Paradigm

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By Electronic Submission

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U.S. Securities and Exchange Commission
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RE: Public Stocks on Public Blockchains: How Do We Get There?

1. Introduction

The United States capital markets are the largest, most liquid, and most efficient in the world. These attributes are not happenstance: They are the result of a regulatory architecture grounded in investor protection, market integrity, and efficient capital formation, which has been reinforced by decades of deliberate policy choices that react and respond to an evolving market.

As crypto reshapes the financial markets,[1] it is incumbent on the Securities and Exchange Commission (the "SEC" or "Commission") to again judiciously modernize the securities regulatory regime much as it did in connection with earlier shifts to electronic trading and book-entry systems. One promising application of crypto is the issuance of tokens representing a share—or even a fraction of a share—of a traditional security ("tokenized securities"). These tokenized securities could enhance liquidity, reduce friction, and provide global, around-the-clock access to U.S. capital markets.

Unfortunately, the prior administration abdicated the responsibility to provide a viable path for compliant innovation and the integration of crypto with the U.S. securities markets and instead relied almost exclusively on enforcement actions. By design, the last administration's conspicuous hostility towards crypto drove much of the industry's activity to other jurisdictions that were willing to undertake the challenge of modernizing their regulatory frameworks. This failed approach harmed not only crypto companies and crypto users, but also the very mission of the Commission.

We commend this Administration's marked shift in approach and its ongoing efforts to provide regulatory clarity to the crypto industry and foster innovation onshore.[2] The recently published report by the President's Working Group on Digital Asset Markets concluded that "digital assets and blockchain technologies can revolutionize not just America's financial system, but systems of ownership and governance economy-wide."[3] Further, the PWG Report provided a range of practical policy

[1] Paradigm Policy Team, *TradFi Tomorrow: DeFi and the Rise of Extensible Finance* (March 25, 2025), available at: https://www.paradigm.xyz/2025/03/tradfi-tomorrow-defi-and-the-rise-of-extensible-finance.
[2] Exec. Order No. 14178, Strengthening American Leadership in Digital Financial Technology, 90 Fed. Reg. 8647 §§ 1, 4 (Jan. 31, 2025) (the "**Executive Order**") (recognizing that "digital asset industry plays a crucial role in innovation and economic development in the United States, as well as our Nation's international leadership…").
[3] The White House, *Fact Sheet: The President's Working Group on Digital Asset Markets Releases Recommendations to Strengthen American Leadership in Digital Financial Technology* (July 30, 2025), available at

recommendations, including urging the SEC to use its existing authorities to facilitate digital asset trading at the federal level, laying the groundwork for deep, liquid U.S. markets in tokenized instruments.

Heeding President Trump's call to make America the "crypto capital of the world,"[4] SEC Chair Paul S. Atkins recently asserted that "the SEC will not stand idly by and watch innovations develop overseas while our capital markets remain stagnant," promptly announcing the launch of "Project Crypto" at the SEC, an "initiative to modernize the securities rules and regulations to enable America's financial markets to move on-chain."[5]

We recognize that this position is not shared by everyone. Per Reuters, "A group representing the world's biggest stock exchanges has called on securities regulators to clamp down on so-called tokenised stocks, arguing that the blockchain-based tokens create new risks for investors and could harm market integrity."[6] We understand that change can be unsettling, especially to large incumbents. But we believe the benefits of tokenized securities will accrue to all market participants. To delay the transition to tokenized securities would ultimately harm the very consumers and investors the SEC is most duty-bound to protect.

2. Principles for a sensible modernization of securities laws

Our submission below is intended to aid in this worthwhile effort to modernize our securities laws by providing specific recommendations on how to regulate tokenized equity securities. In practice, the Commission should adopt incremental updates to enable:

- Direct onchain issuance of securities whose rights and obligations mirror those of traditional shares (*i.e.*, onchain IPOs); and
- Third-party issuance of tokenized representations that reference underlying securities held in custody (*i.e.*, tokenizing the securities of third parties).

Sensible modernization of the securities regulatory framework can strengthen U.S. market leadership without compromising the bedrock principles of disclosure, market integrity, and investor protection that define U.S. markets. In fact, we believe these changes will enhance investor and consumer protections. We urge the Commission to adopt regulatory updates that are targeted, technology-neutral, and leverage the inherent qualities of crypto.

- First, any regulatory changes should be targeted. To be clear, we are not advocating for shortcuts or broad exemptions that would allow tokenized securities to operate outside of existing safeguards. Wholesale carveouts for tokenized securities would invite regulatory arbitrage and risk undermining

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https://www.whitehouse.gov/wp-content/uploads/2025/07/Digital-Assets-Report-EO14178.pdf (the "**PWG Report**").

[4] The White House, *Issues: Technology & Innovation*, https://www.whitehouse.gov/issues/tech-innovation/.

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

[6] Elizabeth Howcroft, *Stock exchanges urge regulators to crack down on 'tokenized stocks'*, Reuters (August 25, 2025), available at: https://www.reuters.com/sustainability/boards-policy-regulation/stock-exchanges-urge-regulators-crack-down-tokenised-stocks-2025-08-25/.

market integrity and investor protection. Importantly, the benefits of this technology only require that we integrate crypto into our existing securities laws, not that we exempt tokenized securities from their application. Stated differently: Crypto is not a shortcut to avoid the securities laws. It is new market plumbing.

- Second, such updates should be technology-neutral and not change the asset's basic nature. We agree with the Commission's position, articulated by Commissioner Hester Peirce, that "tokenized securities are still securities" and "the same legal requirements apply to on- and off-chain versions of these instruments."[7] Tokenized securities should continue to be regulated as securities; blockchain does not alter the nature of the asset or associated investors' rights. As such, where modernization reveals better investor protections or efficiencies, adopt them across the equity markets—not as special dispensations for tokenized securities.

- Third, any updates should take into account crypto's inherent qualities and technical capabilities, which can achieve certain of the policy goals of securities laws. For example, crypto's transparent and public nature should be leveraged to achieve the securities laws' goal of disclosure and ameliorating information asymmetries. Similarly, smart-contract programmability can enforce transfer restrictions mandated by securities laws.

As past transitions—from paper certificates to book-entry and from floor trading to electronic execution—reduced friction and broadened participation, so too can tokenization. Crypto can enable fractional ownership, faster and more certain settlement, real-time, traceable recordkeeping, accurate proxy voting,[8] and lower operational costs. These improvements can expand access to primary and secondary markets, reduce information asymmetries, deepen liquidity across time zones, and reduce counterparty and operational risk through programmable, auditable workflows embedded at the settlement layer.

By updating the regulatory framework in a prudent, principle-based manner, the Commission can merge the efficiencies of blockchain innovation with the proven safeguards of existing U.S. securities law. This approach will allow digital finance to flourish domestically, benefiting investors, issuers, and the broader economy, while preserving the trust and integrity that have long made U.S. capital markets the global standard.

3. Enabling onchain IPOs

We respectfully submit the proposals set forth below which, if implemented by the Commission, would help to enable companies to issue equity securities natively on a blockchain, in full compliance

[7] Commissioner Hester M. Peirce, *Enchanting, but Not Magical: A Statement on the Tokenization of Securities* (July 9, 2025), available at: https://www.sec.gov/newsroom/speeches-statements/peirce-statement-tokenized-securities-070925 ("**Enchanting, but Not Magical**").

[8] *See e.g.*, Vice Chancellor J. Travis Laster, *The Block Chain Plunger: Using Technology to Clean Up Proxy Plumbing and Take Back the Vote* (September 29, 2016), available at: https://www.cii.org/files/09_29_16_laster_remarks.pdf (arguing that "Distributed ledger technologies can provide better accuracy, greater transparency, and superior efficiency for settling securities trades and voting in corporate elections").

with the Securities Act of 1933 (as amended, the "Securities Act") and Securities Exchange Act of 1934 (as amended, the "Exchange Act").

a. Affirm the legal status of tokenized securities and crypto-based securities records

Building on Commissioner Peirce's recent statement,[9] the SEC should, as a first step, issue interpretive guidance confirming that corporate stock or other securities can be issued in tokenized form without changing their legal status.

The Commission should be clear that a tokenized security is still a security under federal law, and offers/sales must be registered under the Securities Act or exempt, just like any other security. This guidance will give issuers confidence that using a blockchain record-keeping system is permissible per se, as long as disclosure and investor protection rules are followed. Notably, several U.S. states, including Delaware, already authorize corporations to maintain official stock ledgers on "one or more distributed electronic networks or databases," removing state-law impediments to onchain stock issuance.[10]

b. Interpretation on Transfer Agents & Recordkeeping

The Commission (or staff via no-action letter) should address how existing transfer agent and books and records regulations apply to tokenized securities. Under Section 17A of the Exchange Act, any transfer agent must register with the SEC in order to record changes of ownership, maintain an issuer's security holder records, cancel and issue certificates. In practice, national securities exchanges require issuers to employ a registered transfer agent to maintain ownership records of registered securities. In addition, Exchange Act Rule 17a-3 and Rule 17a-4 set forth the requirements relating to the records that broker-dealers must maintain.

In an onchain system, recordkeeping is performed by the distributed ledger and its validating network, potentially eliminating or transforming the role of a traditional transfer agent. The SEC should clarify the application of these rules with respect to security issuers and other participants in a blockchain network.

To begin with, the SEC should clarify the circumstances in which any network participants that engage in updating a distributed ledger, or otherwise contribute to a blockchain's consensus mechanism, need to register as a transfer agent.[11] For example, it should clarify that validators and other participants in crypto's base layer are categorically not required to register as transfer agents.

With respect to issuers, the SEC (and national securities exchanges) should consider enabling three approaches:

- **Permit Issuer as Own Transfer Agent:** Allow an issuer to serve as its own transfer agent (which is already allowed if registered as such) and consider the blockchain itself as the official "books and records." The issuer would then need to meet transfer agent obligations (Rule 17Ad-10 *et seq.*) in the

[9] *See*, Enchanting, but Not Magical.
[10] *See* 8 DE Code § 224 (2024) (amended in 2017 to allow electronic networks as stock records).
[11] The SEC Division of Trading and Markets provided a partial answer to this question in its "Frequently Asked Questions Relating to Crypto Asset Activities and Distributed Ledger Technology" on May 15, 2025 (https://www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions/frequently-asked-questions-relating-crypto-asset-activities-distributed-ledger-technology) (the "**May FAQs**").

context of the blockchain – for instance, ensuring accurate reconciliation of token balances, handling lost security affidavits via smart contract features, etc.

- **New Class of Transfer Agent for Crypto:** Create a tailored registration category or exemption for technology providers that operate the blockchain network or smart contract for an issuer.
- **Reduce Transfer Agent Requirements:** Where a blockchain has reached a point of decentralization such that no one actor controls updates to the ledger or otherwise is responsible for the usual activities conducted by a transfer agent, consider removing or reducing requirements that an issuer engage with a transfer agent and recognize that blockchain ledgers can serve as the definitive record of securities ownership and transactions.

In any case, the SEC should modernize transfer agent rules to account for the inherent features of crypto, so that core requirements (prompt accurate recordkeeping, safeguarding against unauthorized transfers, etc.) are met without imposing infeasible rules meant for paper securities. To be more specific: The disclosure requirements should build off the inherent recordkeeping features of the blockchain.

The SEC should consider modernizing the books and records regulations.

- Rule 17a-3 could also be updated to require that the stock record for each digital asset security include the customer's designated on-chain address(es), the smart-contract identifier (*e.g.*, code hash/contract address), and the block height used for each daily count/reconciliation.
- Rule 17a-4 could be updated to explicitly require preservation of transaction hashes, address maps, contract/version hashes, and third-party attestations for existing retention periods.
- In addition, rules about CUSIP assignment, physical certificate processing, medallion guarantees, etc., may need updating or waivers for a tokenized context.

c. Updating disclosure requirements

Building on the recent statement by the Division of Corporation Finance,[12] the Commission should update the registration statement instructions (or provide FAQs/Staff guidance) and consider updates to the registration forms (Form S-1/F-1 or Form S-3/F-3 for seasoned issuers) in order to address how an issuer can register a tokenized equity offering.

The Commission should consider updating the registration forms to require plain-English explanations of:

[12] Division of Corporation Finance, *Offerings and Registrations of Securities in the Crypto Asset Markets* (April 10, 2025), available at: https://www.sec.gov/newsroom/speeches-statements/cf-crypto-securities-041025-offerings-registrations-securities-crypto-asset-markets.

- the blockchain network on which the smart contract for the tokenized security has been deployed and its underlying governance mechanism (*e.g.*, Is the underlying network upgradable based on tokenholder governance, or validator soft consensus?);
- any relevant smart contract features (*e.g.*, automated compliance or investor whitelisting);
- how token custody/transfer will work in practice (*e.g.*, Can owners of the tokenized securities self-custody, or must they use a custodian?);
- smart contract security risks and audits (*e.g.*, any prior known vulnerabilities and publication of audits);
- risks like loss of private keys or network cyber-attacks;
- procedures for recovering the tokenized security in the event of loss of private keys (analogous to lost certificates); and
- how corporate actions (dividends, voting rights) will be executed onchain.

To complement offering-stage disclosure, the Commission should modernize ongoing reporting to take advantage of the onchain data that is inherently verifiable and publicly available. Specifically, the SEC could:

- clarify in Regulation S-K that MD&A should include material onchain operational metrics (*e.g.*, circulating supply, authorized/minted/burned token amounts, holder concentration, onchain settlement/failed-settlement rates, and material protocol or contract upgrades), with definitions, methodology, and period-to-period comparability akin to KPI guidance;
- require registrants to publish and keep current a schedule of official issuer wallet addresses and the canonical contract addresses for the security so that investors and auditors can independently verify the same artifacts on public block explorers;
- provide guidance that material smart-contract changes, chain migrations, or security incidents affecting the tokenized security constitute event-driven disclosures reportable on Form 8-K (whether under existing Items—*e.g.*, cybersecurity—or via a new item tailored to "onchain operational events");
- recognize, for Regulation FD purposes, that issuer-identified blockchain addresses, governance portals, and code repositories may serve as additional "recognized channels of distribution" when properly noticed in SEC filings; and
- offer a principles-based safe harbor for supplemental onchain KPIs (analogous to non-GAAP/Key Metrics guidance) requiring clear definitions, consistent presentation, and prominent disclosure of limits and measurement error.

The goal should be to ensure the registration forms are fully compatible with tokenized offerings so that disclosure to investors covers the novel technical aspects of crypto, while ensuring investors continue to receive the same caliber of information as any public offering (including prospectuses, financial statements, risk factors). Clear guidelines will mitigate uncertainty and reduce the risk of delays in SEC review of token offering filings.

d. Updating proxy voting rules to enable voting by tokenized stockholders

Building on its 2010 Proxy Plumbing Concept Release,[13] the Commission should consider rule amendments, new rules and additional guidance to enable proxy voting on crypto rails in order to (i) deliver investor-level, cryptographically verifiable vote confirmations; (ii) reduce reconciliation risk through pre-meeting vote entitlement; and (iii) foster competition in distribution/tabulation services.

In particular, the Commission should consider amending:

- Exchange Act Rule 14a-13 to permit block-height snapshots as the authoritative "record date" register for tokenized shares (the snapshot must be exportable to human-readable form and auditable by the inspector of elections) and digital distribution of proxy materials to the wallet addresses shown on the snapshot (with paper/e-mail fallback where required by consent or accessibility rules);
- Exchange Act Rule 14a-16 to clarify that onchain notices are permitted if delivery to the holder's wallet address is confirmed, with required consumer protections and fallbacks.
- Exchange Act Rule 14a-9 to clarify that wallet addresses and onchain ballots are within the proxy rules' scope and anti-fraud protections.
- In addition, the Commission should consider adopting new rules that require each holder of a tokenized security to receive a cryptographic receipt confirming the number of shares counted and the time the ballot was included in the tally (while preserving ballot secrecy).

e. No Separate Registration for "Mirror" Tokens

In cases where an issuer with an existing class of registered securities seeks to migrate to or dual-list a tokenized version, the SEC should clarify that the tokenized form is not treated as a new security issuance requiring separate registration, provided the token represents the same class and rights as the existing security. For example, if a public company "immobilizes" its traditional shares (holding them in a custodian) and issues tokens 1-for-1 to shareholders, that should be viewed as a change in form of the security (like moving from physical certificates to book-entry) rather than a new offering. The SEC can cite precedent from dematerialization in the 1970s (the "paperwork crisis"), when the Commission facilitated moving from paper stock certificates to electronic records without treating it as a new issuance of shares. This clarification would encourage issuers to experiment with tokenization without fear of

[13] SEC Release No. 34-62495 (July 14, 2010), available at: https://www.sec.gov/rules-regulations/2010/07/concept-release-us-proxy-system.

inadvertently triggering additional registration requirements. This policy change could take the form of a safe harbor program or a general no-action letter.

f. Allow Trading on Regulated Venues

Currently, national securities exchanges and alternative trading systems (ATS) are not explicitly designed for blockchain-based settlement. The Commission should either adapt Regulation ATS and Exchange Act Rule 3b-16 or create a new exchange/ATS framework specific to digital asset securities. For instance, rules on access, reporting, and system integrity apply equally, but certain technical requirements (like connectivity to a clearing agency) may need alternate approaches when a blockchain serves as the settlement layer.

g. Amend Rule 15c3-3 and Custody Rules as Needed

Broker-dealers face challenges holding tokenized securities on behalf of customers due to the Exchange Act Rule 15c3-3 (the "Custody Rule") and related guidance. The SEC has provided limited relief for broker-dealers exclusively engaging in digital asset securities custody.[14] Building on this, the Commission should:

- modernize Rule 15c3-3 to deem a broker-dealer to have possession or control of a customer's tokenized security when the firm (alone or together with an independent control person) holds exclusive transfer authority through multi-signature or MPC key arrangements; maintains customer assets in addresses segregated from firm/proprietary wallets and mapped in the customer ledger; performs daily location counts and reconciliations at a specified block height; and maintains incident response and notification procedures.
- explicitly allow custody of tokenized securities alongside crypto assets and a broad range of products, including prediction markets.[15]
- investment advisers also need clarity under Advisers Act Rule 206(4)-2: the SEC should affirm that qualified custodians (including banks or broker-dealers) can custody tokenized securities, and perhaps recognize certain regulated digital custodians for this purpose.

By resolving custody uncertainties, the SEC will enable traditional intermediaries to confidently intermediate in token markets, which in turn promotes investor protection (investors may prefer to custody through a broker or bank rather than handle private keys themselves). Any rule updates must incorporate foundational custody principles – segregation of client assets, separation of trading vs custody roles, and strict internal controls on transfers.

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[14] *See*, "Custody of Crypto asset Securities by Special Purpose Broker-Dealers," Exchange Act Release No. 90788 (Dec. 23, 2020), 86 Fed. Reg. 11,627 (Feb. 26, 2021). The Commission also recently issued a set of FAQs SEC, Div. Trading & Mkts., Frequently Asked Questions Relating to Crypto Asset Activities and Distributed Ledger Technology (May 15, 2025), available at: https://www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions/frequently-asked-questions-relating-crypto-asset-activities-distributed-ledger-technology.

[15] In his recent speech, Chair Atkins noted that a "key priority of my chairmanship is to allow market participants to innovate with 'super-apps' [to enable] securities intermediaries… to offer a broad range of products and services under one roof with a single license."

4. Facilitating the tokenization of third-party issued securities

We respectfully submit the proposals set forth below which, if implemented by the Commission, would enable the distribution and trading of tokenized securities issued by third parties, in full compliance with the Securities Act and the Exchange Act:

a. Amend or Extend Form F-6 / Form S-1 for Tokenized ADRs

Currently, Form F-6 is used to register ADRs for foreign issuers; it is a short-form registration if certain conditions are met (including the foreign issuer having furnished information to the SEC or otherwise being exempt under Exchange Act Rule 12g3-2(b)). The SEC should consider updating the existing ADR registration process to explicitly encompass tokenized securities that represent beneficial ownership of a security issued by an SEC-registered company or a company that is compliant with Rule 12g3-2(b), and in which the token issuer maintains a 100% reserve of the tokenized security.

- The Commission could create an analogue (call it Form F-6D for "digital") for registration of tokenized depositary receipts, whether the underlying security is foreign or domestic.
- For domestic underlying stocks, the form could allow incorporation by reference of the issuer's Exchange Act reports (10-K, 10-Q, etc.) rather than duplicative disclosure by the depositary.
- The depositary would register the tokens, but the ongoing reporting about the issuer's business would continue to come from the issuer – thus investors in the token have the same information as direct stockholders.
- The registration statement or offering circular would mainly need to disclose: the terms of the depositary arrangement, how tokens can be redeemed for underlying shares (or vice versa), fees, and the risks of the tokenization structure.

b. Define the "Depositary" Role and Requirements

The Commission's rules should specify who can serve as the issuer of tokenized depositary securities and under what conditions.

- It is advisable that only entities with appropriate regulatory oversight and financial strength take on this role, since they will custody valuable assets on behalf of token holders.
- Eligible depositaries could include U.S. registered broker-dealers, national banks or trust companies, or other SEC-registered custodians.
- Depositaries should be required to maintain the underlying shares in a segregated custodial account (segregation protecting token investors just as ADR depositaries segregate the underlying shares).

- The depositary would also pass through to token holders any economic rights of the underlying shares: dividends, stock splits, voting rights, etc., in proportion to the tokens held.
- The framework should mandate that token holders receive equivalent rights and value as if they owned the underlying shares directly, to uphold investor fairness.
- If there are any deviations (for example, perhaps no voting rights are passed through), that must be prominently disclosed and justified.

In essence, the depositary arrangement should mirror a traditional ADR in terms of how holder rights are handled – only the settlement form (tokens vs. paper ADR certificates or book-entry) differs.

c. 1:1 Backing and Redeemability

To protect investors and maintain market integrity, any tokenized receipt must be fully backed by the underlying security on a one-for-one basis at all times.[16]

- The SEC should require the depositary to maintain adequate records and perhaps periodic attestations or audits confirming that for every token outstanding, the corresponding share (or fraction of share, if tokens represent fractions) is held in custody.
- Investors should have the option to redeem tokens for the underlying shares (or vice versa) with minimal friction. This arbitrage mechanism is crucial: it ensures that the token price will track the price of the underlying security, because if tokens trade at a premium, arbitrageurs can buy the underlying stock and create more tokens; if tokens trade at a discount, they can redeem tokens for shares. Such convertibility keeps the markets aligned and prevents "broken" pricing that could confuse investors.
- The SEC might require that depositaries have policies facilitating regular creations/redemptions of tokens (similar to how ETF creation/redemption works, or how ADRs can be created/cancelled by delivering shares to the custodian).
- If the depositary imposes fees for these services, they must be reasonable and disclosed.

d. Tracking Tokens

Tokenized securities that do not represent beneficial ownership interests in a security should be regulated as securities rather than security-based swaps. These tracking tokens should be subject to disclosure regulation that ensures the risks of purchasing tracking tokens are disclosed to investors, and that require clear disclosure that the tracking tokens do not represent an interest in the underlying security.

[16] The SEC should continue to enforce against brokers who "pre-release" any ADRs before the underlying shares are delivered to the custodian. *See, e.g.*, SEC Enforcement of Pre-Released ADRs, available at: https://www.sec.gov/adr-enforcement.

5. Conclusion

In summary, we urge the Commission to take these and other targeted steps to integrate crypto into the securities regulatory framework. By doing so, the SEC can safeguard U.S. markets' global leadership and integrity in the digital era, just as it did through past technological evolutions.

We do not underestimate the challenge of updating a host of regulations for tokenized securities. This is a change that requires deft and thoughtful regulatory action combined with consistent engagement with all stakeholders.

But the opportunities of tokenization are vast. We believe the benefits of tokenized securities will accrue to not merely the vast majority of market participants, but the vast majority of Americans. To delay the transition to tokenized securities would ultimately harm the very consumers and investors the SEC is most duty-bound to protect. By embracing tokenization, the SEC will take a bold step into the future, empowering our investors and potentially expanding the already vast footprint America's financial markets have on the world. Tokenization can be American soft financial power for the 21st century.

We appreciate the Commission's consideration of these recommendations and stand ready to assist in crafting an updated regulatory regime that both protects investors and embraces innovation.