

21st November, 2025

Dear SEC Crypto Task Force,

Thank you for taking the time to meet with us during our recent visit to Washington D.C. We were pleased to have the opportunity to explain our position on exemptive relief in relation to crypto-assets, and particularly our views on the tokenisation of mimicked assets and found the discussion both informative and valuable.

Reiterating Our Position: Responsible Innovation

We would like to reiterate that the WFE continues to believe that tokenisation is likely a natural evolution in capital markets.¹ We are pro-innovation; however, it must be done in a responsible way that does not put investors or market integrity at risk.

Furthermore, as we said in our paper on the topic of mimicked tokens, we are alarmed at the plethora of brokers and crypto-trading platforms offering or intending to offer so-called tokenised US stocks. These products are marketed as stock tokens or the equivalent to stocks when they are not. This development poses multiple and interconnected risks.²

When Exemptive Relief is Appropriate

While we are supportive of the principle of exemptive relief, we are concerned that the broad use of such relief presents risks to investors and market integrity. Well-meaning exemptive relief that dilutes the core protections the securities laws were designed to provide or distorts competition through granting selective advantages rather than fostering innovation within a level-playing field, will undoubtedly have negative – potentially acute – consequences for US markets.

We support the Commission's right to use exemptive relief. We simply believe that this authority is most effective when exercised in a targeted manner and not applied as a means to circumvent or fast-track exemptions to longstanding regulatory requirements. Exemptive relief from a specific rule or requirement is appropriate where relief is reasonably necessary for a firm to provide a product or service on a level playing field, and where exemptive relief is found to be consistent with the interests of the public and the protection of investors.

By contrast, exemptive relief would not be appropriate where relief would merely be more convenient or less burdensome or would provide a competitive advantage. Likewise, it would not be appropriate where the Commission has reasonable grounds for concluding that the relief requested would confer advantages only on one or a subset of market participants at the expense of others, or where the relief would undermine investor protections or otherwise place investors at undue risk of harm.

One specific example of where exemptive relief is appropriate is on SEC rules that require firms to maintain records in paper form or to custody assets in certain control locations that do not encompass the blockchain. Another example could be the Consolidated Audit Trail (CAT). Exemptive relief could

¹ Demystifying Tokenisation: Embracing the Future – WFE (2024) <https://www.world-exchanges.org/our-work/articles/demystifying-tokenisation-embracing-future>

² Mimicking Tokenised Equities – WFE (2024) <https://www.world-exchanges.org/our-work/articles/mimicking-tokenised-equities>

help address issues that were not contemplated or fully appreciated at the time of the adoption back in 2010.

An example of where exemptive relief would be inappropriate is relief from registration requirements for trading platforms that simply do not wish to be saddled with the requirements of being an SEC registrant and subject to Exchange Act standards applicable to registrants. Sweeping exemptive relief like this may not receive the type of public scrutiny that an SEC rulemaking would receive; thus risking potential unintended consequences on investors. Transparent rulemakings enable the Commission to better identify potential risks and arrive at more effective outcomes. By fostering transparency and seeking input from a wide range of stakeholders, the Commission can craft rules with greater legitimacy.

Therefore, we would reiterate our call to *not* give exemptive relief to firms trying to circumvent established regulatory principles that have existed for decades and for very good reason. It would be better to make a public rule filing than to seek to make large scale changes with exemptive relief. Alternatively, the Commission could consider the creation of a sandbox regime or other innovation facilitator and base it on the lessons learned from IOSCO's 2022 deep-dive into the same subject – in particular, that “regulatory response to financial innovation requires a balanced approach between the potential opportunities of innovation against the risks for investors, the integrity of markets and the stability of the financial system.”³

A Common-Sense Approach to Exemptive Relief

Rather than simply expressing opposition, we are committed to engaging with you in a constructive and solutions-oriented manner. Therefore, we would like to offer some further thoughts on what we believe is a common-sense approach to exemptive relief if that avenue is pursued.

First, as in all work with securities regulators, the desire to offer relief should be in line with three key principles: investor protection, market integrity, and fair competition. In addition, measures that specifically address the trading of crypto or digital assets should be aligned with IOSCO's Principles for Secondary and Other Markets, ensuring that these emerging products are held to the same standards as their more traditional counterparts.

Second, we would urge caution regarding the scope of any exemptive relief. As noted, we support the Commission's authority to grant relief where it is appropriate and justified. However, exemptive orders should be narrow.

Third, the Commission should consider time-limiting exemptive relief or, alternatively, introducing stage gates for the deployment and scaling of new products and services. This approach could serve as a stepping stone and allow the Commission to assess risks, gather data, and make adjustments before establishing a more permanent framework.

Finally, any exemptive relief should be conditional. Among other measures, the Commission could consider requiring that:

- Recipients remain subject to SEC oversight
- Robust AML requirements are applied
- Clear governance structures are established
- Safeguards, such as asset segregation, are maintained

³ The Use of Innovation Facilitators in Growth and Emerging Markets – IOSCO (2022)
<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD708.pdf>

- A demonstrable commitment to operating fair and orderly markets is upheld

Conclusion

We appreciate the opportunity to share our views and to contribute to the Commission's ongoing work in this important area. We remain committed to engaging with you in a transparent and collaborative manner, with the shared goal of fostering responsible innovation while upholding investor protection, market integrity, and fair competition.

We thank you again for your time and consideration. We would welcome greater clarity on the specific areas under consideration for exemptive relief, and we look forward to providing more detailed feedback during the public comment period and continued engagement beyond.

Yours Sincerely,

A handwritten signature in blue ink that reads "Nandini Sukumar". The signature is fluid and cursive, with a small flourish at the end.

Nandini Sukumar

Chief Executive Officer

The World Federation of Exchanges Ltd