



OTCM Protocol

January 30, 2026

The Honorable Paul S. Atkins
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

Re: OTCM Protocol - Updated Roadmap for Issuer-Authorized Tokenized Securities Aligned with SEC January 28, 2026 Guidance

Dear Chairman Atkins,

OTCM Protocol ("OTCM") is a financial technology platform focused on tokenizing illiquid over-the-counter securities through issuer-authorized structures. We write to express our strong endorsement of the Commission's January 28, 2026, joint statement on tokenized securities, which provides the regulatory clarity our industry has long sought, and to respectfully submit our updated perspective on how OTCM's model exemplifies the Commission's preferred Category 1 issuer-sponsored tokenization framework.

OTCM addresses one of American finance's most pressing yet overlooked problems: the systematic abandonment of over 11,000 companies trading on over-the-counter markets, trapping an estimated \$50+ billion in shareholder value. Through innovative blockchain technology and **issuer-authorized tokenization utilizing the SEC's preferred Category 1 structure**—with direct issuer board authorization, SEC-registered transfer agent custody, and 1:1 equity backing—OTCM demonstrates how compliant crypto innovation can revitalize failing traditional financial infrastructure while enhancing investor protections.

The purpose of this updated submission is to describe how OTCM's architecture aligns with the Commission's January 28, 2026 guidance distinguishing issuer-sponsored tokenized securities from third-party synthetic products, to explain our regulatory-compliant tokenization model, and to offer our continued expertise in support of the Commission's efforts to develop clear guidance for tokenized securities. As explained in our attached Updated Roadmap for Tokenized Securities:

- **OTCM's ST22 Security Token architecture satisfies every element of the SEC's Category 1 (Issuer-Sponsored) requirements:** direct issuer board authorization through corporate resolution, Certificate of Designation filed with Secretary of State, SEC-registered transfer agent custody at Empire Stock Transfer, CUSIP assignment, and 1:1 preferred share backing with protective conversion triggers.
- **OTCM's model is distinguished from the Commission's disfavored Category 2 structures:** Unlike third-party tokenization creating synthetic exposure or custodial entitlements without issuer involvement, OTCM requires formal issuer authorization at every step, eliminating the counterparty and bankruptcy risks the Commission identified in its January 28, 2026 guidance.
- **Support tokenization models that utilize SEC-registered transfer agents as qualified custodians,** ensuring institutional-grade custody with regulatory oversight—precisely as OTCM implements through its partnership with Empire Stock Transfer.
- **Recognize the use of public, permissionless blockchains (such as Solana) as consistent with investor protection** when paired with appropriate custody arrangements and smart contract



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security controls, as demonstrated by OTCM's ST22 SPL Token-2022 Transfer Hook implementation.

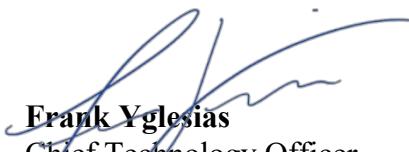
- **Provide targeted regulatory relief for issuer-authorized tokenization models** that serve markets abandoned by traditional financial infrastructure, where the Commission's preferred Category 1 structure creates markets where none exist.
- **Acknowledge that properly structured issuer-authorized tokenized securities provide superior investor protection** through transparent, immutable transaction records and programmable compliance controls enforced at the protocol level.

OTCM creates permanent trading markets for securities that traditional finance has abandoned. By combining SEC-registered transfer agent custody with Solana blockchain technology under an issuer-authorized framework, we replace the opacity of defunct OTC markets with transparent, on-chain trading where every transaction is verifiable. This approach directly serves the SEC's investor protection mission by giving shareholders in abandoned companies something they currently lack: a functioning market and complete visibility into their holdings—all within the compliant Category 1 structure the Commission has now explicitly endorsed.

- **Permissionless Infrastructure:** The SEC should support the use of public, permissionless blockchain systems being incorporated into securities markets as consistent with investors' rights to access liquid markets for securities that traditional infrastructure has abandoned, when paired with issuer-authorized structures satisfying Category 1 requirements.
- **Transfer Agent Integration:** The SEC should continue to support tokenization models that leverage SEC-registered transfer agents (such as Empire Stock Transfer) as qualified custodians, creating an auditable bridge between traditional securities infrastructure and blockchain technology that satisfies the Commission's Category 1 requirements.
- **Investor Empowerment:** The SEC should recognize that issuer-authorized blockchain-based securities can provide enhanced investor protection through 24/7 market access, transparent price discovery via bonding curves, and programmable safeguards against market manipulation—protections unavailable in the abandoned OTC markets we serve.

Thank you in advance for considering our perspectives set forth in this letter and in the accompanying Updated Roadmap. We would be happy to answer questions, expand upon our reasoning, and provide more details regarding how OTCM's architecture exemplifies the Commission's preferred issuer-authorized tokenization model. OTCM stands ready to support the Commission's efforts in whatever form may be most useful.

Yours sincerely,



Frank Yglesias
Chief Technology Officer
OTCM Protocol

Cc: The Crypto Task Force
SEC Investor Advisory Committee



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OTCM Protocol:

Updated Roadmap for Tokenized Securities

Aligned with SEC January 28, 2026 Guidance on Issuer-Authorized Tokenization

I. OTCM Profile

OTCM Protocol's mission is to create permanent market infrastructure for securities that traditional finance has abandoned, utilizing the SEC's preferred Category 1 issuer-authorized tokenization framework. Over 11,000 companies trade on OTC markets, yet thousands have become completely untradeable, trapping an estimated \$50 billion in shareholder value. Traditional market infrastructure fails these securities through compounding inefficiencies: market makers ignore stocks trading less than \$50,000 daily, compliance costs of \$15,000-\$75,000 annually force companies to abandon market reporting, and once securities fall into the "grey market," traditional finance offers no path to liquidity.

OTCM's approach spans both traditional securities infrastructure through SEC-registered transfer agents and decentralized finance structures through public blockchain deployment—all within the issuer-authorized framework the Commission endorsed in its January 28, 2026 joint statement. From our perspective, adopting blockchain technology in financial markets isn't about replacing the traditional financial system—it's about creating compliant markets where none exist, serving the millions of shareholders forgotten by traditional finance.

OTCM's business consists of three main operational areas that together enable a comprehensive approach to issuer-authorized securities tokenization:

- **Technology Infrastructure.** We develop blockchain-based systems that support tokenization of real-world securities assets with regulatory compliance built into the protocol layer, consistent with the SEC's Category 1 requirements.
 - **OTCM Protocol Layer 2** – Custom Solana-based infrastructure being developed to enable issuer-authorized tokenized securities to operate with institutional-grade security controls, including Transfer Hook extensions for programmable compliance.
 - **Bonding Curve AMM** – Automated market maker providing algorithmic price discovery and continuous liquidity for tokenized securities without traditional market maker dependency.
 - **CEDEX (Centralized DEX)** – OTCM's proprietary centralized backend and decentralized frontend exchange built specifically for ST22 Security Tokens. Unlike external DEXs (Rydium, Jupiter, Orca) that cannot invoke Token-2022 Transfer Hooks, CEDEX maintains full Transfer Hook support on every trade, ensuring all 42 security controls remain active throughout the token lifecycle. This solves the critical "graduation problem" where tokens graduating to incompatible exchanges lose their security protections.



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- **Security Control Framework** – SPL Token-2022 Transfer Hook implementation with 42 built-in security controls including circuit breakers, wallet concentration limits, and anti-manipulation mechanisms.
- **Creating Issuer-Authorized Tokenized Securities.** We support the creation of ST22 Security Tokens on public blockchains, each backed 1:1 by preferred shares held at an SEC-registered transfer agent, satisfying the Commission's Category 1 issuer-sponsored requirements.
 - **ST22 Security Tokens:** Issuer-authorized tokenized representations of Preferred Series "M" shares created specifically for tokenization—non-voting, non-dividend, permanently held in custody, creating 1:1 backed digital securities that satisfy the SEC's January 2026 guidance for issuer-sponsored tokenization.
 - **OTCM Utility Token:** Platform governance token providing fee discounts (10-50% based on holdings), DAO voting rights, and staking rewards (8-40% APY through issuer staking nodes).
- **Supporting Markets for Tokenized Securities.** We support the trading, settlement, and custody of issuer-authorized tokenized securities through compliant infrastructure.
 - **Empire Stock Transfer Partnership** – SEC-registered transfer agent serving as qualified custodian for all backing shares, providing institutional-grade security and regulatory compliance consistent with Category 1 requirements.
 - **OTCM Trading Platform** – Primary marketplace for ST22 trading with integrated bonding curves and graduation mechanism to decentralized exchanges.
 - **Issuer-Authorized Tokenization Framework** – ST22 Security Tokens are structured as issuer-authorized tokenized securities under the SEC's January 28, 2026 guidance, satisfying all Category 1 requirements: direct issuer board authorization, official shareholder register integration through Certificate of Designation, SEC-registered custody, true equity backing, CUSIP assignment, and protective conversion triggers ensuring token holders maintain a path to legal ownership.

II. Alignment with SEC January 2026 Tokenized Securities Guidance

On January 28, 2026, the SEC's Divisions of Corporation Finance, Investment Management, and Trading and Markets jointly issued comprehensive guidance establishing a taxonomy for tokenized securities. This landmark statement provides the regulatory clarity that positions OTCM Protocol as the compliant pathway for securities tokenization.

The SEC's Critical Taxonomy

The Commission drew a decisive distinction between two fundamentally different tokenization models:

Category 1 (Favored): Issuer-Sponsored Tokenized Securities

Securities where the issuing company directly authorizes and integrates blockchain records into its official shareholder register, representing true equity ownership. The SEC stated that *only issuer-sponsored tokenized securities can represent true equity ownership with full shareholder rights*.

Category 2 (Disfavored): Third-Party Tokenized Securities



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Securities tokenized by intermediaries without direct issuer involvement, including custodial arrangements exposing investors to counterparty and bankruptcy risk, and synthetic instruments providing only economic exposure without actual ownership rights. The SEC explicitly warned that such products cannot trade off-exchange to retail investors and face heightened regulatory scrutiny.

OTCM's Category 1 Compliance

OTCM Protocol's architecture was designed from inception to satisfy the issuer-authorization requirements now formally endorsed by the Commission. Our model satisfies every element of Category 1:

SEC Category 1 Requirement	OTCM Implementation	Status
Direct issuer authorization	Board resolution required for Series M creation	Compliant
Official shareholder register	Certificate of Designation filed with SoS	Compliant
Regulated custody	Empire Stock Transfer (SEC-registered)	Compliant
True equity backing	1:1 preferred shares with conversion rights	Compliant
Clear ownership chain	CUSIP assignment + Golden Medallion Guarantee	Compliant
Investor protection mechanisms	Protective conversion triggers on adverse events	Compliant
Token standard compliance	SPL Token-2022 with Transfer Hooks	Compliant

This regulatory alignment positions OTCM as the compliant pathway for securities tokenization, distinguished from competing models that now face heightened scrutiny under the Commission's disfavored Category 2 classification.

Competitive Differentiation from Category 2 Models

The SEC's January 28, 2026 guidance explicitly identifies problems with third-party tokenization that OTCM's architecture avoids:

- **Counterparty Risk:** Category 2 models expose investors to intermediary failure. OTCM's direct issuer authorization and SEC-registered custody eliminates this risk entirely.
- **Bankruptcy Risk:** Third-party custodial arrangements may leave token holders as general creditors. OTCM's protective conversion triggers ensure token holders receive converted common stock directly in bankruptcy scenarios.
- **Synthetic Exposure:** Category 2 synthetic instruments provide only economic exposure without ownership rights. OTCM's 1:1 preferred share backing provides true equity ownership through regulated channels.



III. General Perspective

We agree with the Commission and many commentators that global capital markets are entering a new phase enabling mass adoption of tokenization. The January 28, 2026, guidance provides crucial clarity that issuer-authorized tokenization represents the compliant pathway forward. However, most tokenization efforts to date have focused on assets that already function well in traditional markets—government securities, money market funds, institutional products. OTCM addresses a fundamentally different market segment: securities that traditional infrastructure has actively abandoned.

The crisis we address is substantial: approximately 5 million shareholders hold positions in securities that cannot be traded at any price—not because the underlying companies are worthless, but because no market infrastructure exists to facilitate trades. These shareholders include retired teachers whose mining stocks became untradeable, employees who accepted equity compensation, and families whose generational wealth evaporated when markets abandoned their holdings. Traditional finance offers these investors no hope.

OTCM's products have been developed with a consistent goal: to create permanent market infrastructure through innovative use of preferred shares held in perpetual custody, fully compliant with the SEC's Category 1 issuer-authorized framework. Unlike temporary market-making arrangements that can be terminated, our model creates infrastructure that cannot be withdrawn, markets that cannot disappear, and value that compounds across generations. Key features include:

- **The Preferred Series "M" structure** transforms traditional shareholder relationships into permanent tokenization arrangements—companies contribute non-voting, non-dividend preferred shares that OTCM holds in perpetuity through SEC-registered custody, creating continuous market support without ongoing payments.
- **Bonding curve mechanisms** effectively provide 24/7 price discovery and instant settlement, replacing unreliable traditional market makers with algorithmic liquidity that cannot be withdrawn.
- **Empire Stock Transfer's perpetual custody arrangement** provides the institutional foundation that makes permanent tokenization credible—once preferred shares are deposited, they are marked with permanent restrictive legends that cannot be removed except through DAO governance approval with supermajority thresholds.
- **The issuer-authorized tokenization framework** ensures ST22 tokens qualify as the SEC's preferred Category 1 tokenized securities—distinguished from third-party synthetic products by direct issuer authorization, regulated custody, and true equity backing—while maintaining programmatic compliance controls that provide investor protections superior to traditional markets.

A core thesis of ours is that permanent problems require permanent solutions. Market abandonment is permanent. Shareholder suffering is permanent. Traditional finance's failures are permanent. Our solution must be equally permanent—and must operate within the compliant Category 1 framework the Commission has now endorsed. By building permanent infrastructure through preferred shares held in perpetuity at SEC-registered transfer agents, we create markets that match the permanence of the problems they solve.



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IV. State of Play: The Three Tokenization Pathways

Even as consensus around the value of tokenization has increased, there continues to be significant lack of consensus on which tokenization models to use. The SEC's January 28, 2026 guidance provides critical clarity by establishing that issuer-authorized models represent the compliant pathway. We observe three primary pathways emerging, each of which OTCM's model intersects with in different ways:

- **Direct Registration:** An issuer establishes an on-chain system of records through OTCM Protocol's Issuers Gateway Portal. Security tokens represent a holder's direct legal interest in securities with OTCM Protocol serving as the on-chain system of record. OTCM's Preferred Series "M" shares are custodied with Empire Stock Transfer while the blockchain record is maintained by OTCM Protocol, creating clear legal ownership while enabling tokenization—precisely the issuer-authorized structure the SEC's Category 1 framework requires.
- **Beneficial Ownership:** Securities positions are converted to corresponding token positions, tracked and reconciled against control accounts. OTCM's oracle verification system maintains real-time reconciliation between token supply and shares held in custody.
- **New Security:** A holder of securities issues a new security in tokenized form corresponding to rights in underlying securities. OTCM's ST22 Security Tokens function as new digital native securities backed by the Preferred Series "M" shares—a structure with numerous precedents in equity-linked structured products, now validated by the SEC's Category 1 framework.

OTCM's architecture combines elements of all three approaches while satisfying the SEC's Category 1 issuer-authorization requirements: direct registration through OTCM's Issuers Gateway Portal with custody at Empire Stock Transfer provides legal foundation; beneficial ownership verification through our oracle system ensures 1:1 backing; and the ST22 Security Token represents a new tokenized instrument that can trade on permissionless blockchain infrastructure. OTCM Protocol serves as the authoritative on-chain system of record, maximizing both regulatory clarity and technological capability.

V. OTCM's Unique Technical Innovation

A. The Perpetual Preferred Share Model

OTCM introduces an entirely new category of issuer-authorized tokenized asset that bridges traditional securities infrastructure with blockchain efficiency through a novel "perpetual preferred share" mechanism. The key innovation is permanent separation between tokens and underlying securities, eliminating redemption rights while maintaining asset backing—all within the SEC's Category 1 compliant framework:

1. **Preferred Series "M" Creation:** Companies create special non-voting, non-dividend, non-redeemable preferred shares specifically designed for tokenization through formal board authorization. These shares carry no voting rights (ensuring no governance dilution), no dividend obligations (avoiding ongoing financial burdens), and conditional conversion rights (protecting token holders in default scenarios). This formal issuer authorization satisfies Category 1 requirements.



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2. **Permanent Custody:** Shares are irrevocably deposited with Empire Stock Transfer, an SEC-registered transfer agent, under permanent custody arrangements that cannot be reversed. Restrictive legends cannot be removed except through DAO governance approval with supermajority thresholds. This regulated custody satisfies the SEC's requirement for qualified custodians.
 3. **1:1 Token Minting:** For each deposited share, exactly one ST22 Security Token is minted with mathematical precision. Oracle verification systems maintain real-time confirmation of backing ratios, with blockchain-anchored cryptographic proofs. This verifiable 1:1 backing provides the true equity ownership the SEC requires for Category 1 status.
 4. **Issuer Commitment:** Companies must purchase 40-60% of minted tokens immediately, demonstrating permanent commitment and providing initial liquidity. Issuer tokens are locked with structured vesting (20% at launch, 20% at graduation, 20% every 6 months).
 5. **Bonding Curve Trading:** Community-driven price discovery through automated market maker mechanics replaces unreliable traditional market makers, with DEX graduation upon reaching market capitalization milestones.

Key Innovation: Unlike third-party tokenization models that the SEC has identified as creating counterparty and bankruptcy risk (Category 2), OTCM creates issuer-authorized securities with permanent, irrevocable separation between tokens and underlying securities. This eliminates the risks the Commission identified while maintaining asset backing—a structure that satisfies Category 1 regulatory requirements while providing genuine economic value to abandoned shareholders.

B. The "Mathematically Impossible Rugpull" Architecture

OTCM's technical architecture incorporates 42 comprehensive security controls implemented through SPL Token-2022 Transfer Hook extensions, creating what we describe as "mathematically impossible rugpull" protection. These programmatic compliance controls provide investor protections that the SEC has recognized as potentially superior to after-the-fact enforcement:

- **Circuit Breakers:** 30% sell threshold triggers automatic trading pause, preventing catastrophic price collapse from coordinated selling.
- **Wallet Concentration Limits:** 4.99% maximum holdings per wallet prevents whale accumulation and reduces manipulation risk.
- **Permanent Liquidity Locks:** Graduation funds are burned and permanently locked, creating irreversible liquidity commitment.
- **Anti-MEV Protection:** Jito bundle integration prevents front-running and sandwich attacks.
- **Bot Pattern Detection:** Multi-layer anti-sniping systems identify and restrict automated manipulation.

These protections are enforced at the protocol level through Transfer Hook extensions—smart contracts that execute automatically on every transaction, providing protection that cannot be circumvented or disabled. This represents a significant advancement over traditional securities markets, where manipulation protections rely on after-the-fact enforcement rather than programmatic prevention.



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C. Protective Conversion Triggers

OTCM's Series M shares include automatic conversion provisions ensuring token holders maintain a path to legal ownership under adverse circumstances. This directly addresses the SEC's concern about counterparty and bankruptcy risk in Category 2 tokenization models:

- Bankruptcy filing (any chapter) triggers automatic conversion to common stock
- SEC enforcement action against the company triggers automatic conversion
- Criminal indictment or conviction of officers triggers automatic conversion
- Loss of Transfer Agent services triggers automatic conversion
- Material breach of token holder rights triggers automatic conversion

These protective mechanisms ensure that token holders are never treated as general creditors in adverse scenarios—a key differentiator from the third-party tokenization models the SEC has identified as creating unacceptable investor risk.

VI. The Meme Token Crisis: A Billion-Dollar Problem

While OTCM addresses the abandoned OTC securities market, our Layer 2 infrastructure also solves the systemic fraud plaguing the broader meme token ecosystem. The scale of losses is staggering: over \$69 million lost to insider trading on Meteora from December 2024 to February 2025; 99% of tokens on Pump.fun confirmed as scams with 18,000 fake tokens created by a single user; \$3.7 million stolen via automated manipulation schemes. These are not isolated incidents—they represent structural failures in how meme tokens are currently created and traded.

How OTCM's Layer 2 Solves These Problems

OTCM's Layer 2 infrastructure, built on Solana's SPL Token-2022 standard with Transfer Hook extensions, provides programmable investor protection that makes the attacks described above mathematically impossible. The Transfer Hook program is invoked on every single token transfer—no exceptions. This is not periodic monitoring or sampling; it is continuous, atomic validation that cannot be bypassed.

- **Anti-Rugpull (Permanent Liquidity Locks):** Minimum \$10,000 SOL liquidity locked in smart contracts at launch. Liquidity cannot be withdrawn or manipulated—ever. Graduation funds are burned and permanently locked upon reaching milestones.
- **Anti-Dump (Vesting Schedule Enforcement):** 60% of issuer tokens are permanently locked with structured release: 20% at creation, 20% at graduation, then 20% every 6 months. Transfer Hook validates vesting compliance on every transfer.
- **Anti-Whale (4.99% Maximum Wallet Limit):** No single address can hold more than 4.99% of total supply. Prevents the whale accumulation that enables coordinated dumps.
- **Anti-Crash (30% Circuit Breaker):** Automatically halts trading for 24 hours when price drops 30% from reference point. Prevents panic cascades and coordinated dumps.



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- **Anti-Bot (MEV Protection):** Jito bundle integration prevents front-running and sandwich attacks. Multi-layer anti-sniping systems identify and restrict automated manipulation.

This is not incremental improvement—it is a fundamentally different security architecture that makes the billion-dollar fraud ecosystem economically irrational to attack, while remaining fully compliant with the SEC's Category 1 issuer-authorized framework.

VII. Actionable Regulatory Recommendations

A. OTCM's Perspective

The Commission's January 28, 2026 guidance provides crucial clarity that issuer-authorized tokenization represents the compliant pathway. Building on this foundation, OTCM's perspective is that SEC-registered transfer agents can serve as effective bridges between traditional securities infrastructure and blockchain technology, and that Category 1 compliant tokenization models like OTCM's should receive favorable regulatory consideration. This perspective has logical implications for recommended Commission action:

- Transfer agent-based tokenization models satisfying Category 1 requirements should be recognized as providing sufficient custody and investor protection for tokenized securities, particularly when combined with smart contract security controls and real-time verification oracles.
- Both permissioned and permissionless blockchains can be used safely for issuer-authorized tokenized securities when linked to securities held in custody with SEC-registered transfer agents.
- Issuer-authorized tokenization models serving abandoned securities markets provide unique economic value by restoring liquidity to shareholders who currently have none—these models should receive favorable regulatory consideration given their investor protection benefits and Category 1 compliance.
- Targeted no-action, exemptive, and other relief should be considered for tokenization models that demonstrate: (1) qualified custody arrangements with SEC-registered entities, (2) verifiable 1:1 asset backing, (3) programmable compliance controls, (4) direct issuer authorization satisfying Category 1 requirements, and (5) service to markets underserved by traditional infrastructure.

B. Specific Policy Recommendations

OTCM respectfully submits the following specific recommendations for Commission consideration:

6. **Safe Harbor for Category 1 Abandoned Securities Tokenization:** Building on the Commission's January 2026 guidance, establish clear safe harbor provisions that tokenization of securities in markets abandoned by traditional infrastructure (grey market, Expert Market, companies losing 15c2-11 eligibility) may proceed under existing exemptions when utilizing SEC-registered transfer agent custody with verifiable 1:1 backing and direct issuer authorization satisfying Category 1 requirements.



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7. **Transfer Agent Custody Recognition:** Confirm that SEC-registered transfer agents may serve as qualified custodians for issuer-authorized tokenized securities, providing the regulatory oversight necessary for permissionless blockchain deployment consistent with Category 1 requirements.
 8. **Programmable Compliance Recognition:** Acknowledge that smart contract-based compliance controls (circuit breakers, concentration limits, vesting schedules, protective conversion triggers) can provide investor protection superior to after-the-fact enforcement in traditional markets.
 9. **Permissionless Infrastructure Guidance:** Clarify that public, permissionless blockchains may be used for issuer-authorized tokenized securities when paired with appropriate custody arrangements and Category 1 compliance, without requiring permissioned alternatives that reduce market accessibility.
 10. **Bonding Curve AMM Recognition:** Provide guidance on the use of algorithmic market makers (bonding curves) for issuer-authorized tokenized securities, recognizing their potential to provide continuous liquidity without traditional market maker dependency.

VIII. Economic Impact and Market Potential

Immediate Market Opportunity

- **\$50+ Billion Value Restoration:** Direct economic value restoration for shareholders trapped in illiquid OTC securities.
- **5+ Million Affected Shareholders:** Individual investors who currently hold positions they cannot sell at any price.
- **11,000+ Companies:** Potential issuers across OTC markets from OTCQX to Grey Market.
- **Sustainable Fee Model:** 5% transaction fee generates permanent platform revenue without burdening issuers.

Long-Term Systemic Benefits

- **Market Efficiency:** More liquid price discovery for previously abandoned securities through bonding curve mechanisms.
- **Capital Formation:** Restored liquidity may encourage new company formations in OTC markets, knowing permanent market infrastructure exists.
- **Financial Inclusion:** Global 24/7 access democratizes investment opportunities previously restricted by geography and market hours.
- **Infrastructure Modernization:** Demonstrates blockchain's role in financial system upgrades for underserved market segments.
- **Regulatory Leadership:** Positions U.S. as leader in compliant crypto-finance integration for securities markets, building on the Category 1 framework established in the January 2026 guidance.

IX. Conclusion



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OTCM Protocol represents more than technical innovation—it demonstrates a fundamentally new approach to securities markets that achieves regulatory objectives while creating genuine economic value. The Commission's January 28, 2026 guidance establishing the issuer-authorized vs. third-party tokenization taxonomy provides crucial clarity that validates OTCM's compliance-first architecture.

By building permanent infrastructure through preferred shares held in perpetuity at SEC-registered transfer agents, with direct issuer authorization satisfying Category 1 requirements, OTCM creates markets that cannot fail because they cannot end. The combination of SEC-registered custody, verifiable 1:1 backing, programmable compliance controls, protective conversion triggers, and service to abandoned markets creates a compelling case for Commission support.

The policy implications are significant. Issuer-authorized tokenization efforts like OTCM's are better for investors in numerous respects with fairly modest regulatory clarifications. These reforms represent the continuation of investor protection principles the SEC has championed for decades, adapted to serve markets that traditional infrastructure has abandoned—now with explicit Category 1 guidance validating the compliant pathway.

We believe the SEC is in an excellent position to lead efforts that make securities markets both safer and more accessible. OTCM Protocol looks forward to fully supporting the Commission in those efforts and stands ready to provide additional information, technical demonstrations, or other support as may be useful.

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