

June 17, 2025

VIA WEBSITE SUBMISSION

U.S. Securities and Exchange Commission
Crypto Task Force
100 F Street NE
Washington, D.C. 20549-0213

Re: Response to Crypto Task Force: Digital Transfer Agent -- Moving Securities and Markets from Analog to Digital

Dear Members of the Crypto Task Force:

We would like to thank the U.S. Securities and Exchange Commission (the “Commission” or “SEC”) for its thoughtful engagement and this open forum. We believe tokenization and the integration of blockchain technology within the securities markets is an opportunity to enhance and strengthen the United States’ preeminent capital markets. We also believe existing securities regulations are fully consistent with such tokenization and integration.¹

This is not the first time the Commission has faced a new data processing and communications technique that creates the opportunity for more efficient and effective market operations.² The Commission has consistently embraced technology by updating, adapting and clarifying interpretations of its regulations to carry out its tripartite mission in the face of a changing technological landscape. While the internet, and cloud infrastructure were not contemplated when the Commission was established, these technological advancements have flourished in a regulated fashion to ensure that the United States remains the preferred destination for capital formation, investment and exchange. Investors are no longer required to meet under a buttonwood tree — instead, they can now trade securities from their smartphones. Similarly, we believe issuers and investors are not required, and should not need to transact through layers of intermediaries. Blockchain technology allows for direct, disintermediated means of holding and exchanging of securities.

Our intent in this submission is to outline the regulatory and policy basis for tokenized securities supported by digital transfer agents. The outcome is an innovative and dynamic securities market enabled by technology-neutral decentralized infrastructure that protects investors, preserves orderly markets, and fosters improved capital formation in the U.S. capital markets.

¹ This is further confirmed by the thoughtful clarifications provided in the recent Transfer Agent FAQs. See Division of Trading and Markets: *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> (“the FAQs”).

² 15 U.S.C 78k-1(a)(1)(B).

I. Executive Summary

a. Superstate: Who We Are

Superstate is a financial technology firm that seeks to upgrade public capital markets by enabling securities to be recorded and transferred on-chain through our registered digital transfer agent, Superstate Services.³

Superstate was founded on the core belief that tokenized securities can leverage blockchain infrastructure to offer speed, programmability and compliance advantages over traditional securities maintained through a centralized security depository.⁴

Superstate’s founding team has roots in decentralized finance (“DeFi”) having founded and worked for Compound, a pioneering DeFi lending protocol. Compound, a smart contract protocol, has enabled hundreds of billions of dollars in on-chain loans and it, along with other DeFi protocols, has demonstrated innovative methods for direct, disintermediated lending and exchange. Through its digital transfer agent, Superstate will enable the integration of registered and exempt securities by recording and tracking ownership within DeFi.

To that end, Superstate is a member of Project Open — a collection of interested parties working collaboratively to address and enable tokenized securities on public blockchain networks in a manner that is consistent with existing regulations.⁵

b. Existing Securities Settlement Suffers from Shortcomings

The current centralized design of settlement and trade has proven scalable but has a number of significant limitations and drawbacks. There is upwards of \$20 billion in capital that is continuously locked-up in cash to mitigate settlement risk by market participants. This locked-up capital is necessary because there is settlement failure risk as a function of the designed delay and netting that occurs. While some may argue that such net settlement is a feature because it limits the number of transactions that must settle, there are real limitations and costs from this design and there are a lack of alternative choices available to issuers and investors. The costs include the significant effort that is expended in trade financing as well as the risk to orderly markets resulting from a sudden, sharp increases in collateral required by clearing brokers, such as what occurred in

³ Superstate serves as investment adviser for two tokenized private funds, USTB and USCC, which collectively manage ~\$850 million in assets. Superstate presently has a pending registration statement before the Commission to convert USTB to a registered money market fund under Section 2(a)7 of the Investment Company Act of 1940, statement available at https://www.sec.gov/Archives/edgar/data/1982577/000110465925042142/tm2513524d1_n1a.htm.

⁴ Coincidentally, Superstate was founded on April 19, 2023 on the anniversary of the beginning of the American Revolution. Echoing our own associations, Commissioner Peirce recently referenced those revolutionary beginnings in her remarks at the 2025 edition of SEC Speaks. See “New Paradigm: Remarks at SEC Speaks” available at <https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-sec-speaks-051925-new-paradigm-remarks-sec-speaks>.

⁵ This Submission builds upon the Project Open submission collectively submitted to the Crypto Task Force on April 28, 2025 available at <https://www.sec.gov/files/ctf-written-project-open-wireframe-04282025.pdf>. Project Open parties include among others Phantom Wallet, Solana Policy Institute and Zagreus Services LLC (dba Orca Creative).

the 2021 GameStop incident.⁶ Additionally, settlement friction is inherently a part of the existing system because the medium of exchange (typically U.S. dollars) and the securities traded are recorded on completely different settlement operating systems. This necessitates coordination and intermediation between two different delivery systems and often creates trade breaks and failed trades that need to be manually remediated.⁷

In the current indirect holding system in the U.S., the tracking of beneficial ownership through intermediaries, like broker-dealers, also poses major challenges to corporate governance. As Vice Chancellor Laster of the Delaware Court of Chancery put it, “the current system [of corporate proxy voting] works poorly and harms stockholders.”⁸ The existing system of nominee ownership leads to a lack of transparency in corporate actions and numerous instances of over and undervoting.⁹ Further, “because the ownership of individual shares held beneficially is not tracked in the U.S. clearance and settlement system...imbalances occur...[and when those imbalances occur] broker-dealers must decide which of their customers will be permitted to vote and how many shares each customer will be permitted to vote.” These shortcomings threaten to undermine fairness and confidence in corporate governance and ultimately create a broad and growing threat to the U.S. capital markets.

c. Digital Transfer Agents Enable On-Chain Capital Markets

We believe tokenized securities, coupled with the use of digital transfer agents, enable orderly, efficient capital markets with improved capital formation, and more robust investor protections.¹⁰

Our approach operates within the current market structure to allow issuers and investors to determine the ownership format in which their security will be recorded. The choice is between a certificated paper security, a read-only database, or a tokenized security, which is programmable and able to be self-custodied. No matter which ownership format is chosen, including tokenized shares, the rights and entitlements for the underlying security are identical. The only differences between the ownership formats are the potential utility and independence an investor has and the array of activities that can they can effectuate.

⁶ See *Staff Report on Equity and Options Market Structure Conditions in Early 2021* (October 14, 2021), available at <https://www.sec.gov/files/staff-report-equity-options-market-struction-conditions-early-2021.pdf>.

⁷ See Le, Tuongvy and Campbell, Austin, *Crypto and the Evolution of the Capital Markets* (May 12, 2025), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5250986 (exploring further the evolution and challenges of current market structure).

⁸ See *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.

⁹ *Id.*

¹⁰ This approach is designed to effectuate the aims highlighted in recent speeches by the SEC Chair and Commissioners. As Commissioner Peirce notes, “Removing securities from siloed databases and tokenizing them on open, composable crypto networks mobilizes them and makes them usable in new and enhanced ways.” *Getting Smart - Tokenization and the Creation of Networks for Smart Assets: Opening Remarks for Tokenization Roundtable* (May 12, 2025) available at <https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-crypto-roundtable-tokenization-051225>.

Issuers can, and should, have the freedom to determine whether they would like to engage with a digital transfer agent and allow for their securities to be tokenized. Superstate Services, as digital transfer agent, will assist the issuer by providing an overview of its tokenized share capabilities as well as DeFi and on-chain protocols that support technical and regulatory compliance. This technical and regulatory support through an On-Chain Regulatory and Resiliency Process is described further in Section 0 below.

Investors that seek to tokenize their shares will be required to go through a verification agent that will conduct a “know your customer” process. The verification agent may be either the digital transfer agent or a third party such as a broker, custodian or wallet. The investor is able to determine ownership format as well as their preferred custody location: a self-custody wallet or third-party broker or custodian that supports tokenized shares.

This process of tokenizing shares is dynamic, and movements between ownership formats are intended to be seamless. The ability to move in a flexible, frictionless fashion between ownership forms allows market arbitrage dynamics to stabilize prices and enhance liquidity, as described further below in Section IV.

We believe our approach builds upon the existing market structure and allows for innovation to flourish within the existing securities regulatory framework. There is no regulatory arbitrage when a digital transfer agent makes tokenized securities available on-chain. All tokenized securities will be registered or exempt from registration and subject to the same disclosure obligations that apply to traditional securities under existing regulations.

II. The Digital Transfer Agent: Background, Function, and Administration

a. Transfer Agents: The Regulatory Background

Today, the SEC regulates transfer agents pursuant to Section 17A of the Securities Exchange Act (“Exchange Act”).¹¹ However, from 1934 until 1975, state laws governed securities clearance and settlement.¹² Then, in the late 1960s and early 1970s, the U.S. securities markets experienced a “paperwork crisis” in which the processing of the paper securities certificates necessary to settle transactions could not keep up with the increasingly electronic and faster paced trading markets.¹³ This resulted in approximately 160 broker-dealers going out of business and spurred significant customer complaints. Additionally, it required securities exchanges and the National Association of Securities Dealers to close on Wednesdays and limit the available hours for trading in order to process clerical tasks related to settlement due to operational deficiencies in the physical processing of trades.¹⁴

Congress responded to this crisis in 1975 by amending the Exchange Act to empower the Commission to oversee transfer agents and clearing agencies. Against the backdrop of failures that arose from the incompatibility of electronic trading with manual, paper-based settlement, Congress found that new data processing and communications techniques created more efficient, effective and safe procedures for clearance and settlement.¹⁵ It therefore ordered the Commission to end the physical movement of securities certificates in connection with the settlement of securities transactions.¹⁶ Congress also found that the prompt and accurate clearance and settlement of securities transactions, including the transfer of record ownership by transfer agents, is necessary for the protection of investors.¹⁷ It therefore directed the Commission to use its authority to assure *equal* regulation of registered transfer agents and clearing agencies in this new national system for clearance and settlement.¹⁸

Since then, securities issued and trading in the U.S. are largely uncertificated. The clearance and settlement of securities transactions is now carried out through a small number of systemically important central securities depositories and central counterparties. These central securities depositories have consolidated and for equity securities there is only one currently in operation.

As the Commission discussed in its 2015 concept release regarding transfer agents, other clearance and settlement models that would promote greater reliance on transfer agents are possible.¹⁹ An alternative model which places greater reliance on transfer agents would be more in keeping with Congress’ mandate that the SEC assure equal regulation of registered transfer

¹¹ See e.g., 15 U.S.C. 78q-1 and 17 C.F.R. § 240.17Ad-1 – 20.

¹² See Speech by SEC Staff: International Securities Settlement Conference – “*The U.S. view of the role of regulation in market efficiency*,” L. Bergmann (2004)

¹³ *Id.*

¹⁴ *Id.*

¹⁵ 15 U.S.C. 78q-1(a)(1)(C).

¹⁶ 15 U.S.C. 78q-1(e).

¹⁷ 15 U.S.C. 78q-1(a)(1)(A).

¹⁸ 15 U.S.C. 78q-1(a)(2)(B).

¹⁹ Exchange Act Release No. 76743 (December 22, 2015), 80 FR 81948 (December 31, 2015) (“SEC TA Concept Release”).

agencies and clearing agencies.²⁰ For example, as noted in the SEC TA Concept Release, the American Stock Exchange commissioned a study during the paperwork crisis that would reduce the movement of physical securities through the establishment of individual, decentralized transfer agent depositories (“TADs”) at which securityholders would immobilize their securities certificates.²¹

As originally conceived, the TAD model would have established a national clearing system in which securities transfers could be effected by removing the seller’s name from the transfer agent’s master securityholder file (*i.e.*, debiting the seller’s securities account) and adding the buyer’s name (*i.e.*, crediting the buyer’s securities account).²² The SEC observed in the SEC TA Concept Release that there was widespread industry support for the TAD model but there were technological impediments at the time to its implementation. By contrast, a central securities depository model, such as exists today, was already established and in operation at that time. Today, given the advent of, and advancements in blockchain technology, a new model of tokenized transfer is primed to evolve.

Exactly as immobilization and dematerialization did at the time of the paperwork crisis, the emergence of blockchain technology now represents “new data processing and communications techniques that create the opportunity for more efficient, effective and safe procedures for clearance and settlement.”²³ Specifically, smart contract functionality in blockchain protocols enables owners to directly hold securities empowering investors to transact and settle securities without the need for extensive intermediation. Congress’ finding that there must be room for such new technologies in our national system for clearance and settlement is well-established and well-founded.²⁴ Permitting issuers and investors to choose to use more modern, automated blockchain systems to settle securities transactions promotes individual choice and free markets. In short, it is in keeping with the American spirit.²⁵

In this spirit, Superstate greatly appreciates the Commission Staff’s recent FAQs regarding transfer agents’ and broker-dealers’ crypto asset activities.²⁶ We believe the FAQs give market participants significantly greater certainty about how blockchain-based systems can be designed to comply with existing regulatory requirements that pre-date these new technologies. For example, the FAQs helpfully confirm that the master securityholder file may comprise multiple files or systems, and that a transfer agent may choose to record elements of the required information “on-chain,” while recording other parts of the required information “off-chain.”

²⁰ SEC TA Concept Release at 81988.

²¹ North American Rockwell Information Systems Company, Securities Industry Overview, Final Report to the American Stock Exchange (1969).

²² SEC TA Concept Release at 81953.

²³ *See supra* the FAQs, note 10 and accompanying text.

²⁴ *Id.*

²⁵ As Commissioner Peirce put it, “At its core, DeFi, which blockchain technology enables, is about the freedom to transact with your peers without permission, interference, or intermediation. And that is why DeFi resonates so deeply with the American spirit.” *DeFining the American Spirit* (June 9, 2025), available at <https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-defi-roundtable-060925>.

²⁶ *See supra* the FAQs, note 10 and accompanying text.

Superstate also appreciates the clarification in the FAQs that under Exchange Act Rule 15c3-3(b)(1),²⁷ a broker-dealer must hold fully-paid and excess margin crypto asset securities (just like traditional securities) in a good control location as specified in Rule 15c3-3(c).²⁸ We commend the recognition that the existing rules in this area are technology agnostic. Superstate notes, in this regard, that under paragraph (c)(7) of Rule 15c3-3, the Commission has long recognized that registered transfer agents can be good control locations.²⁹ As the services of digital transfer agents evolve, we believe this recognition allows transfer agents to play an increasingly more important role in the national system for clearance and settlement. We believe this would be a significant step towards Congress’s mandate that the Commission regulate transfer agents and clearing agencies equally.

b. The Digital Transfer Agent Function

A transfer agent works on behalf of the security issuer to allow them to focus on their operating business and to ensure the issuer knows their security holders and that security transference is seamless and reliable.³⁰ Functions typically carried out by a transfer agent include maintaining a record of securities holders (commonly referred to as a “register” or “master securityholder file”), exchanging or converting the ownership format in which the securities are recorded, and recording transfer of security ownership.³¹ Additionally, given the transfer agent’s knowledge and tracking of underlying security holders it often assists or facilitates corporate governance activities such as proxy votes and dividend payments.

A digital transfer agent will carry out these traditional transfer agent functions leveraging smart contracts and blockchain technology. Additionally, tokenized securities have increased capabilities therefore there is a need to ensure regulatory compliance and technical resiliency of the supported blockchain networks or protocols.

c. The Digital Transfer Agent Relies on Existing Commercial Law

For Uniform Commercial Code (“UCC”) purposes, tokenized securities will be uncertificated securities subject to UCC Article 8. UCC Article 8 sets forth the mechanisms by which interests in securities are transferred and the rights and duties of persons involved in the transfer process. It contains mechanisms for both direct holding and indirect holding. Because Article 8 is the existing commercial law plumbing for certificated and uncertificated securities, the

²⁷ 17 C.F.R. § 240.15c3-3(b)(1).

²⁸ 17 C.F.R. § 240.15c3-3(c).

²⁹ 17 C.F.R. § 240.15c3-3(c)(7). *See generally* Letter to Edward A. Kwalwasser, New York Stock Exchange, from Michael A. Macchiaroli, Assistant Director, Division of Market Regulation, Securities and Exchange Commission (pub. avail. Mar. 3, 1986).

³⁰ In addition to being required to use registered transfer agents, issuers seeking to raise capital from investors in public markets are subject to significant reporting and disclosure obligations. While we believe tokenized securities will facilitate capital formation by providing an alternative to the existing centralized system, we also believe an updated streamlined disclosure regime would be beneficial. We agree with Commissioner Peirce’s observation that the decline in publicly listed companies is a symptom of both the burden and attraction of being publicly listed. *See* Commissioner Hester Peirce Remarks titled *A Creative and Cooperative Balancing Act* (May 8, 2025) available at <https://www.sec.gov/newsroom/speeches-statements/peirce-iismgd-050825>.

³¹ 15 U.S.C. 78c(a)(25).

commercial law foundation of the tokenized securities will meet the existing expectations and practices of market participants.

The uncertificated securities' registered ownership under UCC Article 8 is evidenced and represented by the on-chain token e.g. tokenized security. The transference will result in the updating of the security's record holder under the UCC.³²

d. The Digital Transfer Agent Tracks Ownership Using an Allowlist

From both a policy and a corporate governance perspective, issuers of registered and exempt securities must track their owners. That requirement is equally true for tokenized securities. Unlike some digitally native assets that are not securities and are permissionless, securities are typically not bearer instruments and securities issuers must maintain records of ownership.³³

Superstate's digital transfer agent tracks ownership through smart contracts and maintains an "Allowlist" for wallet addresses that can interact with the tokenized security. Tokenized securities can only be transferred to or registered in favor of those wallet addresses that have been verified and reviewed to meet Bank Secrecy Act and Office of Foreign Assets Control restrictions and requirements. This review and verification may be conducted by the digital transfer agent, or other verified third parties such as digital wallet service provider or broker-dealer. The verification process: (1) ensures only eligible investors are able to hold securities, and (2) identifies underlying holders accurately for the master securityholder file.

The Allowlist is an example of how programmable tokenized securities improve upon the typical nominee ownership design that currently predominates. The Allowlist is a smart contract that attaches to the tokenized security and only permits the security to interact with eligible wallet addresses. Additionally, the Allowlist contains conditional restrictions which can be programmatically enforced — for instance, if insiders are bound by a lock-up period the Allowlist would enforce transfer restrictions during that period. If an investor attempts to transfer or interact with a wallet address that is not on the Allowlist, the transaction will fail.

e. Digital Transfer Agent Maintains Unified Records

For tokenized securities, the master securityholder file is composed of a blockchain-integrated record keeping system consisting of multiple files, of which only some are maintained on-chain. Certain information, such as the security token amount, is maintained on-chain whereas personal identifiable information is maintained off-chain. This protects privacy, avoids duplicative records and ensures completeness. While the information is maintained across multiple databases, it will be unified to ensure consistency, accuracy, and compliance with

³² Even if the tokens, smart contracts, or on chain records were structured or considered controllable electronic records, under new UCC Article 12, this would not change the UCC characterization of the securities themselves. They would still be uncertificated securities subject to UCC Article 8.

³³ Generally, state corporate law explicitly prevents the creation of securities in bearer form. *See* 8 Del. C. 158. To the extent that a token is a security or a derivative of a security there remains the legal obligation to track its owners.

applicable regulations. The use of a blockchain-integrated system will also permit the record of ownership to be programmatically updated the moment share ownership transfers on-chain.

This approach is consistent with recent guidance published by Commission Staff.³⁴ Additionally, a unified record will be available for download and review, consistent with state legal requirements.³⁵ This approach and recent guidance balances reliance on technology with the original policy aim of maintaining a thorough, current and accurate ownership record.

f. The Digital Transfer Agent Provides Robust Investor Protections

Regardless of the ownership format in which their securities are maintained, security holders will require traditional investor protections and privileges. These include recovering lost securities, voting on corporate actions, and receiving communications from the issuer.

“Losing shares” when they are tokenized is different than misplacing them.³⁶ As described above, the Allowlist will prevent the transfer of shares to non-eligible holders. That being said, a security holders may lose access to their securities by for instance forgetting their wallet seed phrase. In this case, the digital transfer agent will be alerted and can reconstitute their tokens or rehabilitate their access after evidence of their lost access and identity are confirmed. Once this alert and instruction are confirmed, the original tokens will be “burned” or destroyed and new tokens will be credited to the security holder.³⁷ This process is modeled after the current process transfer agents use to re-issue lost security certificates.³⁸

Corporate governance and on-chain communication through the digital transfer agent removes a layer of intermediation. Given that tokenized securities permit direct registration of ownership, misattribution and the occurrence of over or under voting are minimized. Further, since these functions will be administered through smart contracts that increases automation it will lessen cost and delay.

³⁴ See *supra* the FAQs, note 10 (addressing this issue in Question 10).

³⁵ For example, 8 Del. C 224 stating “stock ledger...may be kept on 1 or more electronic networks or databases (including 1 or more distributed electronic networks or databases), provided that the records so kept can be converted into clearly legible paper form within a reasonable time...”

³⁶ To the extent a broker is holding tokenized securities on behalf of an investor and those securities are misappropriated or their brokerage fails, Securities Investor Protection Act protections should attach. See 15 U.S.C. 78aaa.

³⁷ The digital transfer agent’s recognition as a “good control” location is consistent with carrying out these functions. See 17 C.F.R. § 240.15c3-3(c)(7).

³⁸ UCC 8-405 provides for this activity for certificated securities.

III. The Digital Transfer Agent Leverages Technology for Regulatory Compliance

Tokenized securities are identical to other securities in their rights and entitlements. Their differences result from their programmability and the various smart contract protocols with varying functionality that operate on-chain.

a. Blockchain and Protocol Overview

Blockchain networks vary in their design and operation. A blockchain network is a distributed network that secures transactions typically through an incentive structure that awards tokens to entities who validate transactions on the network. The ability to create and develop new networks is a feature that spurs continued innovation.

Smart contracts and protocols that carry out conditional activity utilizing smart contracts are built on top of blockchain networks that enable disintermediated and automated activity to occur. Since their advent, digitally native assets have developed completely new financial “primitives” (i.e., the fundamental, core building blocks that make up the financial system) using smart contracts. For instance, digitally native collateral is modular and can be moved around seamlessly and instantaneously.³⁹ This capability has led to a vibrant collateralized lending system through the use of lending protocols. As another example, the predominant method for exchange in DeFi is through Automated Market Makers which are peer-to-peer swaps enabled through a protocol that provides liquidity.⁴⁰ Additionally, 24/7 trading and fractional ownership have their roots in digitally native assets and are easily accommodated with tokenized securities.

The integration of, and migration towards tokenized securities create opportunities for entirely new methods of issuing, trading, and using securities.⁴¹ These tokenized securities can, and should, be able to use the functionalities that were developed and tested for digitally native assets such as Bitcoin or Ether. The type of activity that can occur autonomously or on a peer-to-peer basis through programmable tokenized securities are varied and evolving.

We believe the digital transfer agent is the entity best situated to ensure that the on-chain activity involving securities is conducted consistent with securities regulations while enabling innovation. The digital transfer agent caters to issuers who want to see liquidity and lively trading in their securities while ensuring on-chain activity is done in a regulatory compliant manner. A digital transfer agent is a regulated entity with the technical expertise to carry out this function directly while facilitating integration with traditional markets.

³⁹ The use of tokenized collateral as non-cash collateral has been recommended by the U.S. Commodity Futures Trading Commission’s Global Markets Advisory Committee. See CFTC’s Global Markets Advisory Committee Advances Recommendation of Tokenized Non-Cash Collateral (November 21, 2024) available at <https://www.cftc.gov/PressRoom/PressReleases/9009-24>.

⁴⁰ Please refer to the Crypto Task Force submission made by Zagreus Services LLC (d/b/a Orca Creative), submitted June 17, 2025.

⁴¹ See Chairman Paul Atkins’ remarks titled *Keynote Address at Crypto Task Force Roundtable on Tokenization* (May 12, 2025) available at <https://www.sec.gov/newsroom/speeches-statements/atkins-remarks-crypto-roundtable-tokenization-051225-keynote-address-crypto-task-force-roundtable-tokenization>.

b. On-Chain Regulatory and Resiliency Process Review

Superstate, as digital transfer agent for the issuers it supports, will administer an On-Chain Regulatory and Resiliency Process Review (“ORRP”)⁴² to ensure the blockchains and DeFi protocols that support tokenized securities are regulatorily compliant and technically resilient.

The ORRP review will be ongoing reflective of the dynamic nature of blockchains and protocols. Digital transfer agents evaluation processes related to their Allowlist will involve ongoing monitoring of changes in blockchains and protocols. To the extent changes to a blockchain or protocol requires reconsideration of placement on an Allowlist, digital transfer agents like Superstate will maintain related governance processes to revisit those determinations. Further, while Superstate will primarily conduct its own analysis of ongoing changes, we may additionally leverage standardized or third-party review processes in the interests of efficiency.

c. The Digital Transfer Agent Permissions Blockchains and Protocols for Tokenized Securities

Blockchains and protocols supporting securities must be resilient and must either be registered or not otherwise carry out functions that would require registration with the Commission.

A resilient blockchain or protocol is one that has demonstrated uptime and has undergone, and made public the results of third-party security audits. Additionally, blockchains should undergo periodic reviews of their structure and governance as part of their resiliency review.

Some items to review include:

- Who maintains the blockchain or protocol and how is it maintained?
- How are transactions secured on blockchain (through consensus mechanism or otherwise)?
- Does its construction or structure leave the blockchain or protocol susceptible to attack?
- Does the protocol take custody of securities in carrying out its function?

A review of the blockchain and protocols operation and construction to confirm it does not carry out regulated intermediary functions - clearing agency, broker-dealer, exchange - will ensure that functions and activities that must be registered will continue to do so.

IV. Tokenized Securities Integrate Within the National Market System

The concept of, and mandate for a National Market System were created through the Securities Acts Amendments of 1975 (“’75 Amendments”).⁴³ This congressional action was borne out of technology, mainly early computers, disrupting securities markets. Incumbents had failed to adapt or worse, in some cases, intentionally attempted to ward off competition by structurally

⁴² Superstate intends to submit a working draft of the ORRP that we will use in reviewing blockchains and protocols.

⁴³ 15 U.S.C. 78k-1(a)(1).

limiting or fragmenting who could trade in an attempt to consolidate their operating models.⁴⁴ The '75 Amendments sought to facilitate competition by embracing technology⁴⁵ and interconnectivity⁴⁶ while recognizing innovations in trading methods.⁴⁷

The Commission sought to address the National Market System further by adopting Regulation National Market System (“Regulation NMS”) in 2005, based on authority granted through the '75 Amendments. Regulation NMS, like the '75 Amendments, sought to ensure investor protection at a time when technology, this time mainly the internet, was pressing against existing operating models. A key requirement mandated by Regulation NMS was Rule 611, which prevented trading through the best price provided by the National Best Bid or Offer. This requirement was limited by a number of exceptions including the non “regular way” exception.⁴⁸ This exception was intended to treat like orders and transactions alike, but continue to embrace order competition. Specifically, this exception from Rule 611 applies to trades with non-standard settlement terms.⁴⁹ The predominant method of exchange for tokenized assets through a protocol is an Automated Market Maker, which enable peer-to-peer transactions that are wholly different from regular way trading. Tokenized security transactions will inherently settle more quickly and therefore have non-standard settlement terms and timelines, thus qualifying for the non regular way exception from Rule 611. Similar approaches to Rule 611 have previously been applied in light of technological changes and are fully consistent with existing regulatory structures.⁵⁰

⁴⁴ For instance, regional national security exchanges at the time were designing rules that imposed restrictions on members trading on other venues or requiring membership within their affiliated clearing agency. The '75 Amendments directly controlled for this by requiring the Commission to review national security exchange rules and prohibiting a national security exchange from conditioning exchange membership on membership in a clearing agency. *See* 15 U.S.C. 78k-1(c)(4) and (5).

⁴⁵ *See* 15 U.S.C. 78k-1(a)(1)(B), (stating that Congress finds “new data processing and communications techniques create the opportunity for more efficient and effective market operations.”).

⁴⁶ *See* 15 U.S.C. 78k-1(a)(1)(D), (stating that Congress finds “the linking of all markets for qualified securities through communication and data processing will foster efficiency, enhance competition...and contribute to best execution of such orders.”).

⁴⁷ *See* 15 U.S.C. 78k-1(a)(2) (directing the Commission to carry out its tripartite mission to facilitate the establishment of a national market system for securities (which may include *subsystems for particular types of securities with unique trading characteristics* [emphasis added])...”).

⁴⁸ *See* 15 U.S.C. 78k-1(b)(2).

⁴⁹ *See* 70 FR 37496 at fn 326, (stating ““Regular way” refers to bids, offers, and transactions that embody the standard terms and conditions of a market. Thus, this exception applies to a transaction that was executed other than pursuant to standardized terms and conditions, for instance a transaction that has extended settlement terms”).

⁵⁰ For instance, the Commission Staff found that a slight delay in immediate automated quotations was consistent with the goals of Rule 611 of Regulation NMS. This interpretation was made in light of a request to permit a “speed bump” by a National Security Exchange *See Staff Guidance on Automated Quotations under Regulations NMS*, (June 17, 2016) available at <https://www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions-2>. Further, recent Commissioner statements have indicated a receptivity to addressing Regulation NMS interpretations in light of tokenization. *See* Commissioner Mark Uyeda’s remarks titled *Tokenization of Real-World Assets* (May 12, 2025) available at <https://www.sec.gov/newsroom/speeches-statements/uyeda-remarks-crypto-roundtable-tokenization-051225>.

Additionally, the '75 Amendments and Regulation NMS did not mandate or intend for there to be one central limit order book.⁵¹ There was ample opportunity and advocacy for this approach — but this was not adopted. A “national” rather than a “centralized” market system was intentionally used to demonstrate that competition among markets was the aim of Congress and the regulations framed under Congress’s mandate. Permitting tokenized securities to trade on a non-regular way basis requires no modification to our existing securities regulatory framework. Indeed, adding a tokenized trading option furthers Congress’s aim of encouraging competition among securities markets.

a. Market Fragmentation is Limited through Tokenized Securities

Integrating tokenized securities within the national market system will not create market fragmentation. Tokenized securities, facilitated by the digital transfer agent, can move with limited friction from tokenized to non-tokenized form. By making this conversion relatively seamless, it allows for liquidity to migrate in response to demand. The digital transfer agent, carrying out its role of “exchanging or converting” securities to and from different ownership formats will facilitate fair, efficiently-functioning markets.

This approach is fully consistent with the policy aim of Regulation NMS. While Regulation NMS controls for market fragmentation by requiring order routing, with tokenized securities the concern around fragmentation is controlled for by enabling bi-directional form-changing. This allows for securities, regardless of their ownership format, to freely migrate towards liquidity.

b. Arbitrage Will Drive Price Parity for Tokenized Securities

Enabling tokenized securities to trade on-chain while the same class of securities in a different ownership format trade on a different venue is consistent with current practice and will *not* cause price dislocation. Specifically, dually listed United States and Canadian companies trade identical and fungible shares on different venues - these shares trade at or near price parity.⁵² This is a function of price discovery and arbitrage facilitated by traders which keep prices steady and in line with each other.⁵³

The digital transfer agent will enable investors to convert tokenized to non-tokenized shares in a relative seamless fashion to allow market arbitrage to occur maintaining price parity

⁵¹ For further discussion and chronicling of National Market System. See Hester Peirce, *Rethinking the National Market System*, 43 J. Corp. L. 649 (2018) available at https://jcl.law.uiowa.edu/sites/jcl.law.uiowa.edu/files/2021-08/Peirce_Final_Web_0.pdf.

⁵² The United States and Canada support this through the Multijurisdictional Disclosure System. The MJDS program allows for identical shares to be listed and traded in both the United States and Canada.

⁵³ The price parity of these markets has been studied and found to trend towards parity facilitated by the ability to arbitrage. See *The role of trades in price convergence: A study of dual-listed Canadian Stocks* (May 2006) Journal of Empirical Finance available at <https://www.researchgate.net/publication/222047380> [The role of trades in price convergence A study of dual-listed Canadian stocks.](https://www.researchgate.net/publication/222047380)

across ownership forms and venues. Arbitrage to support price parity is a powerful tool that the Commission has consistently relied upon as effective measure to control for price dislocation.⁵⁴

V. Conclusion

The use of tokenized securities, supported by a digital transfer agent, empowers issuers and investors to choose whether they would like to engage in tokenization while ensuring there are proper safeguards. This approach enables direct registration of ownership and in turn, improves market transparency, efficiency and corporate governance. Further, the use of tokenized securities supported by a digital transfer agent also improves investor protection through the use of an Allowlist and ORRP review.

Throughout its history, the Commission has embraced technological innovation to further its tripartite mission and ensure the U.S. capital markets remain the preferred global destination for investment and trade. Most notably, over its near-hundred year history, the Commission has succeeded in this mission without compromising investor protection or the operation of orderly markets. Indeed, the three prongs of the Commission’s tripartite mission reinforce each other on a daily basis. Tokenization and leveraging blockchain technology, is the only the latest wave in a century of innovation — it enables both settlement optionality as well as new methods for trade and utility. Our proposed model for tokenization, which incorporates the use of a digital transfer agent, allows securities to move seamlessly between ownership forms, thus integrating within the existing national market system construct without disturbing the existing regulatory framework.

The move from “analog to digital” through tokenized securities is as momentous as the dematerialization that followed the paperwork crisis. We are privileged to play a role in this transformation and we are deeply grateful for the Commission’s engagement and leadership. We look forward to continued dialogue, and we will strive to continually innovate.

Sincerely,

/s/ Alexander Zozos

Alexander Zozos
General Counsel

⁵⁴ For instance, ETFs and ADRs trade with parity buoyed by the ability of authorized participants and other market participants to convert between the underlying and traded instrument.

SEC Crypto Task Force

On-Chain Market Overview

- A. **Issuer** an operating company or otherwise registered or exempt security issuer seeking to issue/distribute shares
 - a. Determines intent to tokenize shares
 - b. Determines which blockchain & protocols securities will be available
- B. **Superstate** a registered digital transfer agent:
 - a. Maintains master securityholder file
 - b. Exchanges security ownership format (certificated/tokenized/non-tokenized)
 - c. Administers the Allowlist
 - d. Conducts ORRP review of blockchains & protocols
- C. **Verification Agent** conducts OFAC/KYC review verifying investor eligibility
- D. **ORRP** administered by Superstate or third parties to determine the resiliency and regulatory compliance of blockchains and protocols
- E. **Investor** eligible holder of securities that has been verified
 - a. Acquires shares and directs Superstate on which ownership format (certificated, tokenized, non-tokenized) they would like their securities recorded
 - b. Tokenized shares may be held in self custody at a wallet, or at a custodian or broker-dealer
 - c. Tokenized shares may be used as collateral or deployed in ORRP reviewed DeFi protocols

