific disclosures to provide the information necessary for investors to fully understand the security being purchased.	
Broker-Dealer Requirements						
Exchange Act § 15 – Broker-Dealer Registration Requirements 15 U.S.C. § 78o	The Exchange Act requires brokers and dealers to register with the SEC (and become a member of at least one self-regulatory organization) and comply with certain financial responsibility, operational capacity, and other regulations.	**Applicable to Native Tokenized Securities:** Yes, since native tokens are securities, market participants acting in the capacity of a broker-dealer in relation to the token must register with the SEC and comply with appropriate regulation of broker-dealers. **Applicable to Wrapped Tokenized Securities:** Since a wrapper is a security, market participants acting as broker-dealers must register with the SEC and comply with appropriate regulation of broker-dealers. **Applicable to Security Entitlement Tokens:** Since the token represents a security, market participants acting in the capacity of a broker-dealer in relation to the token are effectively performing the same function with regard to the underlying security, so must	Registration and associated regulatory requirements for broker-dealers are designed to promote orderly and robust markets, ensure fair and open access, limit the risk of systemic disruptions and dislocations, prevent undue favoritism, ensure operational capacity, and protect investors. The fact that securities may be recorded using distributed ledger technology rather than a centralized ledger does not, other than in the limited circumstances described below, affect the relevance, propriety, or necessity of these protections. Notably, the Exchange Act's definitions were not drafted based on the particular recordkeeping mechanism applicable to securities, and Congress has reaffirmed them even as the U.S. securities market shifted from one based on individual certificates to book-entry and immobilized securities.	The fact that a security is recorded using distributed ledger technology does not make it any more difficult for market intermediaries performing broker-dealer functions for such securities to register under the Exchange Act. In addition, other than in the limited circumstances discussed below, it does not preclude compliance with the Exchange Act's requirements for these intermediaries.	The fact that a security is recorded using distributed ledger technology rather than a centralized ledger is not inherently relevant to how it trades. As a result, except as described below, the mere fact that a security is tokenized should not give rise to additional risks related to the broker-dealer registration requirements or the substantive requirements applicable to broker-dealers. However, many of the so-called "DeFi" protocols that list tokenized securities and their intermediaries have features—including pseudonymous trading, limited transparency, novel technology, opaque governance structures, distorted incentives, and conflicts of interest—that make the application of the registration and associated requirements all the more critical.	None. The fact that a security is recorded using distributed ledger technology rather than a centralized ledger does not, except as set forth below, mitigate the risks that broker-dealer registration and associated requirements are designed to address.

Rule	Rule Summary	Applicable to Tokenized Securities?	Policy Considerations	Challenges in Application to Tokenized Securities	Additional Risks Arising from Tokenized Securities	Technological Mitigants of Tokenized Securities
		register with the SEC and comply with appropriate regulation of broker-dealers.				
Disclosure of Interests in Distributions 17 C.F.R. § 240.15c1-6 FINRA Rule 5121	Rule 15c1-6 requires a broker-dealer acting for a customer or receiving a fee for advising a customer in a primary or secondary distribution in which the broker-dealer is interested to provide written notification of its participation or financial interest in such distribution before completing the transaction at issue. FINRA Rule 5121 specifies the manner in which members must disclose conflicts of interest in public offerings.	**Applicable to Native Tokenized Securities:** Yes, since the native token is a security, the disclosure rules apply. **Applicable to Wrapped Tokenized Securities:** Yes, since a sale of the wrapped token is a sale of the beneficial interest in the underlying security, the disclosure rules apply in the same way as they would for a traditional security. **Applicable to Security Entitlement Tokens:** Yes, since a sale of the security entitlement token is a sale of the beneficial interest in the underlying security, the disclosure rules apply in the same way as they would for a traditional security.	Rule 15c1-6 and FINRA Rule 5121 seek to prevent conflicts of interest from harming customers. The rules require transparent disclosure when a broker-dealer has a financial stake in the securities they are recommending, or purchasing for, a customer. The fact that the securities at issue are tokenized does not affect the need for such disclosure or the potential benefits it may provide.	None. A broker-dealer with interests in a security can disclose this to customers, whether the interest concerns tokenized or traditional equity securities.	None.	None.
Capital Requirements for Broker Dealers 17 C.F.R § 240.15c3-1	Broker-dealers must maintain net capital above certain activity-based minimum requirements.	Yes, the fact that a security a broker-dealer may be holding or financing is recorded using distributed ledger technology does not affect the asset's status as a security. Tokenization of a security should therefore not cause Rule 15c3-1 to be any less applicable to such position.	Rule 15c3-1 seeks to ensure that broker-dealers maintain levels of highly liquid assets to ensure they can meet customer and creditor obligations promptly, even if the firm fails. That a security owned or financed by a broker-dealer may be in tokenized form does not inherently mitigate these considerations or make the net capital rule any less effective in addressing them. However, a wrapped or native tokenized security may, depending on, among other things, the blockchain on which it is recorded or the platform on which it trades, have lower liquidity or greater credit or other risks as compared to traditionally recorded securities. The Commission may therefore need to adopt haircuts, standards, or other provisions in relation to such securities to ensure the broker-dealer duly accounts for the extent to which they would be available to facilitate liquidation in a failure scenario.	None. Tokenization of securities does not present any challenges for broker-dealers in complying with their net capital requirements.	None. However, if tokenized securities owned or financed by a broker-dealer are held on blockchains or traded on decentralized finance protocols, it may be necessary for the Commission to consider whether such protocols or blockchains must meet certain standards to ensure the securities at issue can be liquidated as promptly and easily as traditionally recorded securities. It may also be necessary for the Commission to consider whether such securities require greater haircuts to reflect the additional risks they may present.	None.
Customer protection -	Broker-dealers subject to the Customer Protection Rule (Rule	**Applicable to Native Tokenized Securities:** Yes,	The Customer Protection Rule is one of the most foundational rules protecting customer	For wrapped and native tokenized securities, there is somewhat	Tokenized securities present additional risks since customer protection depends	None. Regardless of how a security is recorded, it is still

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reserves and custody of securities 15 USC §§ 78h, 78o 17 C.F.R. § 240.15c3-3	15c3-3) must maintain physical possession or control of all fully paid and excess margin securities carried for customer accounts. They must perform weekly calculations based on a reserve formula and deposit any net cash owed to customers in a reserve bank account. Section 8 of the Exchange Act prohibits broker dealers and exchange members from hypothecating or commingling customer securities without written consent and from lending customer securities without consent or contrary to investor protection rules.	since the native token is a security, Rule 15c3-3 and Section 8 apply. **Applicable to Wrapped Tokenized Securities:** Yes. Rule 15c3-3 and Section 8 apply to the token because the token is a security. **Applicable to Security Entitlement Tokens:** Yes, Rule 15c3-3 and Section 8 apply to the security that the token represents.	assets. The fact that a security is recorded using distributed ledger technology rather than a centralized ledger does not affect the relevance or importance of rules designed to ensure that broker-dealers maintain sufficient quantity of such securities (or equivalent assets) to satisfy all customer claims. Similarly, Section 8 prohibits lending or hypothecating without written consent, preventing customer securities from being exposed to broker-dealer's creditors without explicit authorization, protecting customers in the event of broker-dealer insolvency.	greater uncertainty as to how a market intermediary performing broker-dealer functions could obtain physical possession or control (as the recent statement from the Division of Trading and Markets demonstrates). As Commissioner Peirce noted recently, if compliance with Rule 15c3-3 is not technologically feasible for wrapped tokens, regular notice-and-comment rulemaking should be used to address how to apply 15c3-3 to tokenized securities. Security entitlement tokens do not present the same challenge since the security itself remains held by the custodian and the token is merely a mechanism for the custodian to record ownership.	not only on possession or control of the security, but also the secure maintenance of the private key necessary to effectuate transfers of the token. The loss of such a key could, depending on the blockchain system, result in the permanent and irreversible loss of customer securities with no ability to recover them through traditional insolvency proceedings. In addition, smart contract vulnerabilities or protocol failures could result in customer assets becoming inaccessible or being transferred without proper authorization. Some DeFi protocols automatically rehypothecate or commingle deposited collateral, without user consent, thus exposing customer assets in the event of insolvency.	necessary that the security be appropriately segregated from the assets of the market intermediary performing broker-dealer functions to ensure it is available in the event of its failure.
Rule 15c3-5 – Market Access Rule 17 C.F.R. § 240.15c3-5	The Market Access Rule requires broker-dealers that have market access or provide market access to others to establish risk management and supervisory procedures. Risk management controls must include credit and capital thresholds, prevention of erroneous orders, restricting access to trading systems to approved persons and accounts, and post-execution surveillance.	Yes, if a market intermediary performing broker-dealer functions has or provides market access to facilitate trading of tokenized securities, the rule applies because the trades are trades of securities.	Rule 15c3-5 requires that broker-dealers with market access implement appropriate risk management controls and supervisory procedures to prevent erroneous orders and manage credit and capital thresholds, thereby reducing systemic risk and protecting market integrity. That tokenized securities may utilize distributed ledger technology rather than centralized ledgers to record transfers does not diminish the relevance or importance of these objectives.	None. Market intermediaries performing broker-dealer functions and effecting transactions in tokenized securities can comply with the Market Access Rule to the same extent as broker-dealers effecting transactions in traditional securities. If anything, the programmability that tokenization may offer may facilitate the ability of broker-dealers to comply with 15c3-5. However, the SEC should seek notice and comment on how to address the additional complexities that can arise when providing clients with access to so-called decentralized trading protocols.	The immutability of blockchain transactions makes pre-execution controls more critical to prevent erroneous orders and trades. There is little to no buffer to correct mistakes and those mistakes could be catastrophic. The DeFi platforms on which certain tokenized securities may trade may utilize novel technology and processes that can make the risk of errors greater.	None. While blockchain technology could be leveraged to programmatically enforce compliance rules and provide post-trade execution reports, tokenization and blockchain technology do not in themselves guarantee compliance with the pre-trade risk control requirements and other measures under the Market Access Rule. Application of a Market Access Rule framework should be integral to any comprehensive regime to address tokenization.
Recordkeeping Requirements 15 U.S.C. § 78q 17 C.F.R. §§ 240.17a-3, 240.17a-4	The recordkeeping requirements require certain broker-dealers and members of national securities exchanges to keep detailed records of a variety of items including transactions records for purchases and sales, order documentation, customer account information, bills, internal and public communications, financial	Yes, since tokenized securities are themselves securities and any market participant acting as a broker-dealer in relation to any form of tokenized securities qualifies as a broker-dealer, the market participant must maintain adequate records to	The recordkeeping requirements require broker-dealers to keep extensive records to permit adequate regulatory oversight, with detailed records providing key information during regulatory examinations. Electronic recordkeeping requirements and redundancy requirements protect against data loss and protect audit trail integrity. Recordkeeping requirements protect investors, enabling detailed reconstructions of customer	None. The fact that securities are recorded using distributed ledger technology does not make recordkeeping any more difficult. If anything, it may ease recordkeeping by facilitating the ability of the broker-dealer to leverage automated processes.	None.	None. While distributed ledger technology can be leveraged to automatically create some of the necessary records for the recordkeeping requirements, this does not obviate the need for the requirement in the first place and regulatory oversight is necessary to ensure the technology is being leveraged to comply with

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FINRA Rule 4511	statements, and written agreements. The records kept in compliance with these requirements are available for review by the SEC, FINRA, and other regulatory agencies.	the extent required by the recordkeeping requirements.	interactions and aiding in detection of misconduct by broker-dealers. The fact that securities are recorded using distributed ledger technology does not render recordkeeping any less useful for these purposes.			the requirements. To the extent distributed ledger technology and other forms of technology can affect recordkeeping methods, the SEC should consider further technological modernization of the recordkeeping requirements through notice-and-comment rulemaking.
Know Your Customer (KYC) and Anti-Money Laundering (AML) Requirements 31 C.F.R. § 1023; FINRA Rule 3310	Regulated broker-dealers must implement an AML program to monitor compliance with the Bank Secrecy Act. The AML program must establish detection and reporting policies, establish compliance policies and procedures, include independent compliance testing, designate a responsible individual for oversight, provide ongoing training, and include risk-based procedures for customer due diligence. Broker-dealers must establish written Customer Identification Program procedures for verifying customer identities.	Yes, broker-dealers and other financial institutions that facilitate the trading of tokenized securities are subject to KYC and AML requirements.	The Bank Secrecy Act regulations and FINRA rules on broker-dealer AML programs both seek to prevent laundering of illicit proceeds and financing of illegal activities through securities markets. KYC and AML regulations recognize that broker-dealers occupy a key gatekeeping position in the financial system. The regulations require broker-dealers to collect certain customer information and make suspicious activity reports because broker-dealers are well positioned to monitor customers and their transactions for potential illegal activity. That tokenized securities are recorded using blockchain technology does not diminish the importance of these AML and KYC objectives. If anything, the fact that blockchain technology may facilitate the transfer of securities without the involvement of other regulated intermediaries increases the importance that market intermediaries performing broker-dealer functions adhere to their AML/KYC obligations.	None. The fact that securities are recorded using distributed ledger technology does not limit the ability of market intermediaries performing broker-dealer functions to adhere to their AML/KYC obligations.	Blockchain technology and scramblers may allow bad actors to transfer tokens on distributed ledgers with complete anonymity and without facing other regulated entities. This makes it all the more critical that market intermediaries performing broker-dealer functions perform their AML/KYC obligations. Furthermore, since tokenized securities may be used in so-called cross-border financing to sanctioned parties and other bad actors, the SEC should seek notice and comment on whether market intermediaries performing broker-dealer functions, issuers, and other parties that interact with tokenized securities must take additional steps to ensure that the policy objectives of the Bank Secrecy Act are not undermined.	None. For any financial operations, the utility of technology may facilitate AML/KYC compliance. Smart contract technology could be used to enforce AML transfer restrictions and KYC requirements programmatically, but regulation is required to enforce implementation of these requirements.
Exchange Act § 7– Margin requirements 15 U.S.C. § 78g Federal Reserve Regulations T, U, and X – Margin requirement, thresholds, and customer credit limits 12 C.F.R. §§ 220, 221, 224	Section 7 of the Exchange Act and the Federal Reserve Board's margin rules thereunder, as well as FINRA's margin rules, establish minimum initial and maintenance margin requirements for financing of short and long securities positions.	**Applicable to Native Tokenized Securities:** Yes, since native tokens are securities, any extensions of credit must comply with the margin requirements. **Applicable to Wrapped Tokenized Securities:** Yes, since a wrapper is a security, any extensions of credit of the token must comply with the margin requirements. **Applicable to Security Entitlement Tokens:** Yes, since the token represents the security, any extension of credit related to the token is an extension of credit related to	Margin requirements seek to limit excessive leverage in the securities markets to limit market volatility and reduce systemic risk. Margin requirements prevent lenders from losses when securities collateral declines in value, reducing the risk of lender failure that could harm the financial system. These considerations are just as relevant for tokenized securities as for traditional securities, and nothing about the use of distributed ledger technology to record interests in securities limits the risk of leverage or default that the margin requirements aim to address. If anything, the fact that certain issues of tokenized securities may be subject to less liquidity means that these protections may be even more important.	None. Nothing about the fact that securities are recorded using distributed ledger technology makes it more difficult to comply with the margin requirements.	The fact that securities are recorded using distributed ledger technology should not in and of itself increase leverage or default risk. However, as a practical matter, many tokenized securities may be subject to decentralized lending protocols that can serve to increase leverage and default risk, making the application of the margin rules even more important.	None. Smart contracts could be used to continuously monitor margin requirements and liquidate positions before they fall below maintenance requirements, but regulatory oversight is necessary to ensure that this technology is properly leveraged to provide compliance monitoring and enforcement.

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FINRA Rule 4210 - Margin Requirements		the security and the margin rules apply to the same extent.				
Best Execution Obligations Exchange Act § 10(b) 15 U.S.C. § 78j(b) FINRA Rule 5310(a)	When handling customer orders involving securities, broker-dealers must use reasonable diligence to ascertain the best market for a security and buy or sell in that market, to provide the customer with a price as favorable as possible under prevailing market conditions.	Yes, market intermediaries performing broker-dealer functions that handle customer orders for securities that are or are represented by tokens are subject to best execution requirements.	Best execution obligations aim to protect investors and promote fair markets. That tokenized securities may be recorded using distributed ledger technology does not diminish the importance or relevance of best execution obligations. The fact that certain tokenized securities may trade on blockchain-based platforms that create inherent incentives to delay execution (e.g., to earn maximal extractable value) and may be uniquely susceptible to front-running, sandwich, and other attacks arguably make best execution all the more important.	None. Existing best execution obligations can be applied regardless of technology used for recording the security. Best execution obligations are a fundamental requirement that should not be diminished in connection with any new regime for tokenized securities.	Generally none. However, tokenized securities may transact more frequently on venues that rely upon blockchains. These blockchains may create incentives for market intermediaries filling orders to delay execution, *e.g.*, so they can generate maximal extractable value. In addition, blockchains are uniquely susceptible to certain actions (*e.g.*, sandwich attacks) that serve to de-prioritize client orders. The SEC should seek notice and comment on whether these features necessitate special rules or guidance.	None.
Regulation Best Interest and Suitability Requirements 17 C.F.R § 240.15l-1 FINRA Rule 2111	Regulation Best Interest ("Reg BI") requires broker-dealers to act in the best interest of the retail customer when making recommendations on securities transactions and investment strategies, without placing the broker-dealer's financial or other interests ahead of the interests of a retail customer. Reg BI requires broker dealers to provide full and fair disclosure; exercise reasonable diligence to understand risks, rewards, and costs in light of the customer's investment profile; and establish policies and procedures to identify conflicts of interest and disclose, mitigate, or eliminate the conflicts. FINRA Rule 2111 requires members to have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer.	Yes, Reg BI applies to broker-dealers in relation to tokenized securities, regardless of the method of tokenization, because recommendations of transactions in tokenized securities or investment strategies involving tokenized securities are transactions and investment strategies involving securities. Similarly, FINRA Rule 2111 applies to member broker-dealers making recommendations regarding tokenized securities, since such recommendations involve securities.	Reg BI requires disclosure of information to retail customers and mitigation of conflicts of interest to improve investment recommendation quality and limit the harm from conflicting incentives that broker-dealers face. FINRA Rule 2111 requires broker-dealers to consider suitability in making investment recommendations to improve investment recommendation quality and protect investors from unsuitable investment advice. The fact that securities may be recorded using distributed ledger technology does not in any way diminish the benefit of providing customers with appropriate disclosure, conducting suitability assessments, mitigating conflicts of interest, or conducting diligence in relation to such securities.	None. A broker-dealer making investment recommendations regarding tokenized securities can just as easily comply with Reg BI or FINRA Rule 2111 as it could with regard to traditional equity securities.	Generally none. However, considering the variety of tokenization models and the risks they create, customers may be more likely to be confused or unaware as to relevant risks. This makes full and fair disclosure, diligence, suitability assessments, and elimination of conflicts of interest even more important in the case of tokenized securities.	None. There is nothing inherent in distributed ledger technology that would obviate the need for compliance with Reg BI or FINRA Rule 2111.
Frontrunning Prohibitions / Customer Order Protection	Regulated broker-dealers are prohibited from trading a security on the same side of the market for their own accounts when they have accepted and are holding a customer order for the same security, unless they immediately	Yes, market intermediaries performing broker-dealer functions must comply with the frontrunning prohibitions and customer order protection requirements for all tokenized equity securities, since the	The prohibitions on frontrunning require broker-dealers prevent exploitation of advance knowledge of customer trades. The prohibitions minimize potential harm to the investor from the intermediary's conflict of interest, promoting investor confidence and market fairness. The fact that securities may be recorded using	None. The prohibitions on frontrunning can be applied regardless of the technology used for recording a security.	The fact that tokenized securities may trade on market centers reliant on blockchain creates additional risks of market intermediaries prioritizing their own interests at the expense of their customers. In particular, market intermediaries performing broker-dealer	None.

Rule	Rule Summary	Applicable to Tokenized Securities?	Policy Considerations	Challenges in Application to Tokenized Securities	Additional Risks Arising from Tokenized Securities	Technological Mitigants of Tokenized Securities
FINRA Rule 5270, FINRA Rule 5320	execute the customer order at the same or better price. Regulated broker-dealers are prohibited from placing orders based on material non-public information about an imminent block transaction in that security or related instruments.	tokens either are or are representing securities.	distributed ledger technology doesn't make these considerations any less relevant. Furthermore, the fact that tokenized securities may trade on protocols that rely upon blockchain arguably increases the risk of market intermediaries prioritizing their own interests above those of customers (*e.g.*, to extract maximal extractable value). In addition, blockchain trading is exposed to certain types of practices (*e.g.*, sandwich attacks) that can have a similar effect as traditional frontrunning. The SEC should consider what additional rules may be necessary to address these types of risks before protocols that give rise to them can register and begin operating.		functions may delay client execution in order to extract maximal extractable value. In addition, blockchain raises the risk of "sandwich attacks" in addition to traditional frontrunning.	
Securities Investor Protection Act 15 U.S.C. § 78aaa-78lll	SIPA is a comprehensive liquidation regime for broker-dealers that includes various provisions to facilitate the return of customer securities and associated cash. SIPA establishes the Securities Investor Protection Corporation, whose members are registered broker-dealers, to facilitate the liquidation of a member in financial difficulty and provide advances and insurance in relation to their "net equity" claims up to specified limits.	Yes, since tokenized securities are securities, such securities would generally constitute securities under SIPA. Although SIPA does not apply to unregistered investment contracts, this table is limited to tokenized equity securities.	SIPA seeks to protect customers of broker-dealers from losses due to broker-dealer insolvency or financial difficulty. SIPA facilitates the ability of customers to recover securities and cash held by their broker-dealer in the event of a failure. SIPA's insurance of customer assets provides protection to investors, especially retail investors without the capabilities to monitor the financial conditions of their broker-dealer, and increases investor confidence. The fact that customer assets held by a broker-dealer may be recorded using distributed ledger technology rather than traditional technology does not make these protections any less relevant or important.	None. Market participants acting as broker-dealers with respect to tokenized securities can comply with SIPA's requirements.	None.	None.
Market Center and Trading Requirements						
Exchange Act § 6 – Exchange Registration Requirements 15 U.S.C. §§ 78f	Parties operating as exchanges are (unless registered as ATSs) required to register as national securities exchanges and abide by operational capacity, compliance rules, and other requirements. Registered national securities exchanges also function as self-regulatory organizations.	**Applicable to Native Tokenized Securities:** Yes, since native tokens are securities, market participants acting in the capacity of an exchange in relation to the token must register with the SEC and comply with appropriate regulation of exchanges. **Applicable to Wrapped Tokenized Securities:** Since a wrapper is a security, market participants acting as exchanges must register with the SEC and comply with	Registration and associated regulatory requirements for exchanges are designed to promote orderly and robust markets, ensure fair and open access, limit the risk of systemic disruptions and dislocations, prevent undue favoritism, ensure operational capacity, and protect investors. The fact that securities may be recorded using distributed ledger technology rather than a centralized ledger does not, other than in the limited circumstances described below, affect the relevance, propriety, or necessity of these protections. Notably, the Exchange Act's definitions were not drafted based on the particular recordkeeping mechanism applicable to securities, and Congress has reaffirmed them even as the U.S. securities market shifted from one based on	The fact that a security is recorded using distributed ledger technology does not make it any more difficult for market participants acting as exchanges for such securities to register under the Exchange Act. In addition, other than in the limited circumstances discussed below, it does not preclude compliance with the Exchange Act's requirements for these intermediaries. Some venues that list tokenized securities may claim that registration presents insurmountable challenges as	The fact that a security is recorded using distributed ledger technology rather than a centralized ledger is not inherently relevant to how it trades. As a result, except as described below, the mere fact that a security is tokenized should not give rise to additional risks related to the exchange registration requirements or the substantive requirements applicable to such entities. However, many of the so-called "DeFi" protocols that list tokenized securities and their intermediaries have features—including pseudonymous trading, limited transparency, novel technology, opaque governance structures, distorted incentives, and conflicts of interest—that	None. The fact that a security is recorded using distributed ledger technology rather than a centralized ledger does not, except as set forth below, mitigate the risks that exchange registration and associated requirements are designed to address.

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		appropriate regulation of exchanges. **Applicable to Security Entitlement Tokens:** Since the token represents a security, market participants acting in the capacity of an exchange in relation to the token must register with the SEC and comply with appropriate regulation of exchanges.	individual certificates to book-entry and immobilized securities.	these venues lack a centralized operator. However, as a practical matter, there is sufficient corporate structure, centralization, staffing and governance to allow these entities to register.	make the application of the registration and associated requirements all the more critical.	
Regulation NMS 17 C.F.R. §§ 242.600-242.614	Regulation NMS (Reg NMS) sets forth various rules concerning display, access, and execution of orders in the U.S. listed equity markets.	**Applicable to Native Tokenized Securities:** Yes, if the native token qualifies as an NMS stock, Reg NMS applies to any purchase or sale of the token. **Applicable to Wrapped Tokenized Securities:** Yes. Because a token representing an NMS stock is a means of recording ownership of the security itself, Reg NMS applies to any purchase or sale of tokenized NMS stock. **Applicable to Security Entitlement Tokens:** Yes. Because a token representing an NMS stock is a means of recording ownership of the security itself, Reg NMS applies to any purchase or sale of tokenized NMS stock.	Reg NMS provides the overarching framework that currently governs order handling and trading activity in NMS stocks. The fact that an NMS stock may be recorded using distributed ledger technology rather than a centralized ledger should have no bearing on how the stock trades or the rules applicable to that trading. There is therefore no reason for the rules applicable to trading tokenized NMS stock to differ from those applicable to trading the traditional NMS stock.	None. The fact that an interest in a token is recorded using distributed ledger technology rather than a centralized ledger does not make it any more difficult or complex for a trading center or broker-dealer to satisfy Reg NMS's requirements. Some trading venues that call themselves "DeFi protocols" may use blockchain technology to bring together buyers and sellers of tokenized shares. That usage does not limit the venue's ability to maintain the requisite policies and procedures under Reg NMS. Moreover, if only some venues are subject to Reg NMS while others are not, there will be undue competitive disparity and more fragmented liquidity. Furthermore, despite calling themselves "decentralized," DeFi protocols have decision-making bodies and processes that can ensure compliance.	None. The fact that a security is recorded using distributed ledger technology rather than a centralized ledger does not in and of itself implicate the risks that Reg NMS is designed to address. However, if tokenized NMS stock end up being traded on DeFi protocols, the limited liquidity and transparency of these venues may exacerbate the concerns Reg NMS aims to address. In particular, such limited liquidity and transparency may give rise to greater risk of poor execution quality and siloed access to information in the absence of Reg NMS's protections. Moreover, if these venues were permitted to facilitate trading in NMS stock without complying with Reg NMS, significant regulatory arbitrage could emerge. Trading platforms might migrate NMS trading activity to distributed ledger technology platforms precisely to avoid Reg NMS's protections, undermining fair access, transparency, and best-execution principles.	None. While blockchain technology can be leveraged to enhance compliance with Reg NMS, the technology itself does not inherently promote best execution, transparency, fair access, or investor protection. There should be no relaxation of Reg NMS requirements associated with trading tokenized securities.
Pre-trade Quote Transparency 17 C.F.R. §§ 242.602, 603, 610	The pre-trade quote transparency rules require national securities exchanges and associations to establish procedures for collecting bids, offers, quotation sizes, and aggregate quotation sizes from broker-dealers. The rules also require processors of information to distribute the information on fair, reasonable, and non-discriminatory terms. Exchanges must also refrain from imposing	**Applicable to Native Tokenized Securities:** Yes, if the native token qualifies as an NMS stock, Reg NMS should apply to quote transparency regarding the tokenized NMS stock. **Applicable to Wrapped Tokenized Securities:** Yes. Because a token representing an NMS stock is a means of recording ownership of the	Pre-trade quote transparency requirements are meant to ensure that bids, offers, and quotation sizes are transparently displayed and market participants are able to identify the best available prices. The requirements focus on preventing selective disclosure of quotation information, providing fair and non-discriminatory access to information, and preventing excessive barriers to market participation. The fact that a security is recorded using distributed ledger technology does not affect the relevance of these requirements.	None. Tokenization and blockchain-based trading does not prevent compliance with pre-trade transparency requirements.	To the extent that blockchains create additional and fragmented venues for trading tokenized securities, the need for national standards to ensure quote transparency may be heightened.	None. Technology can be leveraged to automate consolidation of quotation information, but this does not replace the policy imperatives or need for uniform compliance with the transparency regulations.

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	unfairly discriminatory terms of access to quotations in NMS stock.	security itself, Reg NMS applies to quote transparency regarding the tokenized NMS stock. **Applicable to Security Entitlement Tokens:** Yes. Because a token representing an NMS stock is a means of recording ownership of the security itself, Reg NMS applies to quote transparency regarding the tokenized NMS stock.				
Execution Quality and Order Routing Disclosures 17 C.F.R. §§ 242.605, 606	Rules 605 and 606 require certain market centers and broker-dealers to provide certain information regarding the quality of order executions in NMS stock as well as the routing of non-directed orders.	**Applicable to Native Tokenized Securities:** Yes, if the native token qualifies as an NMS stock, Reg NMS applies to execution quality and order routing disclosures regarding the tokenized NMS stock. **Applicable to Wrapped Tokenized Securities:** Yes. Because a token representing an NMS stock is a means of recording ownership of the security itself, Reg NMS applies to execution quality and order routing disclosures regarding the tokenized NMS stock. **Applicable to Security Entitlement Tokens:** Yes. Because a token representing an NMS stock is a means of recording ownership of the security itself, Reg NMS applies to execution quality and order routing disclosures regarding the tokenized NMS stock.	Rules 605 and 606 under Reg NMS seek to promote visibility of execution quality and competition among market centers and broker-dealers, especially in respect of execution price and speed. The fact that securities may be recorded using distributed ledger technology does not diminish the relevance or effectiveness of these requirements. Furthermore, considering that trading protocols reliant on blockchain may create incentives and opportunities to reduce execution quality (*e.g.*, in order to obtain maximal extractable value), disclosure is arguably more relevant.	None. The fact that securities may be recorded using distributed ledger technology does not make it any more difficult for trading venues and broker-dealers providing services in relation to those securities to comply with the disclosure requirements under Rules 605 and 606.	Because tokenized securities may transact on protocols reliant on blockchains, there may be greater incentives for a broker-dealer or market participant center to de-prioritize execution. In particular, an intermediary looking to extract maximal extractable value may be incentivized to delay execution until it has the largest possible block. In addition, market participants may seek to hold open block space for affiliated or favored client trades, and blockchains are uniquely exposed to certain frontrunning and “sandwich attack” behavior. As a result, disclosure may be all the more important for tokenized securities and the SEC should seek notice and comment on additional disclosure to address the unique execution quality risks blockchain presents.	None. The fact that securities are recorded using distributed ledger technology does not serve to provide greater disclosure regarding execution quality or order routing.
Consolidated Audit Trail Reporting & Fees 17 C.F.R. § 242.613	Rule 613 requires national securities exchanges and securities associations to create, implement, and maintain a consolidated audit trail (CAT) and central repository with an accurate, time-sequenced record of orders documenting origination, routing, modification, cancellation, and execution of the order, as well as information about the customer.	**Applicable to Native Tokenized Securities:** Yes, if the native token qualifies as an NMS stock, Reg NMS applies to transactions in the tokenized NMS stock. **Applicable to Wrapped Tokenized Securities:** Yes. Because a token representing an NMS stock is a means of recording ownership of the security itself, Reg NMS applies	The CAT requirement makes data available to regulators to perform surveillance and oversight responsibilities. The CAT creates a single, comprehensive audit trail allowing regulators to track orders and trades across multiple venues and reconstruct market events, overcoming the fragmentation of equity markets. The fact that a security is recorded using distributed ledger technology does not affect the relevance of these requirements. If CAT requirements were not applied to tokenized versions of NMS stock, it would create an opportunity for regulatory arbitrage and encourage malfeasance by	None. The fact that securities are recorded using distributed ledger technology does not make it any more difficult to comply with the CAT requirement.	If tokenized securities ultimately trade on different venues from existing exchanges and ATSs, that could increase fragmentation, which would make the CAT requirement all the more relevant. Moreover, allowing tokenized versions of NMS stocks to trade outside of CAT reporting requirements would create a gap in the audit trail information for bad actors to exploit since that trading information would not be integrated into the CAT.	None. The fact that securities may be recorded using distributed ledger technology does not inherently serve to provide the information required under Rule 613. If these securities trade on venues that use public blockchains which serve to display the information required by CAT, that may facilitate compliance, but does

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		to transactions in the tokenized NMS stock. **Applicable to Security Entitlement Tokens:** Yes. Because a token representing an NMS stock is a means of recording ownership of the security itself, Reg NMS applies to transactions in the tokenized NMS stock.	permitting platforms to operate with less regulatory oversight.			not obviate the need for the requirement.
Regulation SCI 17 C.F.R. §§ 242.1000-242.1007	Reg SCI applies to national securities exchanges, certain alternative trading systems, certain clearing agencies, and other entities. As new market centers, including trading protocols, reach certain benchmarks related to their share of NMS stock trades or market data, these entities can become SCI entities. Reg SCI requires SCI entities to establish written policies and procedures to ensure SCI systems have sufficient capacity, integrity, resiliency, availability, and security. Under the regulation, SCI entities must undergo regular reviews and testing, comply with incident notification and reporting requirements, maintain business continuity plans, take corrective action in response to SCI events, and keep detailed records.	Yes, since the token represents a security, a national securities exchange, SCI ATS, or SCI clearing agency that lists the security that is or is represented by the token or facilitates trading or settlement of transactions involving the token would need to comply with Reg SCI. This could include the blockchain on which the token is recorded.	Reg SCI requires SCI entities to have adequate levels of capacity, resiliency, and security for computer, network, electronic, technical, automated, or similar systems that support trading, clearance and settlement, and order routing activities, among others. Reg SCI's requirements are meant to maintain operational capabilities and promote the maintenance of fair and orderly markets. Reg SCI provides investor protection through requirements that SCI entities take corrective actions to mitigate potential harm to investors and market integrity, after the occurrence of an SCI event. Reg SCI is a broad regulation, meant to cover new technologies and entities as they are deployed and developed into the national market system. Reg SCI's thresholds for ATS regulation recognize that as new venues, like distributed ledger technology protocols, capture larger market shares in the trade of NMS stock or market data, protection of their SCI systems become far more critical. For Reg SCI to serve its investor protection functions, it must apply equally to new and old SCI systems and SCI entities. Systems continuity is just as important for tokenized securities as it is for traditional securities to provide investor protection and promote market integrity. If anything, the novelty of tokenization may make Reg SCI more important.	SCI entities may not be able to satisfy Reg SCI in relation to certain SCI systems necessary for trading or settling tokenized securities transactions. For example, an SCI entity may not be able to subject public permissionless ledgers on which certain security tokens may be recorded to business continuity plans. To address this potential challenge, the SEC should seek notice and comment on (i) the particular systems for which the requirements of Reg SCI may not be feasible, (ii) the particular requirements that may present such challenges for such systems, and (iii) the particular mechanisms that could provide equivalent protections.	In certain cases, blockchains or other systems necessary for the trading or settlement of transactions involving tokenized securities may present unique risks (*e.g.*, 51% attacks) that do not arise with traditional systems and that Reg SCI's existing requirements may not fully address. The extent to which tokenized securities rely on SCI systems, above and beyond traditional equity securities, may present additional risks that require higher standards and more stringent requirements than provided for under Reg SCI. The SEC should seek notice and comment on what these risks may be and how SCI entities can ensure they are mitigated.	Depending on the system at issue, blockchains or other systems necessary or useful for the trading and settlement of tokenized securities transactions may have features that may mitigate the risks that Reg SCI seeks to address. For example, the use of consensus mechanisms may serve to diminish the need for other resiliency requirements. However, blockchains and consensus mechanisms differ dramatically from one to another, and careful study is required to identify what mitigants the technology may provide and the strength and risks of those mitigants. The SEC should therefore seek notice and comment on (i) the particular mitigants of distributed ledger technology that may limit the risk of system disruption, (ii) the specific provisions of Reg SCI that may not be fully necessary in light of such mitigants, and (iii) the requirements that the mitigant would need to satisfy in order to displace the need for the relevant SCI requirement.
Regulation SHO 17 C.F.R. §§ 242.200-204	Reg SHO establishes requirements for marking orders, restricting short sales during price declines, and ensuring delivery of securities. A short sale is defined as any sale of a security which the seller does not own or any sale which is consummated by the	Yes, since tokens are or represent securities, sales involving such tokens are sales of securities subject to Reg SHO.	The purpose of Reg SHO is to limit settlement failures and market dislocation that can arise from short selling. The fact that a given security is recorded using distributed ledger technology rather than a centralized ledger does not in and of itself diminish the possibility of settlement failures or disruption that Reg SHO seeks to address. While blockchain technology has been	None. The fact that securities are recorded using distributed ledger technology should not inhibit the ability of intermediaries to comply with their obligations under Reg SHO. If anything, the programmability of the token could help facilitate order marking	None. However, the programmability of tokenized securities and the ability to use smart contracts or other programs on DeFi protocols that operate using distributed ledger technology may heighten the risk of automated selling that could exacerbate the risks Reg SHO's circuit breakers and other	None. Although some DeFi platforms may require pre-positioning of cash and securities in order to facilitate settlement shortly after execution, the fact that the securities are recorded using distributed ledger technology

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	delivery of a security borrowed by, or for the account of, the seller.		touted as a mechanism to facilitate atomic, DVP settlement, it does not in and of itself ensure settlement will occur when and as required under the transaction. Accordingly, Reg SHO is just as relevant for tokenized securities as for securities recorded on centralized ledgers.	and that short sales are only executed when there is a locate (or an appropriate exception therefrom).	provisions seek to address. In addition, if tokenized securities are permitted to be traded without Reg SHO compliance, regulatory arbitrage could emerge, with market participants routing short sale activity to decentralized platforms specifically to avoid locate requirements and price restrictions, undermining market stability during periods of significant price decline.	does not necessitate such atomic settlement or pre-positioning. And in any event, any such pre-positioning should serve to satisfy the locate requirements under Reg SHO.
Regulation ATS 17 C.F.R. §§ 242.300-242.304	Regulation ATS (Reg ATS) requires exchanges that do not wish to register as national securities exchanges to register with the SEC as broker-dealers and file a Form ATS/Form ATS-N to provide information about the ATS's operations, services, and subscribers. ATSs are required to keep this information current and, in some cases, provide regulators with advance notice of certain changes. ATSs exceeding certain volume thresholds must comply with requirements for fair access and display of orders. ATSs meeting the definition of an SCI ATS must comply with certain Regulation SCI and recordkeeping and reporting requirements.	**Applicable to Native Tokenized Securities:** Yes, since native tokens are securities, Reg ATS would still apply. **Applicable to Wrapped Tokenized Securities:** Yes, since wrapped tokens are securities, Reg ATS would still apply. **Applicable to Security Entitlement Tokens:** Yes, if an ATS facilitates the trading of tokens representing security entitlements to NMS stock, it would be facilitating the trading of NMS stock itself and would need to comply with Reg ATS.	Reg ATS provides an alternative regulatory framework under which exchanges can operate without being required to register as national securities exchanges and operate as self-regulatory organizations. To accomplish this, Reg ATS establishes important transparency, information protection, and operational requirements intended to ensure ATSs operate in compliance with key regulatory objectives. The fact that a security is recorded using distributed ledger technology rather than a centralized ledger has no bearing on the operation of an alternative trading system or the rules that apply to it. There is therefore no basis for applying a different regulatory framework to the trading of tokenized securities on an ATS than to the trading of traditional securities on an ATS.	None. The fact that an interest in a token is recorded using distributed ledger technology rather than a centralized ledger does not make it any more difficult or complex for an ATS to satisfy Reg ATS's requirements. Some trading venues that call themselves "DeFi protocols" may use blockchain technology to bring together buyers and sellers of tokenized shares. That usage does not limit the venue's ability to establish and maintain the policies and procedures required under Reg ATS, including those relating to system operations, disclosure obligations, and the safeguarding of confidential trading information. Furthermore, despite calling themselves "decentralized," DeFi protocols have decision-making bodies and processes that can ensure compliance.	None. The fact that a security is recorded using blockchain technology rather than a centralized ledger does not in and of itself implicate the risks that Reg ATS is designed to address. However, supposedly "decentralized" DeFi protocols that list tokenized securities may have greater ability to use blockchain, smart contracts, and other mechanisms to limit transparency and prioritize certain favored actors. Allowing such venues to operate outside of Reg ATS would also create opportunities for regulatory arbitrage, enabling market participants to route trading in securities—potentially including NMS stock—to distributed ledger technology systems specifically to avoid Reg ATS's requirements. Such arbitrage would undermine the regulatory framework's objective of ensuring fair access, protecting confidential trading information, and maintaining orderly trading systems across all ATSs.	None.
Venue Transparency and Fair Access Requirements Exchange Act §§ 6(b)(4) and (5); Reg. ATS §§ 301, 304 15 U.S.C. §§ 78f; 17 C.F.R.	The transparency and fair access requirements of the Exchange Act require national securities exchanges to provide equitable allocation of dues, fees, and other charges among members and establish rules designed to promote just and equitable trading principles, remove impediments to free and open markets, and protect investors and the public interest. Reg ATS requires NMS ATSs to file Form ATS-N in order to disclose information about their	Yes, exchanges and ATSs trading in tokenized securities are subject to the venue transparency requirements.	Venue transparency and fair access requirements are meant to promote fair access and market integrity by prohibiting discriminatory practices, requiring reasonable fees, and requiring certain disclosures. The fact that securities are recorded using distributed ledger technology does not diminish the relevance or importance of these investor protections. Some of the so-called "decentralized" venues that may list these securities may use order matching processes that give rise to fees, distorted incentives, or opportunities for	None. Tokenization does not prevent entities transacting in tokenized securities from complying with the venue transparency and fair access requirements.	Generally none. However, the venues on which tokenized securities may be traded may utilize order matching processes that give rise to additional fees, distorted incentives, and opportunities for discrimination that are not present on traditional venues. For example, validators on venues that rely upon blockchain technology may have incentives to de-prioritize client orders in order to extract maximal extractable value. The SEC should seek notice and comment on whether additional measures are necessary to address	None. The use of blockchain technology to tokenize securities does not in any way ensure that venues that list these securities facilitate fair access and transparency.

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§§ 242.301, 304	manner of operations, broker-dealer operator, and the ATS-related activities of the broker-dealer operator and its affiliates. In addition, Reg ATS requires certain ATSs to take steps to promote fair access, including limits on fees that are inconsistent with equivalent access, and to provide information to national securities exchanges and national securities associations.		discriminatory practices that are not present in traditional venues. These additional risks make the venue transparency requirements even more relevant and necessary.		these and other risks arising from these venues.	
Volatility Controls / Trading Halts 17 C.F.R. § 242.608; Extraordinary Market Volatility Plan FINRA Rule 6190	Exchanges and ATSs must enforce limit-up and limit-down risk controls that establish collars to protect against drastic swings in short succession and trading halts in the event of major market events. All trading centers must establish policies and procedures to prevent trades at prices outside the price band and enforce limit states and trading pauses.	**Applicable to Native Tokenized Securities:** Yes, if the native token qualifies as an NMS stock, exchanges and ATSs must comply with the Reg NMS limit-up limit-down plan regarding the tokenized NMS stock. **Applicable to Wrapped Tokenized Securities:** Yes. Because a token representing an NMS stock is a means of recording ownership of the security itself, exchanges and ATSs must comply with the Reg NMS limit-up limit-down plan regarding the tokenized NMS stock. **Applicable to Security Entitlement Tokens:** Yes. Because a token representing an NMS stock is a means of recording ownership of the security itself, exchanges and ATSs must comply with the Reg NMS limit-up limit-down plan regarding the tokenized NMS stock.	The plan requirements are designed to protect investors and to promote fair and orderly markets, by preventing trades at prices that are either erroneous or reflect temporary liquidity disruptions. The price bands and limit states provide time for investors to evaluate whether price movements reflect genuine information and liquidity providers to enter the market. The coordination provided by the national plan ensures that compliance with limits and trading pauses occurs across fragmented venues. The fact that securities are recorded using distributed ledger technology does not make these requirements any less relevant.	None. Blockchain operators can comply with the plan's requirements and limit trading accordingly. If anything, smart contract technology may make it easier to halt trading.	The fact that securities are recorded using distributed ledger technology does not inherently give rise to additional risks in this regard. However, if tokenized securities trade on additional venues, it will be important that they enforce the same circuit breakers as traditional venues. Otherwise, it would undermine the purpose of the circuit breakers and provide market participants that trade on these venues with unfair access.	None. The fact that securities are recorded using distributed ledger technology does not limit the risks that the circuit breakers aim to address. Recent disruptions and failures in digital asset markets without these limits make that clear.
Section 31 Fees 15 U.S.C. § 78ee; 17 C.F.R. § 240.31	Section 31 requires regulatory fees to be imposed on securities transactions to fund the operations of the SEC. Covered self-regulatory organizations must pay fees on covered sales of securities.	Yes, since tokenized securities are or represent securities, transactions involving tokenized securities should be executed on exchanges or subject to trade reporting requirements and should similarly be covered by the fee provision.	The purpose of Section 31 fees is to ensure that market participants benefiting from SEC regulation and oversight contribute to the costs of that regulation. The alignment between fees and sales volume also ensures that as market activity increases, the funding for the SEC increases as well to expand oversight, and ensures that market participants pay in proportion to their market activity. If market	None. The fact that securities are recorded using distributed ledger technology does not limit the ability of venues listing such securities to pay Section 31 fees.	None.	None.

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			participants trading in tokenized securities were not charged Section 31 fees, it would result in a free rider problem whereby these participants benefit from SEC oversight while not being responsible for funding the SEC's regulatory budget.			
Other Registrant Requirements						
Exchange Act Rules 17Ad-2, 17Ad-3, 17Ad-10 – Transfer Agent Requirements 17 C.F.R. §§ 240.17Ad-2, 240.17Ad-3, 240.17Ad-10	Registered transfer agents must turn around at least 90% of routine items received for transfer within three business days. Transfer agents that fail to comply in any month must file written notice with the SEC or the transfer agent's appropriate regulatory agency. Transfer agents that file notices for three consecutive months may not offer transfer agent services for items that they do not currently cover. Transfer agents must promptly and accurately post debits and credits for every security transferred, purchased, redeemed, or issued.	Yes, a transfer agent for a security recorded using a token is just as much a transfer agent subject to the transfer agent rules as any other transfer agent.	Transfer agent standards seek to improve market confidence, by providing reliable transfer of securities for investors, reducing settlement and counterparty risk, and preventing investor harm from transfer delays. The restrictions on business expansion that apply to underperforming transfer agents incentivize addressing operational problems and seek to limit potential harm to investors until transfer agents have demonstrated adequate capacity. The recordkeeping requirements permit adequate regulatory oversight and aid in identification of potential errors or malfeasance. While the use of blockchain technology may make it easier for transfer agents to process transfers quickly and accurately, there is no reason why holders of tokenized securities should be entitled to diminished protections as compared to holders of traditional ones.	None. Blockchain technology has been touted as dramatically reducing transfer timing, complexities, and risks. If those claims are accurate, the technology should readily facilitate compliance with Rules 17Ad-2 and 17Ad-3. If not, a transfer agent should not be excused from providing investors with the protections afforded to other security holders simply because they choose to use novel technology. While some have argued that blockchains do not have sufficient centralization to provide the requisite reporting (or even register with the SEC), that concern is often overstated, as there is often a centralized operator acting as a transfer agent and simply utilizing blockchain technology in connection with that role or the blockchain at issue has sufficient centralization to comply with its reporting and registration requirements. To address the limited instances in which a security's actual transfer agent is a public, permissionless operator without any actual operator capable of facilitating compliance with transfer agent registration and reporting requirements, the SEC should seek notice and comment on a narrowly tailored exception with appropriate safeguards to ensure equivalent protections, accountability, and competitive parity.	Generally none. However, if a transfer agent is truly a fully decentralized public permissionless blockchain, it would likely be more difficult to address erroneous entries. Accordingly, the SEC should seek notice and comment on how such risk may be managed.	None. While blockchain technology has been touted as facilitating rapid and seamless settlement, nothing about the technology in and of itself diminishes the need to ensure that it promptly and accurately effectuates transfers. If anything, the supposed benefits of the technology suggest that for blockchain-enabled transfer agents, the standards should be higher.

Rule	Rule Summary	Applicable to Tokenized Securities?	Policy Considerations	Challenges in Application to Tokenized Securities	Additional Risks Arising from Tokenized Securities	Technological Mitigants of Tokenized Securities
Clearing agency standards 17 C.F.R. § 240.17ad-22	Clearing agencies must satisfy a number of standards, including well-founded legal frameworks, transparent governance procedures that facilitate fair access, robust risk management policies and procedures, including for legal, settlement, operational, credit, and liquidity risk, and mechanisms to reduce the risk of losing client assets.	Yes, the fact that settlement of a securities transaction may involve the movement of tokens through a blockchain rather than debits and credits on a centralized ledger does not change the applicability of 17ad-22; it may simply render the blockchain a clearing agency.	Rule 17ad-22 is designed to ensure that market participants that perform critical functions during the lifecycle of a securities transaction have appropriate risk management, transparency, and fair access procedures and policies in place. That a given securities transaction may involve the use of the blockchain rather than a centralized ledger does not diminish the relevance or importance of these policy objectives, but it may render some mechanisms to achieve these goals inappropriate and/or unnecessary.	As a general matter, a market participant's use of a blockchain technology to record ownership or facilitate settlement of a securities transaction should not impede its ability to satisfy the requirements of Rule 17ad-22. However, in the case of certain decentralized blockchains, it may not be possible to have in place certain policies and procedures, including business recovery plans, that necessarily require the use of a central operator.	Blockchains on which tokenized securities may be recorded may be exposed to certain risks (*e.g.*, 51% attacks, bad actors operating nodes, irreversible transfers) that traditional ledgers do not present.	Certain features of blockchain technology—*e.g.*, the need for validation of blocks—may eliminate the need for some of the operational requirements (*e.g.*, business continuity plans) that are applicable to clearing agencies. However, analysis is needed on a particular blockchain's validation mechanism and methodology for resolving bugs and consensus failures to determine the extent to which the technology mitigates the needs for clearing agency standards.
Advisers Act § 2 – Definition of Adviser 15 U.S.C. § 80b-2	The Advisers Act defines an investment adviser as any person who, for compensation, engages in the business of advising others as to the value of securities or the advisability of investing in, purchasing, or selling securities; or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities.	**Applicable to Native Tokenized Securities:** Yes, since native tokens are securities, just in a digital form, any activities in relation to the token would constitute activities in relation to the security. Accordingly, a market participant that advises others regarding native tokenized securities for compensation would qualify as an investment adviser. **Applicable to Wrapped Tokenized Securities:** Yes, it is well established that a receipt for a security is a security. Accordingly, since the token qualifies as a security, a market participant that advises others regarding wrapped tokenized securities for compensation would qualify as an investment adviser. **Applicable to Security Entitlement Tokens:** Although the token itself would not be a security since it is simply a recordkeeping mechanism, any activities in relation to the token would constitute activities in relation to the security. Accordingly, a market participant that advises others	The definition of "investment adviser" aims to capture a person that a customer has hired or otherwise engaged for compensation to advise it on whether to buy, sell, or hold securities. Congress determined that such persons must be subject to fiduciary duties and other requirements to mitigate possible conflicts of interest. Whether a security on which a person provides investment advice is recorded using distributed ledger technology does not affect these considerations. The possibility of conflicts of interest, deceptive practices, or malfeasance is no less simply on account of how a security is recorded.	None. An investment adviser advising on tokenized securities can generally comply with the requirements of the Advisers Act, to the same extent as an investment adviser with respect to traditional securities. The Custody Rule under the Advisers Act may have been drafted in contemplation of traditional financial intermediaries. However, such intermediaries are able to provide custody and other services in relation to tokenized securities. Moreover, the Commission can address any perceived interpretive ambiguities or other limitations of such rule through a concept release, followed by notice and comment rulemaking.	None. However, a number of intermediaries operating in decentralized finance ecosystems on which tokenized securities trade often provide investment advice in novel ways that present unique risks. For example, so-called automated market makers and yield farming applications purport to provide customers with investment advice using distributed ledger systems and applications. The Commission should analyze the conflict-of-interest and other risks of these systems and identify any additional steps that may be necessary to mitigate them.	None. Distributed ledger technology does not eliminate the conflict-of-interest and other risks that the Advisers Act aims to address.

Rule	Rule Summary	Applicable to Tokenized Securities?	Policy Considerations	Challenges in Application to Tokenized Securities	Additional Risks Arising from Tokenized Securities	Technological Mitigants of Tokenized Securities
		regarding security entitlement tokens for compensation would qualify as an investment adviser.				
Investment Company Act § 3 – Definition of Investment Company 15 U.S.C. § 80a-3	The Investment Company Act regulates any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting, or trading in securities; engaged in issuing face-amount certificates; or is engaged in investing in securities and owns or proposes to acquire investment securities exceeding 40% of the value of its total assets.	**Applicable to Native Tokenized Securities:** Yes, since native tokens are securities, just in a digital form, any activities in relation to the token would constitute activities in relation to the security. Accordingly, a market participant that satisfies the definition of investment company in relation to native tokenized securities would qualify. **Applicable to Wrapped Tokenized Securities:** Yes, it is well established that a receipt for a security is a security. Accordingly, since the token qualifies as a security, a market participant that satisfies the definition of investment company in relation to wrapped tokenized securities would qualify. **Applicable to Security Entitlement Tokens:** Although the token itself would not be a security since it is simply a recordkeeping mechanism, any activities in relation to the token would constitute activities in relation to the security. Accordingly, a market participant that satisfies the definition of investment company in relation to security entitlement tokens would qualify.	The Investment Company Act seeks to protect investors in pooled investment vehicles, by requiring registration, governance standards, disclosure obligations, and restrictions on capital structure and affiliate transactions. The fact that an investment company may invest in securities that are recorded using distributed ledger technology rather than traditional technology does not make these protections any less relevant or important.	None. An investment company investing in tokenized securities can comply with the requirements of the Investment Company Act. Section 17(f) and certain Commission regulations thereunder may have been drafted in contemplation of traditional financial intermediaries. However, such intermediaries are able to provide custody and other services in relation to tokenized securities. Moreover, the Commission can address any perceived interpretive ambiguities or other limitations of such rule through a concept release, followed by notice and comment rulemaking.	Generally none. However, the use of tokenization may heighten the concerns around investor protection, as some investors may not understand the additional risks associated with tokenized securities.	None.

In light of the Securities and Exchange Commission's Regulatory Flexibility agenda, some of the requirements noted above may be subject to change.