

SEC Crypto Task Force Input Letter from Tokeny

Dear Crypto Tasks Force team,

As a leading onchain operating system for financial institutions, Tokeny has been trusted by major banks and engaged with regulators worldwide since 2017. We enable institutions to issue, manage, and distribute tokenized securities in a fully compliant manner, ensuring that regulated markets can adopt tokenization at scale.

For the last five years, we have focused on working with top U.S. financial institutions, including BNY Mellon, Citi, JPMorgan, and Goldman Sachs, to provide the infrastructure needed to scale this industry. To support these efforts, we have also added a local support team to better engage with U.S. institutions and regulatory stakeholders.

While based in Luxembourg—one of the most advanced jurisdictions for tokenization—our work has always been global in scope. Luxembourg was among the first jurisdictions to establish clear legal frameworks for tokenized securities, making it a proven model for regulatory clarity. We have also engaged with regulators worldwide, including the SEC (USA), BaFin (Germany), DFSA (Dubai), FSRA (Abu Dhabi), and MAS (Singapore), to shape policies that balance investor protection with financial innovation.

Our clients have launched tokenized securities in key international markets, including Luxembourg, Spain, the Netherlands, France, Cayman, Singapore, Malaysia, and Hong Kong. However, regulatory uncertainty and custody restrictions—particularly SAB 121—have forced many U.S. institutions to issue tokenized securities outside of the United States. The lack of clear guidelines, along with barriers to holding gas tokens for public blockchain transactions, has slowed adoption in the U.S. market.

Now, with recent policy shifts under President Trump’s administration, these obstacles are being removed—paving the way for a new era of tokenization in the United States.

We would like to provide written input to share the most suitable regulatory practices we have observed that successfully balance investor protection with financial innovation. Our goal is to contribute valuable insights to your evaluation of regulations in these areas. Our recommendations are, as follows:

Same assets, same rules

Providing clear regulations indicating that the same securities follow the same securities law, regardless of the technology wrapper used. Of course, the technology and standards used to represent securities onchain must enable the enforcement of compliance rules.

With permissioned token standards like ERC-3643, market participants can **enforce compliance rules at the token level and identify investors with on-chain identity oracles**. Only qualified individuals identified by issuers or their compliance agents can become holders.

In addition, issuers will always be in control, they can recover tokens, freeze tokens, and upgrade tokens.

Here is an example of how ABN AMRO bank leverages ERC-3643 to enforce compliance:
<https://drive.google.com/file/d/1H7cmog-3bCLFiBtGOxDHuUzJbCQpv4mA/view?usp=sharing>

Recognizing tokens as proof of ownership for tokenized securities

To provide regulatory clarity, it is essential to recognize that tokens can serve as verifiable proofs of ownership when implemented with the right compliance framework. Blockchain functions as a source of immutable ownership records but should not necessarily store personal data of token holders. Instead, registrars and transfer agents rely on these onchain proofs to form the official cap table by combining on-chain records with off-chain identity data.

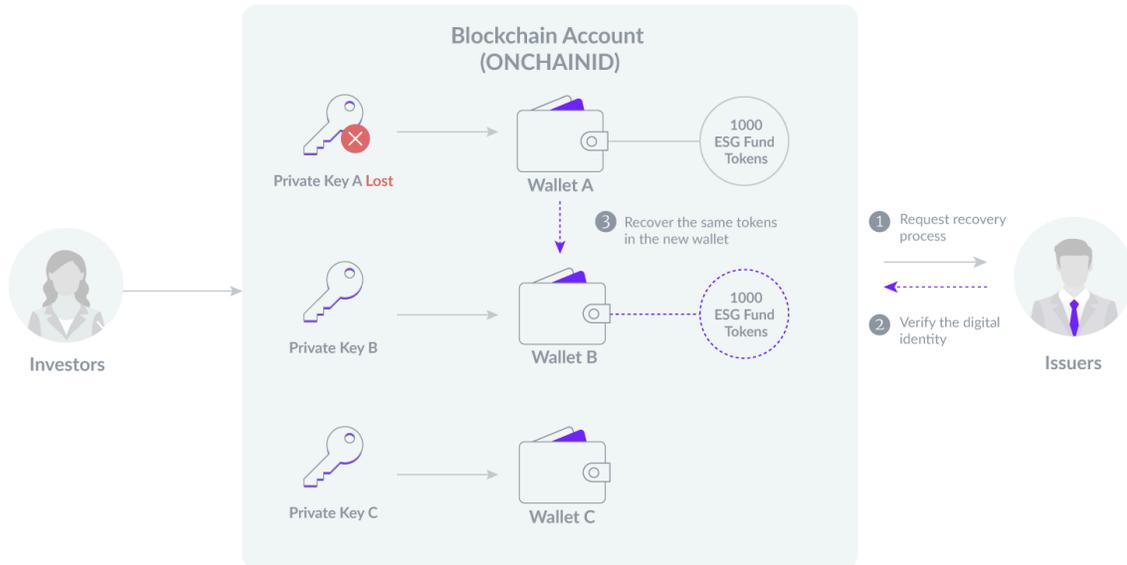
The open-source ERC-3643 permissioned token standard enables this by linking ownership to verified identities, not wallet addresses. Through an identity oracle, authorized verifiers confirm token holders off-chain and issue an on-chain credential proof, ensuring compliance while preserving privacy.

An on-chain operating system synchronizes and aggregates these verifiable proofs with off-chain identity data, allowing transfer agents to maintain an accurate, auditable, and human-readable cap table. This framework has been successfully used for years by Tokeny's customers, including Tier 1 financial institutions, ensuring immutable ownership records. Token holders can recover assets or change wallets without disrupting records, as identity oracles remain unchanged, ensuring a secure and reliable single source of truth for ownership.

Avoid adding extra custody requirements for digital securities

Custody for tokenized securities differs fundamentally from cryptocurrency custody. With identity-based permissioned tokens like ERC-3643, ownership is tied to an investor's on-chain identity, not individual wallets. It acts like investors' blockchain accounts. Each identity can be linked to multiple wallets, and if a wallet is compromised, issuers or their authorized agents can recover tokens, ensuring tokenized assets are never lost.

Custody For Security Token Investors



In tokenization, custody is about controlling the smart contract, not protecting investors' private keys. Existing custodians can act as agents of issuers, authorized to use smart contract recovery features to meet safekeeping obligations while leveraging other functionalities for servicing.

Mandating additional custodians for digital securities, as seen in Germany, would increase costs, slow adoption, and undermine the benefits of tokenization. We encourage regulators to recognize these differences to not overregulate custody for tokenized securities.

Using the blockchain as a settlement layer, without blocking discovery

Permissioned tokens prevent unauthorized transfers by embedding compliance rules directly into tokens, enabling compliant peer-to-peer secondary trading. Issuers have full control over whether their tokens are tradable. Once enabled, token holders can create smart contract-powered trading intents (e.g., selling 100 fund tokens for 10,000 USDC).

These offers become visible across the entire blockchain network, allowing qualified investors to accept them. Smart contracts handle everything—compliance checks, transfer restrictions, and balance validation—ensuring automatic settlement without intermediaries or counterparty risk, all while adhering to regulatory rules set up by the issuer.

Any platform—exchanges, OTC desks, marketplaces, or other distributors—can display these ready-to-accept peer-to-peer offers. Once an investor accepts an offer, blockchain finalizes the transaction instantly, with real-time updates across all platforms. This effectively turns blockchain into a shared orderbook and decentralized CSD.

We encourage regulators to provide clear guidelines on how distributors can facilitate this new form of compliant secondary peer-to-peer trading.

Here is a video explaining how it works in action:

<https://www.youtube.com/watch?v=PvsG5OWplcl>

We look forward to engaging with the Crypto Task Force to provide more details needed.

Best regards,
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