Paradigm

November 3, 2026

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: Transfer Agent Rules: Release No. 34-106246; File No. S7-2026-30

Secretary Countryman,

Paradigm Operations LP ("**Paradigm**") appreciates the opportunity to comment on the Securities and Exchange Commission's ("**Commission**") proposed updates to modernize its transfer agent rules ("**Proposed Rule**").[1] As a frontier-technology investment firm that invests and builds in crypto, AI, robotics, and across new frontiers from the earliest stages,[2] Paradigm commends the Commission's efforts to ensure the transfer agent rules are sufficiently robust to accommodate rapidly developing technologies, including tokenized securities and the digital infrastructure that supports them.

To that end, this letter respectfully provides feedback regarding certain aspects of the Proposed Rule, which would ensure the revised transfer agent rules are appropriately tailored to modern transfer agent practices. Specifically, Paradigm recommends the Commission: (1) clarify that token contracts alone are insufficient to give rise to transfer agent status; (2) provide interpretive guidance on or define "exclusive control"; (3) provide a safe harbor for position detail posting delays outside a transfer agent's reasonable control; (4) expand the reasonableness safe harbor to include tokenized private fund whitelisting practices; (5) treat payment stablecoins as cash equivalents and refrain from prescribing standards for accounts; and (6) provide a transition period to comply with the new obligations in the Proposed Rule.

I. The Commission Should Clarify that Token Contracts Alone are Insufficient to Give Rise to Transfer Agent Status

The Exchange Act defines a "transfer agent" as any person who engages on behalf of an issuer of securities in (A) countersigning such securities upon issuance; (B) monitoring the issuance of such securities to prevent unauthorized issuance (*i.e.,* a registrar); (C) registering the transfer of such securities; (D) exchanging or converting such securities; or (E) transferring record ownership of securities by bookkeeping entry without the physical issuance of securities certificates.[3] It requires anyone performing these functions for qualifying securities to register with the Commission[4] and, like other Commission registration categories, the Commission can and

[1] SEC, *Transfer Agent Rules*, 91 Fed. Reg. 56946 (Sep. 3, 2026) ("Proposed Rule").

[2] More information about Paradigm is available online at https://www.paradigm.xyz/.

[3] 15 USC 78c(a)(25).

[4] 15 USC 78q-1(b)(8).

does bring enforcement actions against firms that perform transfer agent functions without registering.[5]

In order to ensure that the Commission's efforts to modernize the transfer agent rules, including to accommodate blockchain technology, comport with the definition of transfer agent, the final rule should clarify that certain technical implementations are not, by themselves, sufficient to cause someone to become a transfer agent. For example, many tokenized stocks are represented on the blockchain via a token standard (*i.e.*, a set of template smart contracts).[6] While these standards work differently, they often involve a smart contract published on a blockchain that specifies the number of tokens, transfer requirements, and minimum subdivisions. When a token holder signs a blockchain transaction to initiate a transfer, the blockchain will check those transfer instructions against the contract. In other words, the smart contract is a tool through which whoever controls it, typically the issuer or its transfer agent, registers transfers and prevents unauthorized issuance. But while the issuer or transfer agent controls that tool, the developer who wrote or published the code does not. In fact, the tool does not act "on behalf of an issuer" any more than the vendor of recordkeeping software used by a traditional transfer agent.

Similarly, the Proposed Rule's revised definition of "item" risks creating (or compounding) ambiguity. The Proposed Rule revises the definition of "item" in Rule 17ad-1 to include transfer instructions "submitted to the transfer agent, or to an electronic system controlled, operated, *or enabled by* the transfer agent."[7] But the Proposed Rule does not define "electronic system" or when such systems are "enabled." It instead states that the revised definition was designed to "ensure that instructions transmitted by or through both existing technologies, such as blockchains and other distributed ledger-based platforms and new, as yet unforeseen technologies, are captured[.]"[8] Noting that "enabled" is broader than "controlled" or "operated," this rule could be read to suggest that an electronic system or smart contracts on a blockchain that receive transfer instructions (or their developer) could become inadvertent transfer agents. This is a dangling disclarity in this proposal. Machines, code, and other forms of technology cannot be "persons" under the federal securities laws.[9] Thus, if such systems are found to be transfer agents, there is ambiguity about which person the transfer agent would be, potentially exposing some entities improperly to regulatory risk and legal liability.

If a future Commission sought to read the definition of transfer agent expansively or view "enabling" transfer agent activities under the definition of item as suggestive of transfer agent status, it could bring enforcement actions against blockchain developers for building, deploying, and maintaining smart contracts that support tokenized securities and their issuers. Transfer agents do not always have software development expertise to implement novel software architectures and

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[5] *See e.g.*, *In Re Computershare Trust Company of Canada*, Exchange Act Rel. No. 53668 (Apr. 18, 2006), https://www.sec.gov/files/litigation/admin/2006/34-53668.pdf.

[6] *See e.g.*, Ethereum, *ERC-20 Token Standard* (Jul. 9, 2026), https://ethereum.org/developers/docs/standards/tokens/erc-20/; Solana, *Asset Issuance & Tokenization* (accessed Oct. 23, 2026), https://solana.com/docs/tokenization.

[7] *See* Proposed 17 CFR 240.17ad-1(a)(1)(v) (emphasis added).

[8] Proposed Rule at 56967.

[9] *See e.g.*, 15 USC 77b(a)(2) (defining "person" under the Securities Act).



may hire developers, including blockchain developers, to build, deploy, and maintain smart contracts on their behalf. These can include token contracts governing transfers of tokenized NMS stocks like those covered by the Commission's recent exemptive relief for distributed ledger trading venues.[10] An expansive reading of this proposal would unnecessarily increase the legal costs of such developers, chill innovation, and run counter to the objectives of the Commission's Innovation Exemption (and this Proposed Rule).

To avoid these outcomes, Paradigm therefore recommends the Commission clarify in the final rule that: (1) publishing software or deploying a smart contract for an issuer or its transfer agent does not, by itself, cause the developer to act "on behalf of an issuer"; and (2) providing non-discretionary services to a transfer agent, including developing, deploying, and maintaining smart contracts at the direction of the transfer agent or the issuer, also does not make the developer a transfer agent. In both cases, the relevant line is discretionary control over the ownership record and would ensure that the person who controls registered positions is captured, while the developer writing code at that person's direction is not.

II. The Commission Should Provide Interpretive Guidance on or Define "Exclusive Control"

The Proposed Rule revises the definition of "master securityholder file" to require transfer agents to maintain exclusive control over that official database of accounts at all times.[11] Moreover, and as noted above, an "item" includes transfer instructions submitted to the transfer agent, or "an electronic system controlled … by the transfer agent[.]" However, the Proposed Rule does not define control, which invites uncertainty. Historically, exclusive control has been used to exclude digital asset firms from Commission-regulated products, services, and markets, on the grounds that digital assets are never under exclusive control, to the detriment of the industry, investors, and users. Paradigm thus requests the Commission define exclusive control, and to define it functionally, drawing on the framework of relevant commercial law.

As an initial matter, the Commission has historically used the concept of exclusive control to exclude digital assets from broker-dealer and registered investment adviser ("**RIA**") custody, and therefore, many types of investment options for U.S. households. For example, in 2019, Commission staff issued a joint statement with FINRA explaining how the broker-dealer custody rule applied to "digital asset securities."[12] In that statement, staff noted that maintaining private keys "may not be sufficient evidence by itself that the broker-dealer has exclusive control of the digital asset security." Staff further indicated that to prove exclusive control, a broker-dealer would

[10] *See* SEC, *Order Granting Temporary Conditional Exemptive Relief, Pursuant to Section 36(a)(1) of the Securities Exchange Act of 1934, from the Definition of "Exchange" in Section 3(a)(1) of the Exchange Act for the Use of Certain Distributed Ledger Trading Venues for Tokenized NMS Stocks and from the Definition of "Dealer" in Section 3(a)(5) of the Exchange Act for Certain Liquidity Providers for Tokenized NMS Stocks, and Request for Comment*, Exchange Act Rel. No. 106402 (Sep. 17, 2026) ("Innovation Exemption"), https://www.sec.gov/files/rules/exorders/2026/34-106402.pdf.

[11] *See* Proposed 17 CFR 17ad-9(b).

[12] SEC, *Joint Staff Statement on Broker-Dealer Custody of Digital Asset Securities* (Jul. 8, 2019), https://www.sec.gov/newsroom/speeches-statements/joint-staff-statement-broker-dealer-custody-digital-asset-securities-joint-staff-statement-broker-dealer-custody-digital-asset-securities-withdrawn-may-15-2025 (withdrawn May 15, 2025).



have to demonstrate that no one else had control over the digital asset, a standard that all parties have struggled to satisfy and that may, in reality, be impossible for anyone to meet. After all, this standard requires entities seeking to utilize digital assets to prove that no one has control on a public blockchain, akin to a person being unable to sell their house until they prove no one has ever set foot on their land without permission for even a minute. It is, to put it simply, requiring firms to prove a negative. And while the Commission later withdrew that statement and, separately, acknowledged that establishing "exclusive control of a crypto asset may be more challenging than for assets such as stocks and bonds,"[13] nothing in the Proposed Rule prevents a similar reading of "exclusive control" from being applied to transfer agents.

Notwithstanding the Commission's prior positions on the degree of difficulty of maintaining exclusive control over crypto assets, new Article 12 to the Uniform Commercial Code ("**UCC**") defines control, including exclusive control, for such assets and has been adopted by 37 U.S. jurisdictions and proposed in five others.[14] Pursuant to UCC § 12-105 a person has control of a controllable electronic record ("**CER**", the UCC term for most digital assets) if the record or a system in which the electronic record is recorded gives the person (1) the power to avail itself of substantially all the benefit from the CER; (2) exclusive power to prevent others from availing themselves of substantially all the benefit of the CER; (3) exclusive power to transfer control of the CER; and (4) the ability readily to identify itself (*e.g.*, by name, number, cryptographic key, account number or otherwise) as the person having these powers. Crucially, the UCC presumes a person has exclusive control if they can exercise such powers, provides rules under which control may be exercised through or shared with another person, and explains when control is not exclusive.[15] In short, the presumption of exclusivity resolves the proving-a-negative problem, and the shared-control rules accommodate multi-signature arrangements and co-transfer agents.

Paradigm therefore recommends the Commission define "exclusive control" in the master securityholder file definition, and "control" in the item definition, by reference to this framework. To be clear, Paradigm does not suggest that a transfer agent must itself have UCC control over securityholders' *tokens*; the master securityholder file is a register and a transfer agent neither holds nor transfers the securities recorded on it. But the Article 12 *structure*—a functional test, a presumption of exclusivity, and express rules for control exercised with another person—would clarify when a transfer agent has exclusive control of a master securityholder file and of the electronic systems through which it receives transfer instructions. Furthermore, it would enable transfer agents to align their custodial and control practices to a single standard as they will likely already be subject to the UCC for any digital assets they hold. And lastly, doing so would also be consistent with the Proposed Rule's approach elsewhere, which aligns the proposed definition of

[13] SEC, *Safeguarding Advisory Client Assets*, Advisers Act Rel. No. 6240, 88 Fed. Reg. 14672, 14688 (Mar. 9, 2023), https://www.federalregister.gov/documents/2023/03/09/2023-03681/safeguarding-advisory-client-assets.

[14] *See* Uniform Law Commission*, UCC, 2022 Amendments to* (accessed Oct. 23, 2026), https://www.uniformlaws.org/committees/community-home?communitykey=1457c422-ddb7-40b0-8c76-39a1991651ac.

[15] *See* UCC § 12-105(c), (d), and (e).



"presentor" with the UCC to "promote consistency between the federal transfer agent rules and general principles of commercial law."[16]

III. The Commission Should Provide a Safe Harbor for Delays in Posting Position Detail Outside a Transfer Agent's Reasonable Control

Rule 17ad-10 requires transfer agents to promptly and accurately post debits and credits to the master securityholder file containing a minimum and appropriate certificate detail (to be revised to "position detail") representing every security transferred, purchased, redeemed or issued. Under the current rule, "promptly" means 5 - 30 days depending on a number of factors including whether the transfer agent is a "recordkeeping transfer agent" and whether the transfer agent functions performed are for affiliated company securities issues.[17] The Proposed Rule would revise these timelines to align them with the current settlement cycle of one business day, and expose transfer agents to potentially severe consequences if those timelines are not met. Paradigm supports the Commission's efforts to align reporting requirements with the contemporary settlement cycle but respectfully suggests that, in light of the kinds of delays modern electronic systems can face and their causes, the Commission should provide a safe harbor for delays attributable to conditions outside a transfer agent's reasonable control.

Whereas modern electronic systems rely on automated software and/or blockchains to update master securityholder files, the prior rules assumed physical certificates that rely on individual humans to process. When a human is the one processing debits and credits, there is little need for safe harbors; either the transfer agent's personnel processed the items they were supposed to or they did not. However, automated systems need different standards due to the possibility of disruption from, among other things, network congestion and fee spikes, chain reorganizations, outages of the underlying network, and scheduled protocol upgrades. What all these types of disruptions have in common is that they are outside the reasonable control of the transfer agent.

A transfer agent responsible for automated systems cannot guarantee they will be free from disruption. All it can do is ensure foreseeable risks are reasonably mitigated. The Proposed Rule recognizes as much in revised Rule 17ad-12, which would require transfer agents to establish, maintain, and enforce written policies and procedures reasonably designed to address among other things, "material custody, operational, cybersecurity, and other risks[.]" Similarly, Proposed Rule 17ad-30 would require registered transfer agents to establish, maintain, and enforce written policies and procedures reasonably designed to comply with the federal securities laws, including the processing of items under the transfer agent rules. If a transfer agent complies with these rules, it should not face liability for disruptions that are outside its reasonable control.

For the same reason, a transfer agent that maintains reasonably designed policies and procedures addressing transaction fees, finality, failed or stuck transactions, and network upgrades should not have delays caused by such conditions counted against it. Accordingly, Paradigm

[16] *See* Proposed 17Ad-9(o); *see also* Proposed Rule at 56973 (discussing the alignment of the proposed "presentor" definition with that of an "appropriate person" under UCC § 8-401).

[17] Rule 17ad-10(a)(2).



recommends that the Commission's final rule include a safe harbor to Rule 17ad-10 providing that any transfer agent that complies with Proposed Rules 17ad-12 and 17ad-30 will not be liable for delays in posting position detail due to circumstances that are outside its reasonable control.

IV. The Commission Should Expand the Reasonableness Safe Harbor to Include Tokenized Private Fund Whitelisting Practices

Proposed Rule 17ad-31(b) would require transfer agents to refrain from facilitating unregistered securities transactions unless they have a reasonable basis to believe the transaction does not violate Section 5(a) of the Securities Act. Proposed Rule 17ad-31(c) would create a non-exclusive safe harbor providing that transfer agents could develop the necessary reasonable basis (1) by obtaining and reviewing an opinion of counsel that meets certain requirements; or (2) making their own determination that the transaction may be conducted pursuant to a specific exemption from registration. Paradigm supports that safe harbor and, for largely the same reasons, recommends that it be expanded to include commonly used whitelisting practices that have developed in tokenized security secondary markets.

Section 5(a) of the Securities Act generally prohibits security transactions unless they are registered with the Commission.[18] Section 4 provides various exemptions from this prohibition including transactions by any person other than an issuer, underwriter, or dealer (4(a)(1)), and those by an issuer not involving any public offering (4(a)(2)).[19] The Commission and courts have each recognized that these two exemptions may be combined to exempt secondary transactions in private securities through the so-called 4(a)(1½) exemption.[20] The 4(a)(1½) exemption is often used by private funds to facilitate secondary transactions in their shares.

In recent years, both U.S. and non-U.S. institutions have developed markets in tokenized private securities using blockchain technology. Like many private funds, these parties have sought to ensure the institutions holding tokenized private shares can engage in secondary transactions that comply with Section 5 of the Securities Act. However, unlike traditional secondary transfers in private shares, tokenized shares move at the speed of the blockchain. This has led to the development of novel 4(a)(1½) structures based on whitelists. In a whitelisting structure, a transfer agent may pre-screen participants for particular statuses under the federal securities laws, including qualified purchaser, qualified investor, or qualified institutional buyer, among others. The transfer agent then implements rules through smart contracts on the blockchain that automatically authorize transfers between parties based on rules provided by the issuer and whether the transfer would qualify for 4(a)(1½), *e.g.*, because the parties are sophisticated with access to material investment information.

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[18] 15 USC § 77e(a).

[19] *See* 15 USC § 77d(a)(1)-(2).

[20] *See Ackerberg v. Johnson*, 892 F.2d 1328, 1335 (8th Cir. 1989) ("While the term '§ 4(1½) exemption' has been used in the secondary literature, … the term does not properly refer to an exemption other than § 4(1). Rather, the term merely expresses the statutory relationship between § 4(1) and § 4(2)"); SEC, *Employee Benefit Plans; Interpretations of Statute*, 45 Fed. Reg. 8960, 8977 at n. 176 (Feb. 11, 1980) ("In making such private sales, the affiliates presumably would rely on the so-called 'Section 4(1½) exemption'. This is a hybrid exemption not specifically provided for in the 1933 Act but clearly within its intended purpose").



Whitelist-based transfers under Section 4(a)(1½) are now well established in private tokenized securities markets. Under the Proposed Rule, these markets may be hampered by effectively requiring transfer agents to seek an opinion of counsel prior to effecting secondary transactions in private tokenized securities where they previously could have relied on Section 4(a)(1½) to execute automatic blockchain transfers. The second safe harbor (*i.e.*, the transfer agent making its own determination that transactions may be conducted pursuant to a specific exemption from registration) does not mitigate this risk because it contemplates a transaction-by-transaction determination with accompanying documentation, and because it provides no assurance that a determination will be treated as reasonable by a future Commission. Paradigm thus recommends the Commission add to Proposed Rule 17ad-31 a safe harbor for any transfer agent that (1) verifies that each holder added to a whitelist meets eligibility criteria established by the issuer; (2) restricts transfers by code to whitelisted holders; and (3) has no actual knowledge of facts indicating that a particular transfer violates Section 5. As suggested by the third condition of the proposed safe harbor, Paradigm also recommends that the Commission confirm, for each of the safe harbors in Proposed Rule 17ad-31(c), that "awareness" of circumstances indicating a potential violation means actual knowledge identified through the transfer agent's reasonably designed policies and procedures.

V. The Commission Should Treat Payment Stablecoins and Tokenized Deposits as Funds and Permit Them to Be Held in Segregated Wallets

Rule 17ad-12 currently requires registered transfer agents to ensure that: (1) all securities in their custody or possession are held in safekeeping and handled in a manner reasonably free from risk of theft, loss, or destruction and (2) all funds in their custody or possession are protected against misuse. Recognizing the need to address assets other than physical security certificates, the Proposed Rule would revise Rule 17ad-12 to require transfer agents to, among other things, implement policies and procedures to ensure (i) all securities and funds in the transfer agent's possession, control, or custody are protected against loss, misappropriation, or misuse, and (ii) issuer, securityholder, and other third-party funds are maintained in FBO bank accounts separate from the transfer agent's other bank accounts.

As part of these revisions, the Commission asked whether the proposed requirement to maintain third-party funds in segregated bank accounts is practical and effective, and if the final rule should address whether stablecoins and tokenized deposits can be funds in addition to cash. Paradigm recommends the Commission treat stablecoins and tokenized deposits as "funds" because they are cash equivalents. The GENIUS Act created a federal framework for the issuance of digital assets designed as a means of payment (*i.e.*, payment stablecoins) and, in order for these stablecoins to function as a means of payment for securities, transfer agents need to be able to hold them in a manner consistent with cash.[21] The same logic holds for tokenized deposits particularly where, as here, issuers and transfer agent customers are unlikely to distinguish between these assets. Such persons instead expect transfer agents to maintain cash, stablecoins, and tokenized

[21] Guiding and Establishing National Innovation for U.S. Stablecoins Act, Public Law 119–27 (Jul. 18, 2025) (codified at 12 USC 5901 *et seq*.).



deposits in similar ways, and the Commission should therefore treat stablecoins and tokenized deposits as funds so they can meet their functional role as a means of payment.

The Commission also asked whether the transfer agent FBO account could be a bank custodial wallet and if the rule should specify the minimum requirements for the banks at which such accounts must be maintained. Paradigm agrees that third-party funds should be segregated from the transfer agent's own assets, but recommends the Commission express that requirement functionally rather than by reference to a particular type of account. A bank custodial wallet should qualify, but so too should a wallet that the transfer agent itself controls where it is dedicated to third-party funds and holds only payment stablecoins or tokenized deposits. Both arrangements achieve the purpose of an FBO account, which is to ensure third-party funds are identifiable, segregated, and protected against misuse, and the onchain record of a dedicated wallet provides a more transparent audit trail than a bank statement. Moreover, and for the same reason, where a transfer agent does hold funds at a bank, the Commission should refrain from prescribing bank account standards. Banks are highly regulated institutions subject to examinations and supervision from state and federal regulators. It should be these regulators, rather than the Commission, that set the rules regarding bank account custodial standards. As a result, Paradigm recommends the Commission adopt an approach similar to its broker-dealer and RIA custody rules[22] where if a transfer agent holds assets with a bank, that is sufficient to establish the necessary custody requirements.

VI. The Commission Should Provide Transfer Agents Supporting Tokenized Securities with Sufficient Time to Comply with the Final Rules

The Proposed Rule asks, in various places, what transition period would be appropriate for the new rules, and whether a phased implementation could be beneficial.[23] Given that transfer agents will need to adopt wholly new compliance and risk management programs, potentially engage with software developers, and open new bank accounts, Paradigm believes the Commission should provide a 12-month transition period from the date of adoption for the new compliance obligations in the Proposed Rule.[24] At the same time, we believe that the permissive provisions of the Proposed Rule, including the recognition of distributed ledgers as the master securityholder file, electronic securityholder contact information, and the replacement of certificate detail with position detail, should be available on the effective date, so that the transition period does not delay the modernization the Proposed Rule is intended to achieve. This will provide ample time for transfer agents to adjust their operations to the new requirements.

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[22] *See* 17 CFR 240.15c3-3; 17 CFR 275.206(4)-2.

[23] Proposed Rule Questions 52, 66, 78, 96, 103.

[24] Paradigm also suggests that the Commission provide a flexible grace period or specified additional time for transfer agents that would become subject to the rules for the first time as a result of the rescission of Rule 17ad-4.



Paradigm appreciates the Commission's consideration of our comments. If you have any questions or would like to discuss these comments further, please reach out to Stefan@paradigm.xyz.

Sincerely,

/s/
Stefan Schropp
Senior Regulatory Counsel
Paradigm Operations LP