78 SW 7th Street, Suite 500
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May 7, 2025

Chairman Atkins
Commissioner Peirce
Crypto Task Force
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Responses to Crypto Task Force Questions related to Tokenized Securities

Dear Chairman and Commissioner,

We would like to thank the Securities and Exchange Commission of the United States (the "Commission") for providing us with the opportunity to share our thoughts and experience on the important matters below. One of the great things about the Administrative Procedure Act,[1] is that it allows a dialogue between the regulators and the regulated to help balance the need for both investor protection and innovation. It is refreshing to see that balance being sought by the Commission.

Securitize was founded in November 2017 with the mission to modernize financial markets by enabling issuance, management, and trading of securities on blockchain rails. Today, we are the leading securities tokenization provider and the only firm that combines a tokenization platform, digital transfer agent, broker-dealer, alternative trading system (ATS), and fund administration services under one roof. We currently have more than $3.8B in total value of tokenized securities issued across multiple public blockchains from our platform and managed by our transfer agent. We've worked with several top-tier financial institutions, including Apollo, BlackRock, Hamilton Lane, and KKR, and have demonstrated the growing institutional demand for compliant, blockchain-based financial infrastructure and how tokenized securities strengthen investor protections, streamline post-trade processes, and reduce settlement risks. We believe that the tokenization of securities presents a historic opportunity to enhance the efficiency, transparency, and accessibility of capital markets, and we look forward to working collaboratively with policymakers to ensure the responsible growth of this sector.

As an initial matter, securities rules and regulations should be agnostic relative to the underlying technology. While we do not believe that the current structure of US securities markets is optimal, we do not believe that tokenized securities should be afforded special dispensation solely because of the utilization of blockchain technology. That said, antiquated rules should not create unnecessary friction to using a new technology such as blockchain ledgers, which could provide

[1] 5 U.S.C. §§ 551–559, 701–706, 1305, 3105, 3344, 4301, 5335, 5372, 7521 (2012) https://www.justice.gov/sites/default/files/jmd/legacy/2014/05/01/act-pl79-404.pdf

benefits that outweigh the risks associated therewith. In these cases, rules and regulations should be clarified, updated, exempted, or a safe harbor provided to enable innovation, adoption, and related efficiencies to prevail, as discussed below.

We have not responded to all of the questions posed by the Crypto Task Force,[2] as we have focused our attention on tokenized securities where we have the most insight and expertise. We believe tokenized securities are clearly within the SEC's jurisdiction and raise far fewer novel challenges as compared to crypto commodities and other digital assets currently being addressed by Congress. Our goal is to help the securities industry flourish on blockchain rails, and having both the clarity to enable decisions about our business, and the guardrails to thwart malicious jokers and thieves[3] is necessary to realize that goal.

Summary of key points

1) We ask that the Commission acknowledge that tokenized securities are different from bearer digital assets and pose less risk. As such, they should be treated, for the most part, as traditional securities. Tokenized securities are permissioned assets that are transferable across whitelisted wallets using smart contracts to enforce transfer restrictions to ensure each transfer is a lawful transfer between investors, and the change of ownership is tracked appropriately. The permissioned nature of these assets also allows for the burning and reminting of securities in the event of erroneous or malicious transactions and the freezing of securities necessitated by OFAC sanctions or other legal considerations, all the while the underlying blockchain reflects the ownership of such securities.

2) Permissionless public blockchains should be allowed for the issuance, trading and tracking of tokenized securities. Relevant market participants involved in these activities should be responsible for evaluating the security and soundness of the infrastructure and should have written policies and procedures in place to address potential issues like forks or 51% attacks.

3) Transfer agent rules need to be modernized to leverage the power of tokenized securities, including using a public blockchain, as augmented by the transfer agent. We suggest clarifications and guidance to the transfer agent rules to reflect the usage and advantages of tokenized securities and blockchain ledgers. It is not lost on us that the term "transfer agent" may be a misnomer with this new technology, as the transfer is conducted pursuant to the blockchain, and it is really activities ancillary thereto that the transfer agents perform. "Tokenizaton agent" may ultimately be a better term, but for our purposes, we will continue to use the term transfer agent in this submission.

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[2] "There Must be Some Way Out of Here," February 21,2025; https://www.sec.gov/newsroom/speeches-statements/peirce-statement-rfi-022125

[3] "'There must be some way out of here,' said the joker to the thief. "There's too much confusion, I can't get no relief.'" Bob Dylan, All Along the Watchtower, Copyright © 1968 by Dwarf Music; renewed 1996 by Dwarf Music

4) Broker-dealers (BDs) should be allowed to engage in a fulsome array of BD activities, including custody, trading, and settlement of tokenized securities (and use stablecoins as contra-assets thereto) without the need for segregation or special licensure. We think that the Special Purpose Broker Dealer regime should not apply to tokenized securities or non-bearer assets generally, where 15c3-3 possession and control standards are met. We also believe self-custody should be allowed when the investor chooses, as it facilitates access to decentralized finance and on-chain peer-to-peer transactions directly among allowed participants, removing the need for intermediaries for certain functions.

5) The so-called "Three-Step Process"[4] should not be required for tokenized securities, and certain Regulation NMS rules and requirements create frictions for on-chain trading of tokenized securities and should be modified or exempted.

Tokenized securities and public blockchains

Tokenized securities are simply digital versions of traditional securities like debt, equity, and other financial instruments recorded as tokens on blockchains. They are broadly and unambiguously understood to be subject to existing securities laws both at the time of issuance and throughout their lifecycle. We agree with Commissioner Peirce's view that creating a digital representation of a security using a blockchain as the ledger of record does not change the substance of the security.[5] Therefore, to comply with securities laws, these assets are permissioned and NOT bearer in nature, meaning that a mechanism exists to control how transfer of these securities happens, to rectify erroneous transfers executed by mistake or misdeed, and to freeze or lock assets for legal, regulatory or AML purposes. At Securitize, we use a set of smart contracts that automatically control the transfer of tokenized securities among wallets from whitelisted investors who have passed required KYC and AML checks. These smart contracts programmatically enforce transfer restrictions and other controls depending on a security's regulatory characteristics and requirements. With these controls in place, the need for immobilization of the securities is removed, and some of the traditional roles played by transfer agents, custodians, or central securities repositories are no longer necessary. Some interpretative clarity and guidance to modernize the application of certain rules with respect to trading, custody, record keeping, and other discrete areas would be helpful in facilitating the efficiencies as set forth below.

We see tokenization and the use of blockchain technology as an inevitable upgrade to securities industry infrastructure. The tokenization of securities allows for the programmability of legal and compliance requirements such as AML/KYC obligations, accreditation requirements, holder limits, jurisdictional requirements, sanctions restrictions, and any other nuanced requirements specific to the security or transaction in question. In addition, the smart contract that governs the tokenized

[4] SEC No-Action Letter to FINRA, September 25, 2020; https://www.sec.gov/divisions/marketreg/mr-noaction/2020/finra-ats-role-in-settlement-of-digital-asset-security-trades-09252020.pdf
[5] "There Must be Some Way Out of Here," February 21,2025; https://www.sec.gov/newsroom/speeches-statements/peirce-statement-rfi-022125

security, in conjunction with off-chain records held by the TA or elsewhere, allows for the remediation of erroneous transactions through the ability to mint and burn tokens in the event of theft, loss, a broken trade, or other circumstances. Similarly, if necessary, tokenized securities can be locked or frozen due to regulatory requirements, such as newly enacted sanctions, or legal requirements, such as bankruptcy or death. Programmability, composability, and interoperability are additional benefits of tokenized securities and allow them to be used in new ways like decentralized finance ("DeFi") protocols as our markets and economy evolve.

Stablecoin usage

When transacting in tokenized securities, a blockchain allows for greater automation and transparency of security ownership and trade flows. With blockchain technology, it is possible to atomically and immediately settle transactions with the use of stablecoins, substantially mitigating the clearing and settlement risk of traditional securities. It is critical that market participants in the tokenized securities ecosystem, including in Alternative Trading Systems (ATSs), are able to use stablecoins to enable this, similarly to how they use cash in traditional finance, and without additional requirements.

Public Blockchain usage

We think that sufficiently decentralized permissionless blockchains are preferable to enable greater open innovation than private, permissioned ones, but would advise the Commission to remain blockchain (and technology) agnostic. Tokenized securities should be allowed to operate on public blockchains, as, when sufficiently decentralized, this provides a more secure ledger for executing and recording transfers. However, the SEC should not be in the business of deciding which blockchains are appropriate for issuance. Permissioned blockchains are generally controlled by specific individuals or groups, which limits who participates in activities on the network. These centralized attributes limit the utility of the blockchain and create a single source of failure. The structure of sound and safe public, permissionless blockchains undermines the ability to manipulate the network, as the expense associated with operating more than 51% of the nodes is usually prohibitive.

Rather than distinguishing between permissioned or permissionless blockchains, the Commission should ensure that there is sufficient clarity that a blockchain, either public or private, is deemed the record of ownership (as augmented, as described below) and acceptable market infrastructure for tokenized securities. It is incumbent upon the issuer and other relevant intermediaries to diligence the security, decentralization, resilience and stability of any blockchain to mitigate risk as they would for any other critical third party. To make such a determination, code audits, level of decentralization based on number of validators, holders, transactions and other relevant metrics, clear understanding of forking mechanisms, etc. should be diligenced.

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The role of transfer agents and modernization for tokenized securities

In the traditional securities industry, some issuers use transfer agents for their securities, and some do not. In some cases, existing regulations mandate the use of transfer agents. Securitize operates two registered transfer agents for both traditional and tokenized securities. This has given us some unique insights. While we find that the blockchain provides a superior record of transactions and possession of securities and allows for programmatic transfers that eliminates the need for some functions that transfer agents traditionally perform, we note that certain actions still need to be performed by a regulated intermediary like a transfer agent, even when using a blockchain as the primary record. Unlike those who claim transfer agents are unnecessary, we believe a digital transfer agent is an optimal regulated entity to enhance investor protection for tokenized securities. The transfer agent, in our model, is responsible for the whitelisting of wallets on chain, issuance of compliant smart contracts that enforce transfer restrictions, and maintaining a link between investor PII (off-chain) and on-chain wallet balances of the tokenized securities. This model will continue to have substantial benefit until more sophisticated and standardized on-chain identity solutions emerge and can perform on-chain tasks on behalf of the issuer, e.g., such as:

- *Lost Securities*: Even if blockchain is the primary record, investors can lose private keys, mismanage wallets, or suffer hacks. Traditional transfer agents handle lost certificates today and a comparable service should exist in a blockchain context to whitelist new wallets, replace keys, reissue tokens, or validate claims of loss or theft, especially when human error or malfeasance is involved.
- *Corporate Action*s: Corporate actions like mergers, spin-offs, dividends, and stock splits need trusted administration to ensure that investors receive accurate distributions. Smart contracts can be used in tokenized securities to implement these features in an automated way, reducing manual intervention and costs. However, real-world disputes, errors, and regulatory compliance still require occasional human intervention and discretionary authority.
- *Investor Communications*: Investor protections enshrined in laws like SEC Rule 17Ad-17 (for locating lost shareholders) and fiduciary duties regarding communications during tender offers or shareholder meetings still require oversight. Without a human-in-the-loop role like a transfer agent, compliance with these laws could fail.
- *Assisting with the choice of Blockchain*: A transfer agent or similar could assist in proper analysis of the blockchain to ensure that it is secure, resilient, and upgradeable under proper governance. If, for example, an issuer selects a poorly designed chain, or if a fork splits ownership records, a transfer agent can help provide continuity and legal certainty for shareholders.
- *Account Freezes and Sanctions Compliance:* In the context of court orders, sanctions regimes, or regulatory interventions, a transfer agent plays a crucial role in enforcing asset freezes or transaction restrictions at the wallet level. While smart contracts can embed basic controls, the ability to interpret and act on legal mandates, such as freezing the

holdings of sanctioned individuals or responding to a court order to restrict transfers, requires a trusted intermediary empowered to apply such restrictions swiftly and accurately. The transfer agent can serve as the operational bridge between legal processes and blockchain enforcement, ensuring that compliance actions are technically feasible, timely, and legally defensible.

Several regulatory frameworks, particularly in the European Union, have already acknowledged the need for a designated role to ensure secure and compliant use of blockchain for securities record-keeping. For example, Spain's Entidad Responsable de la Inscripción y Registro (ERIR) explicitly recognizes the benefits of on-chain ledgers while assigning regulated entities the duty to safeguard investor rights and ensure operational continuity. These frameworks highlight that, while blockchain provides transparency and efficiency, it also introduces new risks—such as key loss, protocol bugs, or governance failures—that require oversight by trusted, accountable institutions.

Tokenization can be accomplished in several distinct ways, and each approach warrants different treatment. We believe the tokenization of securities should occur at the direction of the issuer, executed either by the issuer itself or by its tokenization agent. Under an alternative approach, a third-party custodian holding traditional book-entry shares issues tokens on the blockchain that represent beneficial interests in those shares. In this custodian-led approach, the custodian remains connected to the existing traditional settlement rails while using blockchain technology to automate its own internal ledger. The resulting tokens evidence a claim against the custodian, i.e. security entitlement, not direct interests in the underlying securities themselves. Because of that distinction, the custodian-led model raises different considerations around counterparty risk, reconciliation, efficiency, interoperability, and potential exemptive relief—topics beyond the scope of this submission. Accordingly, we focus here exclusively on issuer-led tokenized securities.

Blockchain as the official record for securities

We firmly believe that the blockchain should be used as the primary ledger recording ownership of a security for a transfer agent, and there is no need for keeping redundant, off-chain copies. This is essentially how we operate today where all changes in ownership that occur at the blockchain level due to actions like peer-to-peer transfers or redemptions are registered by monitoring for changes in investors' wallet balances on the blockchain and without any manual intervention or intermediation by the transfer agent. Today we keep data on-chain associated to wallets that is non-PII and pertains to the characteristics of the investor necessary for smart contracts to operate, such as, status of the investor KYC/AML, expiration dates, investor qualification (retail, accredited, qualified) and information about the jurisdiction of the investor. This data helps enforce specific compliance rules like flowback restrictions, investor counts and sanctions compliance. The only area where off-chain information is required in our system is for augmenting the blockchain-based information with the investor's PII, which the transfer agent has regulatory obligations to keep. We envision a more advanced state in the future where there is an

efficient and privacy-preserving storage of PII on the blockchain itself that can be accessed securely only by the authorized market participants or the issuer.

Guidance and clarification to the Securities Exchange Act of 1934

The Commission has requested a detailed list of guidance and clarifications to the Securities Exchange Act of 1934 and its attendant rules that would assist transfer agents performing services regarding tokenized securities.

While we think that interpretive guidance can address most of the uncertainty around the transfer agent's responsibilities with respect to tokenized securities, there are a few places we have noted where rule revisions may be necessary to provide even further clarity.

Please see Appendix A for detail suggestions of rules that require clarifications.

Custody of tokenized securities

Clarity, flexibility, and fairness should guide the Commission's approach to custody arrangements for crypto assets and tokenized securities. Most importantly, the distinction between tokenized securities which are non-bearer in nature and other bearer crypto assets must be made, as the risk profile of tokenized securities is much lower. In our view, tokenized permissioned assets, such as the securities we create and support at Securitize, require a different approach due to their unique characteristics and inherent controls.

Possession and Control

A significant concern that the Commission has expressed in the past is the ambiguity surrounding what constitutes physical possession and a good control location pursuant to Rule 15c3-3.[6] We urge the Commission to provide clearer guidance on what constitutes a secure environment for digital asset storage. If a broker-dealer can demonstrate effective custody procedures that mitigate risks of theft or loss (such as encryption, multi-signature wallets, and strong authentication protocols), it should be recognized as having "physical possession" pursuant to Rule 15c3-3(b). And if a regulated third-party custodian is engaged by a broker-dealer, then such demonstration by that regulated custodian should constitute a good control location. The regulatory framework should not impose excessive hurdles that stifle innovation or add unnecessary costs to market participants.

For tokenized securities, many of the concerns regarding key management, single key iterations, multi sig, hot and cold storage, etc. simply are not as relevant when there are means to burn, mint and freeze tokens to rectify wrong transactions. The ability to demonstrate sufficient procedures

[6] 17 CFR § 240.15c3-3

to maintain control of the private keys coupled with the ability of the transfer agent to mint, burn and freeze tokenized securities should be sufficient to constitute "physical possession" for the purposes of Rule 15c3-3(b).

Special Purpose Broker Dealers should not be required for the custody of tokenized securities

With respect to the Commission's Special Purpose Broker Dealer Statement (the "Statement")[7], we reiterate that tokenized securities do not present the same risks described in the Statement and therefore do not require specialized custodial entities. Broker-dealers should not be limited from fully engaging in a full array of BD activities when certain conditions are met, including the custody and trading of tokenized securities. In contrast, bearer digital assets present other risks, which we are not addressing here, and for which additional protections may be required prior to co-mingling within a BD holding both securities and crypto commodities or other bearer assets, with the exception of regulated stablecoins.

Broker-dealers should be able to custody and transact with regulated stablecoins

Broker-dealers should be allowed to custody and transact in regulated stablecoins. In our view, as long as the stablecoin in question is being held in furtherance of the broker-dealer's regulated business, there should be no regulatory impediment to custodying or trading such assets. It is important to recognize that stablecoins exist as a contra-asset to traditional securities, not in isolation. Hence, regulating them under the same principles would help ensure a cohesive and functional market infrastructure. Affirmative guidance to both the public and FINRA would provide greater clarity and flexibility for broker-dealers to operate in a manner consistent with their regulated obligations and offer a more pragmatic approach to addressing the evolving nature of tokenized securities.

Self-custody should be allowed and the Commission should promote a segregated wallet model

The tokenization of securities allows for direct ownership by investors. This means investors can custody the securities in their own wallets, without paying a third-party custodian. If an individual or entity has the technical capability to safeguard their assets, they should not be forced to pay for custodial services that they believe they can manage themselves. While many investors may not choose this option, this flexibility adds value to certain investors, such as a direct claim to the issuer in the event of a bankruptcy, versus a claim through their broker, and the ability to make peer-to-peer transfers or redemptions or receive dividends directly in their wallets. We believe that self-custody plays a vital role in the crypto ecosystem, including providing access to DeFi and on-chain transactions directly via participants, removing the need for intermediaries for certain functions. Allowing for self-custody is aligned with the ethos of personal responsibility and freedom that underpins the crypto movement.

[7]Commission statement April 27,2021; https://www.sec.gov/files/rules/policy/2020/34-90788.pdf

While some tokenized securities may still be held in omnibus accounts by broker-dealers or custodians, there can be additional transparency to issuers and the market in general regarding the beneficial ownership of the securities visible on the blockchain via segregated wallets assigned to individual investors. Tokenization allows for the automated programmatic buying and selling of securities, enabling investors to effect tailored conditional trading strategies. The ability to atomically settle when using other digital assets (such as stablecoins) on both sides of the transaction mitigates clearance and settlement risk and alleviates the delivery versus payment analysis. This has the potential to eliminate the need for certain intermediaries, which add additional cost and complexity to transactions. Regulators can monitor all transactions on a continuous basis, and auditors can easily test books and records without relying on the auditee. Naked shortselling, market manipulations, and similar nefarious activities should be easier to detect. In theory, these tokens can be used internationally and create a global market without the need for depository receipts and other constructs.

Auditing and Accounting

With respect to the Net Capital Rule 17 CFR 240.15c3-1 we think tokenized securities should be given the same haircut as the intrinsic security. There should be no additional discount simply because the ledger evidencing ownership is on a blockchain. Similarly, stablecoins should be given the value of the cash and cash equivalents backing them.

Trading tokenized securities on centralized and decentralized exchanges

With changes in the underlying infrastructure for securities and the use of blockchain technology, several market efficiencies and investor benefits can be realized and some intermediaries can be eliminated. Among them is the opportunity to reduce settlement risk and settlement time, which frees up capital for market participants and lowers operational costs. Reduced settlement time can be near-instantaneous for on-chain transactions where atomic settlement is possible, or sub-T+1, including end of day settlement, when omnibus accounts are used for transactions in tokenized securities. As such, the environment, infrastructure and regulatory framework for on-chain transactions should differ from off-chain transactions, where market models are similar to existing markets.

Consideration of the trading of tokenized securities should differentiate among types of securities, as such securities can include debt and other financial instruments, in addition to various forms of equity. The trading of illiquid securities such as exempt, private capital markets "alternatives" are already trading on ATSs, including Securitize's ATS. OTC securities are governed by a different rule set than NMS securities. A key change that is warranted for these two types of securities is the elimination of the "Three-Step Process" requirement articulated in the SEC's No Action Letter to FINRA dated September 25, 2020.[8] As noted above, tokenized securities, unlike

[8] https://www.sec.gov/divisions/marketreg/mr-noaction/2020/finra-ats-role-in-settlement-of-digital-asset-security-trades-09252020.pdf

crypto commodities, are non-bearer assets, include embedded smart contracts with transfer restrictions, meet the customer protection criteria of 15c3-3 and should be permitted to be custodied and traded within a broker-dealer without being subject to the cumbersome "Three-Step Process."

Tokenized NMS equity securities present other issues. Certain market participants -- including retail broker dealers, crypto exchanges, and other crypto companies -- are interested in offering a tokenized form of Reg NMS securities. The opportunity to provide access to registered, US-listed NMS securities to retail customers trading on crypto and DeFi platforms under the required SEC licenses is significant. This development has the potential to unlock US capital markets to both un-brokered US investors and non-US investors with access to crypto platforms.

However, this also presents challenges to the current regulatory framework of US equity markets. For example, once crypto brokers or exchanges get the necessary licenses, should they be provided with a different rule set because the securities and trading infrastructure uses blockchain, even when transactions take place off-chain via omnibus accounts? Should the Commission exempt tokenized NMS securities from the burdens of Regulation NMS and best execution obligations, while leaving traditional broker-dealers and equity exchanges subject to these burdens? What are the competitive implications of creating uneven yet parallel rule sets for tokenized securities that are, aside from being tokenized, essentially the same security, and would confer rights identical to related certificated or book entry securities (e.g., voting rights or dividends)?

Peer-to-peer transfers and on-chain trading of tokenized NMS stocks also raise novel considerations. We believe certain exceptions from Reg NMS are warranted for on-chain trading of tokenized securities due to infrastructure latency and data delays combined with short term-quote volatility, a lack of interconnectedness with traditional markets, a completely different settlement mechanism and the potential absence of a central securities depository that a blockchain facilitates. The benefits associated with trading in an on-chain environment are unique, and explicit costs (e.g., gas fees) already present differentiated costs than incurred in U.S. equity markets today. However, customers should have the choice to access liquidity at different price points they seek to achieve other on-chain benefits like instant settlement and access to capital. As an example, a precedent for this was established in August 2002 when the SEC granted a de minimis exemption for transactions in shares of QQQ, DIA, and SPY ("ETFs") executed at prices no more than three cents away from the best bid or offer in the consolidated quotation system to address challenges posed by the evolution of a new trading technology, i.e., the rapid execution capabilities of electronic communications networks compared to the slower response times of the ITS system, which could delay trades and hinder efficient execution for these ETFs.[9]

[9] See Securities Exchange Act Release No. 46428 (August 28, 2002), 67 FR 56607 (September 4, 2002) (the "August 2002 Order"). The August 2002 Order granted relief through June 4, 2003.

With respect to tokenized NMS securities, we think a modified BD-ATS structure rather than a National Securities Exchange (NSE) is the most viable short-term option. Even if registered, trading under the NSE regime does not seem suitable for tokenized securities that do not require the clearance and settlement infrastructure required by national securities exchanges, since it allows for on-chain instant settlement against stablecoins. The flexibility of the ATS regime should allow for this type of atomic settlement and the use of stablecoins as contra-assets for tokenized securities, which has the benefit of settlement finality and immediate access to capital and securities.

For instance, in the DLT Pilot regime in Europe, ATSs are allowed to be both trading systems and settlement systems. As noted in the EU regulation, "in view of the potential benefits of distributed ledger technology in terms of combining trading and settlement, it is justified to provide for a dedicated DLT market infrastructure in the pilot regime, namely, the DLT TSS, which combines the activities normally performed by multilateral trading facilities and securities settlement systems." As with the EU Trading & Settlement Systems (TSSs) enabled in the EU Regulation,[10] a BD ATS should be permitted to utilize a distributed ledger system to record changes in ownership of securities, cash and stablecoins resulting from settlement of securities transactions between participants.

Further, with respect to on-chain transactions and atomic settlement, while third-party custodians may be desirable in some models, they should not be required. Allowing a BD ATS to custody tokenized securities would reduce frictions in the process of settlement.

We also believe that an ATS for tokenized securities, including reg NMS securities, whether facilitating either on- or off-chain transactions, should be allowed to offer a direct access model, whereby a retail investor that chooses to do so, may access the market directly as a customer of the BD operating the ATS.

Other Considerations

Given the potential of tokenized securities to increase the accessibility of financial products and democratize their access, other regulations should be considered for modernization to fulfill the promise of tokenized securities.

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https://www.sec.gov/rules-regulations/2004/03/order-pursuant-section-11a-securities-exchange-act-1934-rule-11aa3-2f-thereunder-extending-de#P18_2103; This Order was extended twice (until December 2004): https://www.sec.gov/rules-regulations/2004/03/order-pursuant-section-11a-securities-exchange-act-1934-rule-11aa3-2f-thereunder-extending-de#P19_2319

[10] Regulation (EU) 2022/858 OF The European Parliament And Of The Council of 30 May 2022 on a pilot regime for market infrastructures based on distributed ledger technology, and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU.

Communication between the Commission and FINRA

One thing to keep in mind is the relationship between the Commission and FINRA. While the SEC may provide guidance and interpretations to issuers and market participants, it needs to also ensure such executable guidance is relayed to FINRA. FINRA is often the regulatory body on the ground that must address the specific "in the weeds" questions with respect to novel interpretations and use cases and to the extent they could have an open and efficient line to the Commission to ensure that New Member, Continuing Member and other applications are efficiently processed, it could go a long way to clearing many pending and expediting new applications.

State vs federal laws considerations

State money transmission regulations were never intended to govern digital assets and transactions thereof, and frankly, have been adopted as the rules of last resort, as other agencies failed to provide any sort of workable framework. Now that federal regulators are providing guidance and the legislature is looking to provide functional frameworks for this industry, it needs to be clear that state money transmission laws are inapplicable and preempted from federally regulated digital asset activity.

Similarly, state Blue Sky laws should be preempted with respect to federally regulated digital asset activity. We see this playing out in the recent case brought by the State of Oregon vs. Coinbase[11], which is only causing additional uncertainty and motivation to move otherwise law-abiding businesses offshore.

Expanding holder limits for Reg D funds

We think the holder limits on funds exempted from registration under the Investment Company Act of 1940 pursuant to Rules 3(c)(1) and 3(c)(7) should be revisited. The concept of holder limits was based on the idea of private funds for which general solicitation was not used and numerous holders would presume such solicitation and a public nature of the investment opportunity. As general solicitation has been adopted pursuant to Rule 506(c) of Regulation D of the Securities Act of 1933, the idea of privacy does not comport with the public nature of the fund solicitation and the communication channels and transparency related thereto. Add to that the ability to use blockchain technology to more seamlessly issue and track tokenized securities, and we see an opportunity to increase participation in securities markets with nominal additional risks. Large cap

[11] *Oregon v. Coinbase, Inc.*, No. 25CV24235 (Or. Cir. Ct. Apr. 18, 2025); See also, Oregon Department of Justice, *Oregon Attorney General Rayfield Sues Coinbase for Promoting and Selling High-Risk Investments*, https://business.cch.com/srd/20250421-OregonAttorneyGeneralRayfieldSuesCoinbaseforPromotingandSellingHigh-RiskInvestments-OregonDepartmentofJustice_Media.pdf (Apr. 24, 2025).

tables and distributions become more easily managed in an ultimately transparent fashion, eliminating the need for burdensome paper documentation and registration.

Registered funds

We have tokenized shares of a registered investment company and such shares are available to trade on our ATS. One issue that we have encountered is the difficulty in converting existing shares into tokenized securities, necessitating the need to issue a new share class, which requires additional steps. Increased guidance around how a registered investment company may be able to issue share classes in both book *and* digital format while staying in compliance with the requirements of the Investment Company Act of 1940, in particular the requirements of Rule 18f-2 for multiple share classes would be instructive. Ideally, we would like to be able to issue the same share class in both book and digital format without the need for additional administrative burden. Alternatively, a streamlined pathway for a registered investment company to issue a new share class that is materially the same as a previously approved share class, except the new share class is in digital format, that may either avoid or at least reduce the necessity for SEC approval of the registered offering in accordance with Section 5, 11, and 12 of the Securities Act of 1933, specifically the review and comment process, would allow for a similar result without creating material investor risk.

Accredited investor definition

The accredited investor definition should be modernized to reflect investor knowledge and not only wealth criteria, as adopted in other jurisdictions. Investor accreditation should include a qualification based on a knowledge test and self-accreditation, as allowed for qualified purchasers.

Reg Cf and Reg A

The commission should consider increasing the fundraising thresholds for Reg CF and Reg A offerings, as well as allowing funds, in addition to operating companies, to use such financing mechanisms.

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We appreciate the opportunity to share our thoughts and insights with the Crypto Task Force and the broader Commission. We look forward to continuing a productive dialogue to bring fit-for-purpose regulation to this critical industry.

Sincerely,

Securitize Inc.

Carlos Domingo
Co-founder and Chief Executive Officer

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Appendix A

I. Proposed Clarifications/Interpretations to Section 17 of the Exchange Act

Section 17 requires brokers, dealers, and transfer agents to make and keep records, furnish copies to the Commission, and preserve records for designated periods.

Area	**Existing Requirement**	**Proposed Guidance**	**Justification**
17(a)(1)	Maintenance of books and records in a prescribed manner	Confirm that blockchain ledgers augmented with beneficial owner information satisfy recordkeeping obligations	Blockchain is simply another form of ledger and offers immutability and auditability on par or superior to traditional databases
17(a)(3)	Furnishing of records upon request	"Furnishing" includes API-based or permissioned blockchain access for regulatory agencies	Enhances efficiency and enables real-time oversight
17(b)	Retention periods for records	Clarify that smart contracts and blockchain-stored data, if immutable and timestamped, satisfy retention requirements	Reflects a new means of data storage with on par or greater durability and integrity as traditional recordkeeping
New Provision	N/A	Add definition for **"Digital Transfer Agent"** to specifically address and accommodate securities issued on a blockchain	This would allow for more nuanced rulemaking in the future

II. Proposed Clarifications/Interpretations to Rule 17Ad

Rule 17Ad governs the performance of transfer agents, including processing times, record maintenance, and communication with security holders.

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Rule 17Ad Provision	Legacy Transfer Agent Model	Proposed Guidance/Additions	Rationale for Updated Language / Approach
17Ad-1: Definitions	In general, terms reference paper and centralized systems	Confirm that tokenized securities, ledgers and communications comply	Expanding definitions ensures regulatory clarity and applicability to modern infrastructure
	(a) "item"	Confirm that an "item" can be an automated or pre-programmed digital message	Ensures that smart contract generated instructions are recognized
	(c) "made available"	Confirm that an item is deemed to be "awaiting pick-up" when recorded on a verifiable blockchain at a particular wallet address	Conforms to the way assets are transferred via blockchain
	(d) "transfer"	Confirm that although multiple steps are noted in this definition, the tokenized security is transferred and made available with the single step of minting and/or transferring and recognizing the asset on a verifiable blockchain at a particular wallet address	Conforms to the way assets are transferred via blockchain
	(e) "turnaround"	Same as above with respect to "transfer"	Conforms to the way assets are transferred via blockchain
17Ad-2: Turnaround & Processing	Turnaround/posting timelines	Confirm real-time or automated posting using tokenized securities with SLA enforcement meets requirements	Supports atomic settlement and real-time shareholder updates

17Ad-5: Written Inquiries and Requests	Tracked via internal logs and reconciliation	Confirm that a verified blockchain ledger with timestamped events is a sufficient record; confirm that digital communication channels set forth by the TA and agreed to, such as email and holder access to transaction data, are sufficient and the use of telephone and mails to communicate with holders is not necessary	Immutable and transparent records ensure auditability and accountability; email communications which are retained, as well as holder dashboards, should be sufficient communication channels
17Ad-6: Recordkeeping	Centralized electronic files	Confirm decentralized blockchain ledger augmented with TA identity records when necessary, is a sufficient securityholder record; confirm that all on-chain transfers are "routine"; (c) confirm that evidence of the burning of a tokenized security fulfils cancelled security retention requirements	Reduces fraud risk, enhances trust in data integrity; squares blockchain transactions with analog requirements
17Ad-7: Record Retention	6-year requirement for paper/e-records	Confirm that distributed blockchain ledgers are an "easily accessible place"	Reduces reliance on physical or fallible storage systems while exceeding retention standards. If a blockchain ceases to be available the transfer agent is responsible for porting the data to a new ledger to comply with the record retention policies.
17Ad-9: Definitions	Definitions do not specifically contemplate blockchain ledgers	Confirm that tokenized securities, blockchain ledgers and communications comply	Protects investor data using advanced cryptographic techniques and decentralized privacy controls

	(a) "certificated"	Securitize has historically treated tokenized securities as uncertificated, but tokenized securities possess features of both certificated and uncertificated shares. The hybrid nature of tokenized securities should be treated as uncertificated shares for transfer agent rule purposes, but be able to possess some of the features and requirements of certificated securities	Tokenized securities are issued digitally on the blockchain resulting in a token able to be physically possessed by the investor in their self-custody or custodial wallet. Tokenized securities do not have some of the same characteristics of certificated securities (not bearer instruments, no certificate number, and no requirement of physical processing), but unlike uncertificated shares held in book entry at the transfer agent, prove ownership through the possession of the token.
	(b) "Master securityholder file"	Confirm that a blockchain ledger augmented with TA identity information, when necessary, is sufficient as "Master securityholder file"	The Commission should be technology agnostic as long as the records are accurate and secure.
	(d) "control book"	Confirm that a decentralized blockchain ledger can also serve as the "control book"	Because it is decentralized, there are multiple points of reference or sources of truth to cross-check the number of shares or other securities transfers and held in wallets, making an additional control book ledger unnecessary.
17Ad-10: Certificate Posting	Updates to shareholder records	Confirm automated real time updates based on validated blockchain events satisfy "prompt" posting requirements Confirm that the burning of any over-issued tokenized	Enhances transparency and reduces risk of out-of-date records

		securities satisfies the conditions of Rule 17Ad-10(g).	
17Ad-12: Safeguarding Securities & Funds	General physical and system controls	Confirm that safeguarding of private keys constitutes the securities being "reasonably free of loss, theft or destruction."	Ensures that key management is the crux of safekeeping and safeguards to modern digital assets. Importantly, the TA's ability to burn and mint lost or stolen tokenized securities reduces risk of loss, theft or destruction.
17Ad-12: Safeguarding Securities & Funds (cont.)	Management of Funds	Confirm that stablecoins used to purchase securities constitute "funds…related to its transfer agent activities."	Provides mechanism for stablecoins to be used as consideration for securities.
17-Ad-13: Internal Accounting Control	Requires annual audit report of internal accounting controls	Allow the "report" to recognize and take into account audits of smart contracts and protocols used to effect transfer agent activities	Provides both accountability and potential merit for new technical practices
17Ad-15: Signature Guarantees	Medallion signature programs	Confirm that transfer agent may approve or waive medallion guarantee policy requirements.	Medallion guarantees are not applicable to tokenized securities and do not provide any additional protections. Transfer agent should have discretion to waive this requirement.
17Ad-17: Lost Securityholder Search	Efforts are made to locate owners of unclaimed physical or electronically issued securities.	Confirm transfer agent may use bouncebacked emails rather than returned paper mail in order to determine a "lost securityholder."	Enables use of modern communication methods.

17Ad-19: Certificate Handling	Paper certificate storage/destruction protocols	Confirm that evidence of the burning of tokenized securities is sufficient to deem such security cancelled.	Aligns the destruction of the security with the historic concept of cancellation.