July 1, 2026

The Honorable Paul S. Atkins
Chairman
via email: chairman@sec.gov

The Honorable Hester M. Peirce
Commissioner
via email: commissionerpeirce@sec.gov

The Honorable Mark T. Uyeda
Commissioner
via email: commissioneruyeda@sec.gov

**Re: SEC Tokenization Framework Should Favor Issuer-Sponsored Tokens**

Dear Chairman Atkins, Commissioner Peirce, and Commissioner Uyeda:

The Securities Transfer Association, Inc. (STA), which represents the transfer agent industry, respectfully submits this letter in connection with the Commission's ongoing development of a regulatory framework for trading and self-custody of tokenized securities. Founded in 1911, STA represents more than 100 transfer agents who are responsible for the record keeping for more than 15,000 issuers of securities, representing the investments of over 100,000,000 registered shareholders. As providers of operational infrastructure that supports the U.S. securities markets, transfer agents are directly concerned with how tokenized securities are issued, recorded, transferred, and reconciled with an issuer's shareholder records. STA urges the Commission to ensure that any innovation exemption or permanent regulatory framework distinguishes actual, issuer-authorized, natively issued tokenized securities from unaffiliated synthetic instruments and removes infrastructure impediments that would otherwise disadvantage genuine tokenized securities.

## I. ISSUER-SPONSORED TOKENS SHOULD BE DISTINGUISHED FROM THIRD-PARTY TOKENS

There has recently been a proliferation of tokens that are not shares of a Corporation but claim to be, or otherwise provide economic exposure by reference to, securities of that company ("Corporation"). These custodial or synthetic tokenized securities (together "Third-Party Tokens")[1] are not issued or authorized by the Corporation, and they do not establish a legal relationship between the token holder and the Corporation. By contrast, "Issuer-Sponsored Tokens" are actual securities of the Corporation that are issued or tokenized with the Corporation's consent and reflected through the issuer's authorized securities infrastructure. If Third-Party Tokens are permitted to proliferate under the same regulatory label as Issuer-Sponsored Tokens, they will undermine capital formation, fragment markets, confuse investors, and compromise the disclosure, shareholder-record, transfer-control, and market-integrity protections that the federal securities laws are designed to provide. The Commission has a clear path to avoid that outcome: any innovation exemption, pilot program, no-action position, or permanent framework for tokenized securities should apply only to Issuer-Sponsored Tokens.

The distinction is fundamental. An Issuer-Sponsored Token is an actual share or other security of the Corporation. Its holder has the legal and economic rights that attach to that security under the issuer's governing documents, applicable corporate law, and the federal securities laws, including, where applicable, voting, dividend, distribution, transfer, and shareholder communication rights. An Issuer-Sponsored Token also can be integrated with the issuer's official ownership records through the issuer's transfer agent.

A Third-Party Token does not provide those rights. The Corporation has no legal relationship with the holder, and the holder instead faces the credit, operational, custody, and contractual risks of the third-party platform or issuer of the Third-Party Token. Even if the value of the Corporation's stock appreciates, a Third-Party Token holder may receive materially different rights, remedies, or recoveries—and, in some circumstances, may hold an instrument that becomes worthless because of the failure of the Third-Party Token issuer or platform. Multiple Third-Party Tokens referencing the same Corporation have proliferated , each governed by different contractual terms and trading outside the Corporation's disclosure, governance, shareholder-record, and shareholder-communication ecosystem.

Nor are Third-Party Tokens adequately justified by analogy to unsponsored American Depositary Receipts ("ADRs"). That analogy is incomplete and should not guide the Commission's treatment of tokenized securities. Unsponsored ADRs exist within a defined regulatory framework that requires SEC filings and administration by regulated banks or trust companies; Third-Party Tokens may be issued by unrelated tokenization

[1] *See* Divisions of Corporation Finance, Investment Management, and Trading and Markets, *Statement on Tokenized Securities*, U.S. Securities and Exchange Commission (Jan. 28, 2026), available at https://www.sec.gov/newsroom/speeches-statements/corp-fin-statement-tokenized-securities-012826-statement-tokenized-securities (describing "third-party tokenized securities" as instruments created by parties unaffiliated with the issuer, including custodial tokenized securities and synthetic tokenized securities).

platforms without comparable issuer involvement, shareholder-record integration, transfer controls, or regulatory guardrails. Despite the differences, when an issuer chooses to sponsor its depositary receipt program, all unsponsored programs are terminated and holders moved to the sponsored DR.

## II. THIRD-PARTY TOKENS POSE SPECIFIC RISKS TO ISSUERS, INVESTORS, AND MARKET INTEGRITY

Allowing Third-Party Tokens to trade as if they were equivalent to Issuer-Sponsored Tokens would create specific and foreseeable harms. The Commission should address these harms directly rather than assume that disclosure alone can eliminate confusion or market externalities. The principal concerns include:

- **Reduced Demand for Shares of the Corporation.** Synthetic Third-Party Tokens allow investors to obtain economic exposure to a Corporation's equity without purchasing the Corporation's issued stock. That substitution can suppress public-market demand for the issuer's shares and impair the issuer's ability to raise capital through equity offerings.
- **Information about Holders and Corporate Actions.** Third-Party Tokens also eliminate a core benefit of properly structured tokenized securities: the ability of the issuer, through its registered transfer agent, to understand who holds its securities and to maintain reliable shareholder records. In addition, unlike Issuer-Sponsored Tokens, Third-Party Tokens do not facilitate corporate actions of the Corporation, such as voting and dividend payments.
- **Market Integrity and Corporation Reputation.** Third-Party Token markets, particularly offshore or lightly regulated venues, can create price signals that diverge from the Corporation's registered securities yet still influence analyst coverage, media narratives, investor sentiment, and trading in the Corporation's stock. If a tokenization platform fails, is hacked, becomes insolvent, or misrepresents the nature of its tokens, investor losses are likely to be associated publicly with the Corporation even if the issuer did not authorize the Third-Party Token. The issuer therefore bears reputational harm and potential market disruption from activity it did not control and did not approve.
- **Inadequate Disclosure.** When an entity creates a Third-Party Token, the Corporation has no role in drafting, reviewing, or approving the disclosures made to token purchasers. Those disclosures, if they exist, are prepared by the issuer of the Third-Party Token and may not be consistent with the Corporation's SEC filings, shareholder communications, risk factors, capitalization information, or corporate-governance disclosures. Although the Corporation bears no legal responsibility for those third-party disclosures, it may nonetheless suffer

reputational and market consequences if the disclosures are inaccurate, incomplete, or misleading.

- **Investor Confusion.** Retail purchasers may reasonably misunderstand Third-Party Tokens as the legal or economic equivalent of owning the underlying stock of the Corporation, particularly where marketing materials use the Corporation's name, ticker symbol, logo, or stock price. That confusion is especially acute if a Third-Party Token is described as a "tokenized stock" or "tokenized share" without a clear statement that the instrument is not issued, authorized, or guaranteed by the Corporation and does not confer shareholder rights. In certain cases, an investor in a Third-Party Token may not get any of the economic exposure to the Corporation that he expects; for example, three crypto-native tokenization platforms were recently required to cancel trades and refund customer funds when they were unable to source the actual SpaceX shares they needed to support their SpaceX "pre-IPO" tokens. Any misunderstanding about Third-Party Tokens exposes investors to risks they may not appreciate and exposes the Corporation to reputational harm when token holders suffer losses or learn that their rights are materially more limited than expected.
- **Insider Trading and Market Abuse.** Third-Party Tokens create additional venues for trading economic exposure to a Corporation's issued stock, often with weaker surveillance, reporting, and enforcement controls than registered securities markets. This fragmentation expands opportunities for insider trading, manipulation, wash trading, and cross-market abuse. Bad actors may use Third-Party Token venues to trade on material nonpublic information or manipulate prices in ways that affect the Corporation's securities, while the Corporation has no practical ability to monitor, police, or prevent that conduct.
- **Sanctions, AML, and Transfer-Control Risks.** Many existing Third-Party Tokens can be transferred permissionlessly between wallets without sufficient controls to prevent sanctioned persons, blocked jurisdictions, or other illicit actors from holding or trading economic exposure to U.S. public companies. STA does not suggest that tokenization is inherently incompatible with sanctions, AML, or Bank Secrecy Act compliance. Rather, any innovation exemption or broader framework for tokenized securities should require appropriate transfer controls embedded in smart contracts, identity and eligibility checks, recordkeeping, and intermediary or transfer-agent processes sufficient to support compliance with OFAC, FinCEN, and BSA obligations.

## III. TOKENIZED-SECURITIES RELIEF SHOULD REQUIRE ISSUER AUTHORIZATION, DISCLOSURE, AND TRANSFER CONTROLS

For these reasons, STA urges the Commission to make issuer authorization and the legal status of the tokenized instrument threshold conditions for any tokenized-securities relief. A product that merely references the price of an issuer's stock, without representing an actual issuer-authorized security recorded through appropriate securities infrastructure, should not receive the same regulatory treatment as an Issuer-Sponsored Token. However, if the Commission intends to permit Third-Party Tokens to use the innovation exemption or any subsequent relief, we request that the Commission first offer the public notice and the ability to comment on that portion of the innovation exemption given the significant effects it may have on Corporations throughout the United States. In addition:

- The Commission should require clear issuer consent before any third party may create, market or trade a token as a tokenized share, tokenized stock, or tokenized security of a Corporation, or otherwise use the issuer's name or ticker in a manner that suggests issuer authorization;
- The use of Third-Party Tokens for <u>any</u> purpose should be subject to a number of threshold conditions. Specifically, Third-Party Tokens should be required to have prominent disclosures that distinguish them from Issuer-Sponsored Tokens, including describing the differences in shareholder rights, whether the instrument is recorded on the issuer's books, who bears custody and counterparty risk, and what transfer restrictions apply; and
- Third-Party Tokens should also be required to incorporate transfer controls and compliance procedures reasonably designed to prevent prohibited or illicit transfers, support OFAC, FinCEN, and BSA compliance, and preserve accurate ownership and transfer records.

## IV. INFRASTRUCTURE IMPEDIMENTS TO ISSUER-SPONSORED TOKENS

Issuer-Sponsored Tokens can deliver the benefits of tokenization only if the surrounding securities market infrastructure is modernized. That modernization should be fair, neutral, and designed to facilitate Issuer-Sponsored Tokens rather than favor (1) incumbent infrastructure providers, such as by preferencing tokenized entitlements issued by The Depository Trust Company ("DTC"), or (2) Third-Party Tokens.

For Issuer-Sponsored Tokens to achieve their potential, holders must be able to convert efficiently between traditional and tokenized forms of the same securities. In practice, this requires a rapid and reliable process for moving shares between street-name holdings at DTC and direct registration on the books of the issuer's transfer agent, whether in the name of a broker-dealer or otherwise. That conversion depends on DTC's Direct Registration System ("DRS"), which should be capable of supporting tokenized-securities workflows without undue delay or friction.

Today, however, DRS transfers can be slow and cumbersome, often requiring several days to move shares from a holder's broker to the transfer agent before they can be converted into tokenized form. This bottleneck disadvantages the Issuer-Sponsored Token model relative to DTC-issued tokenized entitlements and Third-Party Tokens, which do not need this step but provide weaker issuer-consent, shareholder-record, and investor-protection features. A framework that effectively channels tokenization toward those alternatives would be inconsistent with the policy goal of removing regulatory and supervisory practices that primarily benefit incumbent financial services firms.

Accordingly, STA urges the Commission to work with DTC to remediate and modernize the DRS process before providing DTC with further relief for its pilot program[2] or any comparable tokenization program. At a minimum, the Commission should condition any such program on demonstrable improvements to DRS timing, transparency, operational access, and interoperability with registered transfer agents or other brokers. Permitting DTC to proceed before those improvements are made would encourage DTC-issued tokenized entitlements and Third-Party Tokens while discouraging issuer-authorized Issuer-Sponsored Tokens.

## CONCLUSION

Issuer-Sponsored Tokens can provide meaningful benefits to issuers, investors, and the U.S. capital markets, but only if the Commission establishes the foundational architecture correctly. STA respectfully urges the Commission to adopt a framework that prioritizes Issuer-Sponsored Tokens; excludes Third-Party Tokens from any innovation exemption or permanent tokenized-securities framework; requires clear issuer consent, disclosures, transfer controls, and compliance procedures; and modernizes the DRS process so that Issuer-Sponsored Tokens can compete on a fair and neutral basis.

Respectfully submitted,

Peter Duggan
President

[2] *See* No-Action Letter Request Related to The Depository Trust Company's Development of the DTCC Tokenization Services, December 11, 2025.