

SECURITIES AND EXCHANGE COMMISSION

[Release 34-104384; File No. SR-NASDAQ-2025-072]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change to Amend the Exchange’s Rules to Enable the Trading of Securities on the Exchange in Tokenized Form

December 12, 2025.

I. Introduction

On September 8, 2025, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to amend the Exchange’s rules to enable the trading of securities on the Exchange in tokenized form. The proposed rule change was published for comment in the Federal Register on September 22, 2025.³ On November 3, 2025, pursuant to Section 19(b)(2) of the Act,⁴ the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 103989 (September 16, 2025), 90 FR 45426 (“Notice”). Comments received on the proposed rule change are available at: <https://www.sec.gov/comments/sr-nasdaq-2025-072/srnasdaq2025072.htm>.

⁴ 15 U.S.C. 78s(b)(2).

the proposed rule change.⁵ This order institutes proceedings under Section 19(b)(2)(B) of the Act⁶ to determine whether to approve or disapprove the proposed rule change.

II. Summary of the Proposal

As described in more detail in the Notice,⁷ the Exchange is proposing to amend its rules to enable the trading of equity securities and exchange traded products on the Exchange in tokenized form.⁸ Specifically, proposed rules Equity 1, Section 1, and Equity 4, Rules 4756, 4757, and 4758 would specify how Nasdaq proposes to trade tokenized securities.

First, the Exchange is proposing to amend its definition of a security, at Equity 1, Section 1, to include tokenized securities.⁹ The proposed rule change specifies that the term “tokenized” in this instance refers to digital representations of paper securities that utilize digital ledger or blockchain technology, as opposed to “traditional” securities, which are also digital representations of paper securities, but do not utilize blockchain technology.¹⁰ According to the Exchange, as long as tokenized securities are fungible with, have the same CUSIP number as, and afford their holders the same material rights and privileges as do traditional securities of an equivalent class, the Exchange would trade tokenized securities together with traditional securities on the same Order Book and according to the same execution priority rules.¹¹ A tokenized equity security would be deemed to provide the same material rights and privileges as

⁵ See Securities Exchange Act Release No. 104173, 90 FR 51424 (November 17, 2025). The Commission designated December 21, 2025, as the date by which the Commission shall approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change.

⁶ 15 U.S.C. 78s(b)(2)(B).

⁷ See Notice, supra note 3. Capitalized terms not defined in this order are defined in the Exchange’s rules.

⁸ See id. at 45427.

⁹ See id. at 45429.

¹⁰ See id.

¹¹ See id.

a traditional security if, among other things, it conveys an equity interest in an underlying company, a right to receive any dividends that the company issues to its shareholders, a right to exercise any voting rights that shareholders are due, and a right to receive a share of the residual assets of the company upon liquidation.¹² The Exchange would not treat tokenized instruments to be equivalent to their traditional counterparts if they do not convey such rights, in whole or in material part, or share the same CUSIP, but instead the Exchange would treat these instruments as distinct (e.g., derivative securities or ADRs).¹³

Second, the Exchange is proposing to amend its Order Entry Rule, at Equity 4, Rule 4756, to describe how a Participant¹⁴ can communicate its desire to clear and settle a security in tokenized form.¹⁵ The proposed amended Rule states that a Participant that wishes for its order to clear and settle in tokenized form must notate its preference upon entry of the order in the System¹⁶ by selecting a flag that the Exchange designates for this purpose, in accordance with the Exchange's procedures.¹⁷ When a Participant enters an order with the tokenization flag selected, the Exchange will communicate the Participant's order handling instruction to The Depository Trust Company ("DTC") on a post-trade basis.¹⁸ DTC would then carry out the Participant's instruction in accordance with DTC's rules, policies, and procedures, or if it is

¹² See id. Nasdaq believes that tokenizing securities should not occur in a manner that deprives issuers of their ability to determine where and how their shares trade. However, according to Nasdaq, it is limited in its ability to afford issuers a choice as to whether their shares are or become tokenized by other markets. Nevertheless, Nasdaq encourage the Commission to consider the issue as it develops a new regulatory regime for tokenized securities. See id. at 45428 n. 8.

¹³ See id. at 45429. The rule proposal does not address whether and how Nasdaq may choose to trade these non-fungible tokenized instruments in the future.

¹⁴ Nasdaq Rules Equity 1, Section 1(a)(5).

¹⁵ See Notice, supra note 3, at 45429.

¹⁶ Nasdaq Rules Equity 1, Section 1(a)(3).

¹⁷ See Notice, supra note 3, at 45429.

¹⁸ See id.

unable to do so, it would make alternative clearing and settlement arrangements with the Participant.¹⁹

Third, the Exchange is proposing to amend its Book Processing Rule, at Equity 4, Rule 4757, to specify that if an order contains tokenized securities or indicates a preference to clear and settle securities in token form, it would not affect the priority in which the Exchange executes that order.²⁰

Fourth, the Exchange is proposing to amend its Order Routing Rule, at Equity 4, Rule 4758, to state that when the Exchange routes orders that Participants have designated for clearing and settlement in token form, in accordance with the Exchange's order entry rules and procedures, then the Exchange will communicate this tokenization instruction to DTC upon receiving an execution for an order that was routed to another trading venue.²¹

Nasdaq represents that apart from the above, as far as Nasdaq's systems and matching engine are concerned, the Exchange's trading procedures and behavior will be the same regardless of whether a member opts to trade tokenized or traditional shares of a stock.²² The proposed rule change to offer trading in tokenized securities would become effective once the requisite infrastructure and post-trade settlement services have been established by DTC, with any required regulatory approvals having been obtained.²³ It is Nasdaq's understanding that DTC is working to develop the necessary infrastructure, services, and procedures to facilitate

¹⁹ See id.

²⁰ See id.

²¹ See id.

²² See id. Nasdaq's pricing structure and rates will not vary depending upon whether a transaction involves a share of a tokenized stock.

²³ See id. at 45430.

such tokenization and the related post-trade settlement infrastructure and services.²⁴ The post-trade settlement services, including the eligibility of a member's orders to be settled in tokenized form, would be determined by DTC's policies and procedures.²⁵

III. Proceedings to Determine Whether to Approve or Disapprove SR-NASDAQ-2025-072 and Grounds for Disapproval under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act²⁶ to determine whether the proposed rule change should be approved or disapproved. Institution of proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, the Commission seeks and encourages interested persons to provide comments on the proposed rule change.

Pursuant to Section 19(b)(2)(B) of the Act,²⁷ the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of the proposed rule change's consistency with the Act and, in particular, with (1) Section 6(b)(5) of the Act,²⁸ which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect

²⁴ See id.

²⁵ See id.

²⁶ 15 U.S.C. 78s(b)(2)(B).

²⁷ Id.

²⁸ 15 U.S.C. 78f(b)(5).

investors and the public interest, and (2) Section 6(b)(8) of the Act, which requires that the Exchange's rules do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.²⁹

The Commission asks that commenters address the sufficiency of the Exchange's statements in support of the proposal, which are set forth in the Notice, in addition to any other comments they may wish to submit about the proposed rule change. In particular, the Commission seeks comment on whether the proposal to trade securities in tokenized form is designed to be consistent with the Act or raises any new or novel concerns not previously contemplated by the Commission.

IV. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data and arguments with respect to the issues identified above, as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposal is consistent with Sections 6(b)(5) and 6(b)(8) or any other provision of the Act, and the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4,³⁰ any request for an opportunity to make an oral presentation.³¹

²⁹ 15 U.S.C. 78f(b)(8).

³⁰ 17 CFR 240.19b-4.

³¹ Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Pub. L. 94-29 (June 4, 1975), grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change should be approved or disapproved by [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NASDAQ-2025-072 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-NASDAQ-2025-072. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>).

Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-NASDAQ-2025-072 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Rebuttal comments should be submitted by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³²

Sherry R. Haywood,

Assistant Secretary

³² 17 CFR 200.30-3(a)(57).