

Investor information when tokenized stock trading stops

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Submitted in an individual academic capacity. The views expressed are my own.

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When tokenized stock trading stops, an investor needs to know which functions are unavailable, what can still be done with the position and where to obtain an authoritative update. I support using the temporary exemption to learn from a limited, supervised setting. In response to Questions 1, 3 and 5, I recommend making interruption information a practical extension of the existing public Notice.

The Order already addresses verification of shareholder rights, disclosure of systems safeguards and explanations of trading stoppages. My proposal concerns how that information should work together during a disruption; it does not assume that tokenization guarantees continuous liquidity or a particular exit route. [1]

Connect the standing Notice to the current interruption

The Commission could ask a Tokenized Securities Venue to make a concise operational status statement available through its usual participant interface when a material interruption occurs. The statement should link to the relevant parts of the Notice and identify the affected stock, the time the interruption began, its known scope and when a further update will be provided. Where the cause remains uncertain, the statement should say so rather than present an investigation as a completed diagnosis.

Trading, settlement and the services used to exercise shareholder rights should be described separately. A pause in one function should not leave participants guessing about the others. The status statement should explain, for example, whether the venue is accepting trading interest, whether already executed transactions are still being processed and which participant actions remain available. It should identify a contact for unresolved cases without implying that the venue controls functions supplied by another party.

Section II.F already requires immediate participant notification of a volume-related pause and a subsequent Notice amendment. I would retain those requirements. A common format could connect such notifications with other stoppages described under section III.cc, making the difference between an operational incident, an underlying-market halt and a volume-limit pause readily understandable. [1]

Explain how rights and any available exit route operate

The requirement to verify equivalent rights is a useful starting point. The associated explanation should show the chain through which a holder receives the relevant service: who supplies issuer communications, who handles a voting instruction and who can resolve an entitlement discrepancy. These are examples of information that makes a description of rights usable; they are not a proposal to transfer an issuer's obligations to the venue.

Where a transfer, conversion or alternative trading route actually exists, the Notice should explain its eligibility conditions, fees, dependencies and ordinary processing steps. Where no such route is available, it should state that plainly. An investor should not infer from the existence of an underlying listed share that the token can necessarily be sold elsewhere or converted on demand.

A short hypothetical interruption example could make those arrangements easier to compare. It should distinguish a request being received, a transfer being accepted and an investor receiving an asset or

payment. If completion depends on a third party or an unresolved legal condition, that dependency belongs in the explanation. Presenting a request channel as an assured outcome would undermine the value of disclosure.

Use the temporary period to examine actual operation

Question 3 appropriately raises overnight trading and effects on the underlying market. The Commission's monitoring should distinguish periods when the underlying market is open from periods when it is closed, and identify interruptions in relevant external price information. A visible token price is not, by itself, evidence that an equivalent position can be executed or settled on comparable terms.

An assessment could examine interruptions by cause and duration, the functions affected, the timing of participant updates and any recurring mismatch between the Notice and actual operation. Existing records should be used where suitable, with a focused request only where a material information gap remains. A new universal reporting system would need its own justification.

Results should be interpreted with care. A quiet period would offer limited evidence about performance under stress, and low complaint numbers could reflect limited participation. The review should therefore explain the circumstances observed and the questions still untested before using the experience to support a permanent exemption.

The practical test is whether a participant can use the disclosed arrangements when normal trading is unavailable. Connecting the standing Notice to clear interruption updates would help investors understand their choices and give the Commission better evidence about how the temporary framework works.

References

[1] U.S. Securities and Exchange Commission, Release No. 34-106402, File No. 4-927, 17 September 2026. Sections II.E-F; III.h-i, n, r-s, v, x-y and cc-dd; V; VI, Questions 1, 3 and 5, pp. 23-27, 38-46 and 57-60.