

Comment to the SEC Regarding Tokenized Securities

I am writing to urge the SEC to approach tokenized securities, especially tokenized versions of publicly traded stocks, with extreme caution.

Tokenization may offer some legitimate benefits, including faster settlement, fractional ownership, improved recordkeeping, and broader access to markets. However, those benefits should not come at the expense of investor protection, market integrity, shareholder rights, or the stability of the broader financial system.

My primary concern is that tokenized stocks could create a parallel securities market in which retail investors believe they are buying actual shares of public companies when they may instead be buying a token, synthetic instrument, contractual claim, or derivative-like product issued by a third party. If tokenized stocks are permitted, the SEC should require clear, plain-language disclosure explaining exactly what the investor owns and what rights the investor does or does not receive.

At a minimum, tokenized stocks offered to retail investors should be required to meet the following standards:

- 1 The token should be backed 1:1 by the actual underlying security, held by a regulated custodian.
- 2 The backing assets should be subject to regular independent audits.
- 3 Token holders should receive the same economic rights as ordinary shareholders, including dividends and other distributions.
- 4 The rules should clearly address whether token holders receive voting rights, proxy materials, and other shareholder protections.
- 5 The issuer of the token should not be allowed to imply that the token is equivalent to direct stock ownership unless it truly carries equivalent rights and protections.
- 6 Third parties should not be allowed to issue tokenized versions of public-company shares without clear regulatory approval, disclosure, and accountability.
- 7 Custody, redemption, bankruptcy, and investor-recovery rules should be established before retail trading is allowed.
- 8 Tokenized securities platforms should be subject to strong market-surveillance, anti-manipulation, cybersecurity, and conflict-of-interest rules.
- 9 The SEC should not allow an innovation exemption to become a pathway for avoiding ordinary securities-law protections.
- 10 Any pilot program should be narrow, temporary, transparent, and subject to public reporting before broader approval is granted.

The risk is not simply that individual investors may lose money. The broader risk is that tokenized securities could create a shadow stock market with weaker rules, unclear ownership, unstable custody arrangements, and increased opportunities for manipulation. If these products become widely used before the rules are fully developed, regulators may be forced to respond only after harm has already occurred.

The SEC should not allow financial innovation to outrun investor protection. Tokenized securities should be permitted only if they preserve the core protections that make U.S. securities markets trustworthy: clear ownership, reliable custody, accurate disclosure, fair trading, enforceable rights, and meaningful regulatory oversight.

I respectfully urge the SEC to require tokenized securities to meet the same substantive standards as traditional securities before they are offered broadly to the public.

Prepared for submission as public comment to the SEC Crypto Task Force.