Structural Integrity in Tokenized Equity Markets: Ownership, Liquidity, and Governance Separation

Written Input to the SEC Crypto Task Force
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The discussion around tokenized equities appears to be focusing primarily on settlement modernization, market accessibility, and efficiency. Those are important issues. However, a larger structural issue may be emerging beneath the transition.

As tokenized representations of equities begin trading across crypto-native infrastructure, markets may increasingly separate three concepts that traditional equity markets generally treat as closely connected: economic exposure, liquidity access, and actual ownership / governance rights. Those concepts are not necessarily equivalent.

Core concern

Once multiple forms of equity exposure exist simultaneously - traditional ownership, issuer-sponsored tokenized securities, and third-party tokenized representations - several questions become materially more important:

- What instrument is the market actually pricing?
- Does the tokenized instrument convey direct ownership, beneficial ownership, contractual exposure, derivative exposure, or synthetic access?
- How are voting rights, shareholder alignment, dividends, corporate actions, and beneficial ownership handled?
- Can fragmented liquidity create divergent price signals between traditional equity markets and tokenized venues?
- Can continuous or crypto-native trading create the appearance of durable liquidity where underlying ownership rights are more limited?
- How should investors understand the difference between access to price exposure and participation in governance rights?

The key issue may not simply be whether tokenization increases efficiency. The key issue is whether markets begin pricing synthetic accessibility and continuous liquidity differently from durable ownership itself.

That distinction has implications for investor protection, market structure integrity, corporate governance, price discovery, and long-term capital formation.

Evidence-chain and ownership-integrity questions

From an evidence-chain perspective, the relevant question is whether investors, intermediaries, platforms, issuers, and regulators can clearly reconstruct:

- what rights the investor actually holds;
- what claims exist against the issuer, broker, custodian, platform, or token sponsor;
- what liquidity source is being relied upon;
- what corporate governance rights are preserved or excluded;

- what happens during market stress, delisting, insolvency, corporate actions, or token-platform failure; and
- whether tokenized trading prices are being interpreted as equivalent to primary-market equity prices when the instruments are not equivalent.

Tokenized equities may offer real benefits. They may improve access, operational efficiency, settlement functionality, and global market participation. But if the market does not clearly distinguish ownership from exposure, and liquidity from governance, tokenization could introduce a new category of structural ambiguity.

Potential disclosure and operational standard

A useful regulatory standard would require plain-language disclosure and operational clarity around whether a tokenized equity instrument represents:

- direct ownership;
- beneficial ownership through an intermediary;
- a contractual claim;
- a derivative or synthetic exposure;
- a depositary-like structure; or
- some other economic arrangement.

The market should not allow the phrase 'tokenized equity' to obscure differences in ownership rights, investor claims, voting participation, liquidity mechanics, and failure recovery.

Recommended principle

The SEC Crypto Task Force may wish to consider whether tokenized equity markets require a specific ownership-integrity and evidence-chain framework before these products scale.

The core principle should be simple: do not allow access, liquidity, and ownership to be marketed as equivalent unless the rights, claims, evidence chain, and market structure actually support that equivalence.

Respectfully submitted,

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