



DIVISION OF
TRADING AND MARKETS

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

December 11, 2025

Brian Steele
Managing Director,
President, Clearing & Securities Services
DTCC
570 Washington Boulevard
Jersey City, NJ 07310

Nadine Chakar
Managing Director,
Global Head of DTCC Digital Assets
DTCC
55 Thomson Place
Boston, MA 02210

Re: No-Action Letter Request Related to The Depository Trust Company's
Development of the DTCC Tokenization Services

Dear Mr. Steele and Ms. Chakar:

In your letter dated December 11, 2025 (the "Request"),¹ on behalf of The Depository Trust Company ("DTC"), you request that the staff of the Division of Trading and Markets (the "Staff") not recommend that the Securities and Exchange Commission (the "Commission") take enforcement action against DTC under certain provisions of, and rules promulgated under, the Securities Exchange Act of 1934 ("Exchange Act"), to launch the pilot version (the "Preliminary Base Version") of a securities tokenization program (the "DTCC² Tokenization Services"). Specifically, DTC's Request addresses: (i) Regulation Systems Compliance and Integrity ("Reg SCI");³ (ii) Section 19(b) of the Exchange Act and Rule 19b-4 thereunder;⁴ and (iii) Exchange Act Rules 17Ad-22(e) (the "CCA Standards") and 17Ad-25(i) and (j),⁵ in relation to DTC's operation of the Preliminary Base Version of the DTCC Tokenization Services.

¹ A copy of the Request is attached.

² "DTCC" refers to the Depository Trust and Clearing Corporation, which is the parent company of DTC. DTC is a wholly owned subsidiary of DTCC. DTCC operates on a shared service model with respect to DTC and its other affiliated clearing agencies, National Securities Clearing Corporation ("NSCC") and Fixed Income Clearing Corporation ("FICC"). Most corporate functions are established and managed on an enterprise-wide basis pursuant to intercompany agreements under which it is generally DTCC that provides relevant services to DTC, NSCC and FICC.

³ 17 C.F.R. 242.1000–1007.

⁴ 15 U.S.C. 78s; 17 C.F.R. 240.19b-4.

⁵ 17 C.F.R. 240.17ad-22(e); 17 C.F.R. 240.17ad-25(h), (j).

Based on the Request, we understand the facts and circumstances to be as follows:⁶

- DTC is a registered clearing agency under Section 17A of the Exchange Act, a New York limited purpose trust company, and a state member bank of the Federal Reserve System. In 2012, DTC was designated as a systemically important financial market utility by the Financial Stability Oversight Council. DTC is a wholly owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”), a user-owned cooperative that provides custody, clearing, and settlement services.
- DTC states that the Preliminary Base Version is a pilot version of the DTCC Tokenization Services, which would allow DTC Participants⁷ to elect to have their security entitlements to DTC-held securities recorded using distributed ledger technology (the “Tokenized Entitlements”), rather than exclusively through DTC’s current centralized ledger. In doing so, the program aims to give DTC Participants the ability to utilize the benefits of blockchain and tokenization technology, including mobility, decentralization, and programmability.
- Any DTC Participant would be permitted—at the DTC Participant’s election—to participate in the Preliminary Base Version of the DTCC Tokenization Services with an exception (*i.e.*, Participants for which DTC has U.S. tax withholding or reporting obligations, or a Treasury International Capital reporting obligation). Any DTC Participant wishing to use the DTCC Tokenization Services would need to register with DTC one or more addresses on an approved blockchain (each, a “Registered Wallet”) for the purpose of holding tokens corresponding to Tokenized Entitlements.
- A DTC Participant with a Registered Wallet would be able to instruct DTC to tokenize the DTC Participant’s security entitlement to certain eligible securities (“Subject Securities”) currently credited to the DTC Participant’s Account (*i.e.*, any Book-Entry Entitlements) (the “Tokenization Instruction”). Upon acceptance of a Tokenization Instruction, DTC would debit the Subject Securities from the DTC Participant’s Account and credit them to the Digital Omnibus Account, an account on DTC’s centralized ledger that reflects the sum of all Tokenized Entitlements held in all Registered Wallets. DTC would then use its Factory system, which is a software system maintained by DTC, to mint and deliver to the DTC Participant’s specific Registered Wallet a token representing the DTC Participant’s security entitlement to the Subject Securities (the “Token”).
- Any DTC Participant with a Token would be able to transfer such security entitlement to the Subject Securities directly to the Registered Wallet of another DTC Participant and would not be required to instruct DTC to effectuate such transfer.

⁶ A copy of your letter is attached with this response to avoid reciting the facts set forth therein.

⁷ The term “Participant” means a Person approved as a Participant by the [DTC] pursuant to Section 1 of Rule 2. DTC Rule 1.

- Additionally, any DTC Participant with a Tokenized Entitlement credited to a Registered Wallet may instruct DTC to credit any securities represented by Tokenized Entitlements back to its Account (*i.e.*, a de-tokenization instruction, which converts the Tokenized Entitlement back to a Book-Entry Entitlement in an Account). Upon acceptance of such instruction, DTC would burn the Token in the DTC Participant's Registered Wallet, debit such securities from the Digital Omnibus Account, and credit those securities to the Participant's Account.
- Any transfer of Tokens from one Registered Wallet to another Registered Wallet would be tracked by and visible to DTC. To perform this function, DTC would utilize LedgerScan, an off-chain software system that resides in a public cloud, to track the movement of the Tokens, including the Registered Wallets in which they are held, by scanning the underlying blockchains. Based on this tracking, LedgerScan would make a record of the Tokenized Entitlements according to the Tokens that are held in each Participant's Registered Wallet(s). LedgerScan is able to track and record Token movements and Registered Wallet holdings in near real-time. For purposes of recording Tokenization Entitlements, LedgerScan's record would constitute DTC's official books and records.
- At all times, the registered ownership of any securities represented by a Tokenized Entitlement would not change; those securities would remain registered in the name of Cede & Co., DTC's nominee.
- In addition, to avoid any "double spend" of any securities represented by a Tokenized Entitlement, those securities credited to the Digital Omnibus Account would not be transferable from such account until a corresponding Token is burned. As a result, the DTC Participant holding a Tokenized Entitlement to a Subject Security would not be able to transfer its beneficial ownership of the security through instructions to DTC to make changes to its centralized ledger. Rather, such Participant would need to effectuate transfers by transferring the Token on the blockchain (or by instructing DTC to burn or convert the Token).
- The Preliminary Base Version of the DTCC Tokenized Services would not prescribe a particular blockchain on which Registered Wallets must be maintained or a particular tokenization protocol (*i.e.*, suite of governing smart contracts) to which each Token must be subject. DTC would, however, prescribe objective, neutral, and publicly available requirements for both blockchains and tokenization protocols aimed at ensuring that the Tokens are only transferrable to Registered Wallets, that DTC can take steps to address any erroneous entries, lost tokens, or malfeasance ("Conditions Requiring Reversal"), and that Tokens are maintained on blockchains that are reliable, resilient, secure, and subject to robust consensus and governance mechanisms. DTC states that prescribed standards ("Technology Standards") would allow it to support the broadest range of investor choice and exploration, without compromising the safeguarding of securities.

- DTC plans to make available to Participants a list of public and private distributed ledgers on which a Participant may register a blockchain address as a Registered Wallet.
- The systems used to perform the key functions of the DTCC Tokenization Services, such as LedgerScan, would be designated as “Tier 2” systems within DTCC’s internal rating structure. Among other things, Tier 2 systems must have the ability to operate from both a primary and a secondary location, a maximum of a four-hour recovery time objective, no more than two minutes of data loss from an outage, and annual out-of-region disaster recovery and resumption testing. Moreover, such new systems could only instruct DTC’s existing centralized systems in two very limited ways: to deliver Subject Securities to or from the Digital Omnibus Account or to make a cash payment from a corporate action event (*e.g.*, a dividend payment). All other touch points between the new systems and DTC’s existing centralized systems would be read only.

In particular, the Staff notes that DTC’s Request includes the following statements:

- No Collateral or Settlement Value: DTC would not ascribe to any Tokenized Entitlements any collateral value or settlement value for purposes of calculating a DTC Participant’s Net Debit Cap or the Collateral Monitor (that is, it would not ascribe to any Tokenized Entitlements any collateral value or settlement value for purposes of DTC risk management).
- Eligible Securities: limited to (i) securities in the Russell 1000 Index at the time the Preliminary Base Version launches as well as any additions to the index thereafter and notwithstanding the subsequent removal of any securities from the index, (ii) U.S. Treasury securities (*i.e.*, bills, bonds, and notes), and (iii) ETFs that track major indices, such as the S&P 500 index and Nasdaq-100 index.
- Systems Issues: if DTC identifies that a disruption, compliance issue, or intrusion of or into any of the systems used in the DTCC Tokenization Services has occurred that materially impacts, or is reasonably likely to materially impact, the operation of the DTCC Tokenization Services (a “Systems Event”), DTC would (i) notify Division staff as soon as reasonably practicable following a Systems Event, (ii) keep Division staff informed as DTC works to resolve the Systems Event, and (iii) notify Division staff once the Systems Event is resolved.
 - To the extent that a Systems Event also has an impact beyond the DTCC Tokenization Services, including on any critical or indirect SCI system used by DTC to provide clearance and settlement services as a registered clearing agency, DTC would comply with its Reg SCI obligations.
 - DTC management would deliver any Systems Event information provided to Division staff to its Board of Directors at the next regularly scheduled meeting.
 - The systems used to perform the key functions of the DTCC Tokenization Services, *i.e.*, LedgerScan and Factory, would maintain a Tier 2 or better system rating within DTCC’s internal rating structure, meaning that these systems have the ability to operate from both a primary and a secondary location, a maximum

of a four-hour recovery time objective, no more than two minutes of data loss from an outage, and annual out-of-region disaster recovery and resumption testing.

- In addition, the systems used to perform the key functions of the DTCC Tokenization Services, *i.e.*, LedgerScan and Factory, would be physically and logically separate from the SCI systems used by DTC to perform clearance and settlement services as a registered clearing agency. The only two instructions such new systems supporting the Preliminary Base Version of the DTCC Tokenization Services could give DTC's existing centralized systems are to (i) deliver Subject Securities to or from the Digital Omnibus Account or (ii) make a cash payment from a corporate action event, whereas all other touch points would be read only.
- Reporting to Division Staff: for each calendar quarter, DTC would provide a quarterly report package to Division staff containing:
 - The identities of the DTC Participants currently participating in the Preliminary Base Version as of the end of the quarter;
 - The total number of shares and total value of security entitlements that have been tokenized pursuant to a Tokenization Instruction during the quarter;
 - The total number of shares and total value of security entitlements as of the end of the quarter maintained as Tokenized Entitlements;
 - The average daily volume of Tokenized Entitlements transferred between DTC Participants during the quarter;
 - The total number of security entitlements (count of CUSIPs) that have been de-tokenized during the quarter;
 - The list of securities eligible to be Subject Securities as of the end of the quarter;
 - The number of Registered Wallets at the end of the quarter;
 - The names of the blockchains on which Tokens were recorded during the quarter;
 - The names of any blockchains DTC has determined not to approve for inclusion in the Preliminary Base Version during the quarter and the rationale for not including any such blockchain;
 - Any instances in which DTC used its "root wallet" to address Conditions Requiring Reversal during the quarter;
 - Information on any unavailability of the Preliminary Base Version of the DTCC Tokenization Services and any tokenization protocols, including the length of time of the outage;
 - Information on the operations and systems of the Preliminary Base Version of the DTCC Tokenization Services, as requested by the Staff; and
 - Copies of any disclosures provided to DTC Participants in the DTCC Tokenization Services.

- DTC management would provide the quarterly reporting to the Staff no later than the third Friday following each quarter's end date and would deliver the quarterly reporting provided to the Staff to the DTCC Board of Directors at the next regularly scheduled meeting.
- Transparency:
 - DTC would make publicly available: (i) the Technology Standards applicable to the service (including blockchain and tokenization protocols); (ii) a list of approved blockchains; and (iii) any fees or charges imposed by DTCC in connection with the service.
 - DTC would make information and data maintained in the system available to the Staff.
- Limited to Participants/Registered Wallets: Only DTC Participants would be permitted to register wallets, and the relevant DTC Participant would be fully responsible for the activity in the Registered Wallet(s). The tokens would only be transferable to Registered Wallets.
 - Participation is voluntary and can be begun or ended at any time upon notification and instruction to DTC.
- Reporting and Disclosure to Participants:
 - DTC would provide its Participants that participate in the DTCC Tokenization Services with a regular report of the securities credited to the DTC Participant's Account that may be subject to a Tokenization Instruction and the scope of eligible securities.
 - Participants would receive disclosures regarding the mechanics and operation of the DTCC Tokenization Services and would receive reasonable advance notice in writing of any material changes to the DTCC Tokenization Services.
- Blockchain and Wallet Technology Requirements:
 - DTC would only register a blockchain address as a Registered Wallet if (i) the blockchain is a supported blockchain that satisfies the Technology Standards and (ii) DTC has performed its own screenings of the wallet and confirmed that it complies with the OFAC requirements.
 - All tokens would be subject to tokenization protocols that satisfy DTCC's technology requirements, including to ensure that they support distribution control and transaction reversibility.
 - DTC would have the technological capability to transfer any of the tokens to address Conditions Requiring Reversal.

Response:


Based on the facts and circumstance described in the Request, and without necessarily concurring with your conclusions and analysis, the Staff would not recommend enforcement action to the Commission against DTC under: (i) Reg SCI; (ii) Section 19(b) of the Exchange

Act and Rule 19b-4 thereunder; and (iii) Exchange Act Rules 17Ad-22(e) and 17Ad-25(i) and (j) in relation to DTC's operation of the DTCC Tokenization Services. This letter is withdrawn without further action three years from the date DTC launches operation of the Preliminary Base Version of the DTCC Tokenization Services. DTC will provide written notice to the staff at the time of that launch.

The position of the Staff is based strictly on the facts and circumstances discussed in the Request, and any different facts or circumstances might require a different response. Furthermore, this response expresses the Staff's position on enforcement action only and does not purport to express any legal conclusions on the questions presented. The Staff expresses no view with respect to any other questions that the proposed activities may raise, including the applicability of any other federal or state laws, or self-regulatory organization rules. This position is subject to modification or revocation by the Staff at any time.

If you have any questions regarding this letter, please call me at (202) 551-5712 or Elizabeth Fitzgerald at (202) 551-6036.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey S. Mooney". The signature is written in a cursive, flowing style.

Jeffrey S. Mooney
Associate Director

Attachment



Brian W. Steele
Managing Director
President, Clearing and Securities Services

DTCC Jersey City
570 Washington Boulevard
Jersey City, NJ 07310

Nadine Chakar
Managing Director
Head of DTCC Digital Assets

DTCC Boston
55 Thomson Place
Boston, MA 02210

December 11, 2025

Jeffrey Mooney
Associate Director
Office of Clearance and Settlement
Division of Trading and Markets
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

**RE: No-Action Request Related to The Depository Trust Company's
Development of the DTCC Tokenization Services**

Dear Mr. Mooney:

The Depository Trust Company (“DTC”) respectfully requests that the staff of the Division of Trading and Markets (the “Division”) of the Securities and Exchange Commission (the “SEC” or the “Commission”) confirm that it would not recommend that the Commission take enforcement action against DTC for violations of certain provisions of, and rules promulgated under, the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), in connection with DTC’s development and launch of a preliminary version (the “Preliminary Base Version”) of a securities tokenization program (the “DTCC Tokenization Services”). The DTCC Tokenization Services would allow DTC participants (each, a “Participant”) to elect to have their security entitlements to DTC-held securities recorded using distributed ledger technology (“DLT”), rather than exclusively through DTC’s current centralized ledger. In doing so, the program aims to give Participants the ability to leverage the benefits of blockchain and tokenization technology, including mobility, decentralization, and programmability, without foregoing the protection and accountability that a central securities depository (a “CSD”) and registered clearing agency provides.

More specifically, DTC requests the Division staff provide assurance that it would not recommend that the Commission take enforcement action against DTC for violations of Section 19(b) of the Exchange Act and Rule 19b-4 thereunder,¹ Exchange Act Rules 17ad-22(e) (the “CCA Standards”) and 17ad-25(i) and (j), or Regulation Systems Compliance and Integrity (“Reg SCI”² and collectively, the “Subject Provisions”) in connection with DTC’s development

¹ 15 U.S.C. § 78s; 17 C.F.R. § 240.19b-4.

² 17 C.F.R. § 242.1000–1007.

and launch of the Preliminary Base Version of the DTCC Tokenization Services, as described below.³

The Subject Provisions were designed for organizations and centralized systems that perform functions of critical importance to the U.S. securities markets. As a result, they are not applicable to, and ultimately “incompatible with [and] unnecessary for” a time-limited, voluntary service involving novel and decentralized systems.⁴ Attempting to apply the Subject Provisions to such a program would be practically infeasible and would “smother” the ability of DTC to innovate and develop the program in a timely manner in response to market participant feedback, technological changes, and learned experience.⁵

Relief from the Subject Provisions is also appropriate, in the public interest, and consistent with the safeguarding of securities and funds, open access, and the prompt and accurate clearance and settlement of securities transactions because the Preliminary Base Version of the DTCC Tokenization Services includes numerous design controls that would limit the scope of the program and its capacity to affect DTC’s operations or the broader U.S. securities market. DTC is proposing to tailor the relief requested herein based on the application of these controls and on DTC’s adherence to a number of other commitments as described herein, including periodic reporting to Division staff, use of allowlisted wallets, and restriction of tokenization protocols to compliance-aware ones, such as ERC 3643.⁶ Collectively, these controls and commitments would “achieve the core policy aims of the federal securities laws,”⁷ ensure that the Preliminary Base Version of the DTCC Tokenization Services does not interfere with DTC’s support of the U.S. securities markets, and “address the[] risks and complexities” that arise as DLT “becomes increasingly entangled with traditional finance.”⁸

The Preliminary Base Version of the DTCC Tokenization Services would allow DTC, its Participants, and their customers to explore making their securities “smarter” in a controlled environment that can provide the Commission with insights on how to “promote a transparent regulatory environment”⁹ for the tokenization of real-world assets and “provid[e] legal clarity” on the various issues tokenization raises “in a sensible manner.”¹⁰ Equipped with such legal clarity, DTC would plan to develop the DTCC Tokenization Services into an arrangement that is

³ 17 C.F.R. § 240.17ad-22(e), 17 C.F.R. § 240.17ad-25(i), (j).

⁴ See Paul S. Atkins, Keynote Address at the Crypto Task Force Roundtable on Tokenization (May 12, 2025), available at <https://www.sec.gov/newsroom/speeches-statements/atkins-remarks-crypto-roundtable-tokenization-051225-keynote-address-crypto-task-force-roundtable-tokenization> (“While the Commission and its staff work to develop a comprehensive regulatory framework for crypto assets, securities market participants should not be compelled to go offshore to innovate with blockchain technology.”).

⁵ Paul S. Atkins, American Leadership in the Digital Finance Revolution (July 31, 2025), available at <https://www.sec.gov/newsroom/speeches-statements/atkins-digital-finance-revolution-073125>.

⁶ Paul S. Atkins, American Leadership in the Digital Finance Revolution (July 31, 2025), *supra* note 6.
⁷ *Id.*

⁸ Caroline A. Crenshaw, A Reckless Game of Regulatory Jenga – Remarks at “SEC Speaks” (May 19, 2025), available at <https://www.sec.gov/newsroom/speeches-statements/crenshaw-remarks-sec-speaks-051925>.

⁹ Mark T. Uyeda, Tokenization of Real-World Assets (May 12, 2025), available at <https://www.sec.gov/newsroom/speeches-statements/uyeda-remarks-crypto-roundtable-tokenization-051225>.

¹⁰ Hester M. Peirce, Getting Smart – Tokenization and the Creation of Networks for Smart Assets: Opening Remarks for Tokenization Roundtable (May 12, 2025), available at <https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-crypto-roundtable-tokenization-051225>.

substantially compliant with the Subject Provisions and the broader regulatory framework applicable to registered clearing agencies.

Below we discuss the background of DTC and the DTCC Tokenization Services, as well as the Subject Provisions.

I. Background

a. *The Depository Trust Company*

DTC is a wholly owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”), a user-owned cooperative that provides custody, clearing, and settlement services to the global financial industry. DTC plays a critical role in the safekeeping of securities and the clearance and settlement of securities transactions. It facilitates the electronic recordkeeping and transfer of securities, significantly reducing the need for transferring physical certificates and manual processing. As of 2025, DTC custodies over \$100 trillion in securities and processes hundreds of millions of transactions annually.¹¹

DTC is a registered clearing agency under Section 17A of the Exchange Act, a New York limited purpose trust company, and a state member bank of the Federal Reserve System. DTC also provides services as a CSD and, in 2012, was designated as a systemically important financial market utility (“SIFMU”) by the Financial Stability Oversight Council (“FSOC”).

DTC’s primary services include providing custody for a wide range of physical securities, facilitating the transfer and recordation of book-entry securities, and settling securities transactions in coordination with DTC affiliates that are also registered as clearing agencies with the Commission. DTC’s core services of custody of securities certificates and other instruments, and settlement and asset services for eligible securities, are available to its Participants, who may in turn provide custodial or other services to their customers. A Participant’s securities custodied by DTC are typically registered in the name of Cede & Co., DTC’s nominee. DTC records each Participant’s entitlement to the securities in an account (an “Account”) on its centralized ledger system (a “Book-Entry Entitlement”). To the extent a Participant is holding securities on behalf of a customer, the customer’s entitlement to such securities is recorded on the Participant’s books and records.

b. *Article 8 of the UCC*

Article 8 of the Uniform Commercial Code (the “UCC”) is the commercial law framework that governs DTC’s custody of securities for Participants.¹² Article 8’s provisions ensure that intuitive rules, that are workable for a liquid securities market, govern the perfection and priority of security interests and the rights of good faith acquirers relative to adverse

¹¹ DTCC, DTCC Central Securities Depository Subsidiary Surpasses \$100 Trillion in Assets Under Custody, Marking Historic Milestone (Jun. 18, 2025), available at <https://www.dtcc.com/news/2025/june/18/dtcc-central-securities-depository-subsiary-surpasses-100-trillion-in-assets-under-custody>.

¹² See UCC § 8-501 cmt. 1 (noting that the relationship between a clearing corporation and its participants clearly falls within the scope of Article 8’s rules related to indirectly held securities).

claimants. They also ensure that securities held at DTC are reserved for Participants and would not form part of DTC's estate in an insolvency (*i.e.*, they are "bankruptcy remote" from DTC).

Under Article 8, DTC is a "securities intermediary,"¹³ and each Participant's rights to the securities held for it are "security entitlements."¹⁴ A Participant is an "entitlement holder" (*i.e.*, the "person identified in the records of a securities intermediary as the person having a security entitlement against the securities intermediary").¹⁵ As mentioned above, DTC currently records each Participant's security entitlements via Book-Entry Entitlements (*i.e.*, credits to the Participant's Account at DTC).

As a securities intermediary, DTC is subject to certain duties set forth in Part 5 to Article 8 of the UCC. These include the duties to hold sufficient securities to satisfy entitlement holders' security entitlements thereto,¹⁶ to obtain payments or distributions on securities for entitlement holders,¹⁷ to exercise rights as directed by the entitlement holder,¹⁸ to transfer or redeem the securities as instructed by the entitlement holder,¹⁹ and to change the form of holdings of the securities as directed by the entitlement holder.²⁰ In addition, the UCC makes clear that securities held by a securities intermediary for an entitlement holder do not form part of the securities intermediary's estate upon the securities intermediary's insolvency, but instead are the property of the entitlement holders.²¹

In tandem with Article 9 of the UCC, Article 8 also sets out perfection and take-free rules that are designed to align with market participants' expectations and to support a liquid securities market. In particular, a secured party without notice of adverse claims takes free of adverse claims if it has "control" of a security entitlement.²² In addition, under Articles 8 and 9, a secured party may perfect a security interest by obtaining "control."²³ UCC Section 8-106(d) defines "control" as including being the recognized entitlement holder of the security entitlement.²⁴ By virtue of these provisions, Participants can know that if they obtain a security entitlement to a given security, their security interest will be perfected and they will not be exposed to the claims of adverse claimants. Furthermore, their rights to the securities will not be exposed to the claims of their securities intermediary's general creditors.

¹³ UCC § 8-102(a)(14) (defining "securities intermediary" to include a "clearing corporation"); UCC § 8-504(a)(5) (defining "clearing corporation" to include "a person that is registered as a 'clearing agency' pursuant to 15 United States Code § 78-c(a)(23), as from time to time amended").

¹⁴ UCC § 8-102(a)(14) (defining "security entitlement" to mean "the rights and property interest of an entitlement holder with respect to a financial asset specified in Part 5").

¹⁵ UCC § 8-102(a)(8).

¹⁶ *See* UCC § 8-504(a).

¹⁷ *See* UCC § 8-505(a).

¹⁸ *See* UCC § 8-506.

¹⁹ *See* UCC § 8-507(a).

²⁰ *See* UCC § 8-508.

²¹ *See* UCC § 8-503.

²² *See* UCC § 8-510(a).

²³ UCC § 9-106(a); UCC § 9-314.

²⁴ UCC § 8-106(d)(1).

II. The Preliminary Base Version of the DTCC Tokenization Services

As a user-owned cooperative, DTC aims to develop its services in response to its users' diverse needs. To that end, DTC has, in coordination with Participants, peers, and technology providers, explored and facilitated the use of DLT for over nine years to determine how DLT can be utilized to allow market participants to leverage the benefits of blockchain and tokenization technology, including mobility (*i.e.*, the ability to transfer an asset across jurisdictions and time zones without regard to standard trading hours or holidays), decentralization (*i.e.*, the ability for market participants to access their assets more directly), and programmability (*i.e.*, the ability to use smart contracts to optimize transfers or allocations of assets), without foregoing the protection and accountability that a CSD and registered clearing agency such as DTC provides.

To ensure DTC's consideration of potential uses of DLT incorporates the views of its Participants and other relevant stakeholders, DTC has consulted with a broad cross-section of the global financial services industry, including its Participants, end-users, financial market infrastructures, and the DTCC Digital Launchpad Advisory Council.²⁵ Based upon feedback received from these sources and ongoing discussions with other market participants, DTC has identified a technology solution, the DTCC Tokenization Services, that would allow Participants and/or their agents and designees, as applicable, to instruct DTC to record their security entitlements to securities held by DTC using DLT (the "Tokenized Entitlements") rather than Book-Entry Entitlements. DTC believes that, by using Tokenized Entitlements, market participants would be able to enhance operational efficiency, liquidity, transparency, accessibility, and investor opportunity through DLT,²⁶ while retaining the safeguards afforded by a CSD and registered clearing agency.

DTC has also designed the initial version of the DTCC Tokenization Services, the Preliminary Base Version, through which Participants and their customers would be able to explore DLT and its potential benefits for recording their DTC-held securities, in a controlled production environment, under conditions designed to allow adjustment and refinement, limit risk of loss and systemic disruption, and provide broader insights as to the technical and regulatory features necessary to allow Tokenized Entitlements at scale.

Any Participant would be permitted—at the Participant's election—to participate in the Preliminary Base Version of the DTCC Tokenization Services, except for Participants for which DTC has U.S. tax withholding or reporting obligations, or a Treasury International Capital ("TIC") reporting obligation, as DTC is still examining the steps necessary to ensure tax and TIC compliance in relation to Tokenized Entitlements.²⁷

²⁵ The DTCC Digital Launchpad Advisory Council consists of a broad-based, cross-sectional representation of industry professionals from investment banks, custodians, exchanges, and blockchain-based service providers. Council members are senior experts in their fields.

²⁶ Hester M. Peirce, Getting Smart – Tokenization and the Creation of Networks for Smart Assets: Opening Remarks for Tokenization Roundtable (May 12, 2025), available at <https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-crypto-roundtable-tokenization-051225>.

²⁷ As of October 31, 2025, DTC has U.S. tax withholding and reporting obligations, or a TIC reporting obligation, for approximately 11 percent of its Participants. Once DTC resolves outstanding tax and TIC compliance questions, it envisions offering the services to these Participants as well.

a. Operational Flow

Under the Preliminary Base Version, any Participant wishing to use the DTCC Tokenization Services would first need to register with DTC one or more addresses on an approved blockchain (each, a “Registered Wallet”) for the purpose of holding tokens corresponding to Tokenized Entitlements. Although Participants must comply with all applicable laws, including those relating to securities, taxation, and money laundering, as well as sanctions administered by the Office of Foreign Assets Control (“OFAC”), DTC would perform its own screenings of Registered Wallets to ensure compliance with the requirements of OFAC.

Participants would be able to establish an unlimited number of Registered Wallets, including Registered Wallets for the benefit of their customers. Access to and use of Registered Wallets by a Participant’s customers would be at the discretion of, and agreement between, the Participant and its customers. However, DTC would only have a relationship with the Participant itself in regard to Registered Wallets and Tokenized Entitlements.

A Participant with a Registered Wallet would be able to instruct DTC itself and/or via an agent or designee to tokenize the Participant’s security entitlement to certain eligible securities (the “Subject Securities”) currently credited to the Participant’s Account (*i.e.*, Book-Entry Entitlements) (the “Tokenization Instruction”). DTC would only act on a Tokenization Instruction if certain requirements are satisfied, including that the Participant has a Registered Wallet(s), the Subject Securities are eligible for tokenization, and the transfer of the Subject Securities pursuant to the Tokenization Instruction satisfies DTC’s existing risk management controls—the Collateral Monitor and the Net Debit Cap²⁸—for the instructing Participant’s Account. In other words, if a Participant does not have a Registered Wallet, does not hold Subject Securities, or cannot pass DTC’s risk management and compliance controls, then DTC would not act on the Tokenization Instruction.

Upon acceptance of a Tokenization Instruction, DTC would debit the Subject Securities from the Participant’s Account and credit them to a “Digital Omnibus Account,” an account on DTC’s centralized ledger that reflects the sum of all Tokenized Entitlements held in all Registered Wallets.

DTC would then mint and deliver to the Participant’s specified Registered Wallet tokens representing the Participant’s security entitlement to the Subject Securities (the “Tokens”). To perform this function, DTC would utilize “Factory,” DTCC’s open tokenization framework

²⁸ The Collateral Monitor and Net Debit Cap are key risk management controls designed to protect the DTC settlement system in the event of a Participant default. The Collateral Monitor helps ensure that each Participant’s intraday net debit obligation (*i.e.*, the amount the Participant is expected to owe at end-of-day settlement at any given time during the day) is fully backed by eligible collateral (*i.e.*, securities and cash). If the Collateral Monitor determines that a Participant’s transaction at DTC would not be fully collateralized, then the control prevents the transaction from processing until there is sufficient collateral. Meanwhile, the Net Debit Cap helps ensure that what a Participant may owe at end-of-day settlement never exceeds DTC’s liquidity resources by setting a ceiling (*i.e.*, a cap) on a Participant’s intraday net debit balance. The ceiling is based on the Participant’s historical activity at DTC and DTC’s available liquidity resources and is irrespective of the Participants total collateral. If a transaction would result in a Participant breaching its Net Debit Cap, then the control would not allow that transaction to process until it could do so without breaching the cap. Together, these controls help ensure DTC can complete settlement, without systemic disruption, notwithstanding a Participant default.

designed to integrate compliance-aware features, automate complex business workflows, and enhance the overall functionality of tokenized real-world assets.

By virtue of the foregoing process, the Participant would have converted a Book-Entry Entitlement (*i.e.*, a security entitlement recorded via a credit to the Participant's Account) into a Tokenized Entitlement (*i.e.*, a security entitlement recorded using Tokens on DLT). A Participant with a Tokenized Entitlement would be able to transfer the Tokens representing its security entitlement to the Subject Securities directly to the Registered Wallet of another Participant and would not be required to instruct DTC to effectuate such transfer. See Exhibit 1 for a visual representation of this process.

Any transfer of Tokens from one Registered Wallet to another Registered Wallet would be tracked by and visible to DTC. To perform this function, DTC would utilize "LedgerScan," an off-chain, DTCC software that resides in the public cloud, to track the movement of the Tokens, including the Registered Wallets in which they are held, by scanning the underlying blockchains. Based on this tracking, LedgerScan would make a record of the Tokenized Entitlements according to the Tokens that are held in each Participant's Registered Wallet(s). See Exhibit 2 for a visual representation of this process. The technology underpinning LedgerScan would allow it to track and record Token movements and Registered Wallet holdings in near real-time. For recording Tokenized Entitlements, LedgerScan's record would constitute DTC's official books and records.

Notably, a Tokenization Instruction would not change the legal framework governing the Participant's holdings of the Subject Securities. The Participant would (until it transfers the Tokens) remain the entitlement holder with a security entitlement to the Subject Securities subject to the full suite of Article 8's provisions and protections. The only difference is that DTC would record such security entitlements through LedgerScan rather than its centralized ledger system. Once Tokens are transferred, LedgerScan would identify the transfer and reflect the Participant associated with the transferee Registered Wallet as the holder of the Tokenized Entitlement and thus the entitlement holder.

Any Participant with a Tokenized Entitlement credited to a Registered Wallet may instruct DTC to credit the Subject Securities represented by such Tokenized Entitlement to its Account (*i.e.*, a de-tokenizing instruction, which converts the Tokenized Entitlement back to a Book-Entry Entitlement in an Account). Upon acceptance of such instruction, DTC would burn the Tokens in the Participant's Registered Wallet, debit such Subject Securities from the Digital Omnibus Account, and credit such Subject Securities to the Participant's Account. At that point, the Participant would have a Book-Entry Entitlement, rather than a Tokenized Entitlement. In addition, a Participant with a Tokenized Entitlement corresponding to Tokens in a Registered Wallet on one blockchain may instruct DTC to convert the Tokens to a Registered Wallet on a different blockchain. Upon receipt of such instruction from the Participant, its agent, or its designee, DTC would burn the original Token in the Registered Wallet on the original blockchain and issue a new Token to the specified Registered Wallet on the new blockchain.

At all times, the registered ownership of the Subject Securities represented by a Tokenized Entitlement would not change; the Subject Securities would remain registered in the name of Cede & Co., DTC's nominee. In addition, in order to avoid any "double spend" of

Subject Securities, any Subject Securities credited to the Digital Omnibus Account would not be transferrable from such account until the corresponding Token is burned. As a result, the Participant holding a Tokenized Entitlement to a Subject Security would not be able to transfer its beneficial ownership of the Subject Security through instructions to DTC to make changes to its centralized ledger. Rather, such Participant would need to effectuate transfers by transferring the Token on the blockchain (or by instructing DTC to burn or convert the Token) as described above.

b. Token Usage

Participants and their customers would be able to use the Tokens held in their Registered Wallets to engage in the same transactions and activities in relation to their Tokenized Entitlements as they currently engage in with respect to Book-Entry Entitlements. In particular, Participants and their customers would be able to enter into securities financing transactions (e.g., repurchase agreements, reverse repurchase agreements, and securities lending transactions) involving their Tokenized Entitlements; pledge, title transfer, or otherwise encumber their Tokenized Entitlements for purposes of obtaining financing or collateralizing transactions; and sell or transfer on a free-of-payment or delivery-versus-payment basis their Tokenized Entitlements (though any delivery-versus-payment settlement would occur away from and without any involvement by DTC, rather than through a delivery-versus-payment instruction to DTC). Participants and their customers would be able to engage in such activity in a substantially similar manner to how they do so today. The key difference would be that, instead of a Participant instructing DTC to effectuate a transfer and DTC recording the transfer of the Book-Entry Entitlement through its centralized ledger, the Participant or its customer would cause the Tokens to be transferred to the transferee's Registered Wallet and DTC would, through LedgerScan, identify and record such transfer. Alternatively, if the Participant were seeking to effectuate a transfer to a Participant that was not participating in the DTCC Tokenization Services, the Participant would issue to DTC a de-tokenization instruction and, afterwards, an instruction to transfer the Book-Entry Entitlement resulting from such de-tokenization to the Participant's Account.

The Tokens would also allow functionality beyond what is currently feasible with Book-Entry Entitlements. Specifically, Participants and their customers would be able to transfer Tokens (and thus transfer Tokenized Entitlements) at any time, rather than only during DTC's hours of operation. As a result, Participants and their customers could, subject to other applicable legal requirements, facilitate transacting on trading venues that support extended hours trading. Participants and their customers would also be able to effectuate transfers on a delivery-versus-payment basis with other tokenized assets, to the extent supported by the relevant blockchain and applicable law. Participants and their customers would also be able to use smart contracts and other applications in relation to their Tokens. Such smart contracts may allow Participants to optimize their allocation of securities across various securities financing transactions and collateralization arrangements, thereby reducing inefficiencies and undue costs.²⁹ Furthermore, depending on its relationship with its Participant, a customer would be able to effectuate a

²⁹ See DTCC, Transforming Collateral Management with Digital Assets: A DTCC Digital Launchpad Collaboration with Japanese Securities Clearing Corporation (JSCC) (Oct. 2024), *available at* <https://www.dtcc.com/-/media/WhitePapers/Transforming-Collateral-Management-With-Digital-Assets-JSCC.pdf>.

transfer of a Token (and thus a Tokenized Entitlement) directly, without needing to wait for the Participant to act first. Such transfers could serve to minimize delay or risk associated with issuing multiple levels of instruction.

Consistent with its commitment to open access, DTC would not generally restrict a Participant's or its customer's ability to engage in any of the foregoing activities. However, in the Preliminary Base Version, DTC would only view the Participant associated with the Registered Wallet as the entitlement holder. The relationship between the Participant and its customer would be a bilateral matter between such parties.

c. Blockchain and Technology Standards

In furtherance of DTC's commitment to open access, the Preliminary Base Version of the DTCC Tokenization Services would not prescribe a particular blockchain on which Registered Wallets must be maintained or a particular tokenization protocol (*i.e.*, suite of governing smart contracts) to which each Token must be subject. DTC believes that Participants and their customers should retain broad flexibility to explore various DLT solutions consistent with their commercial, operational, privacy, and performance needs as well as their regulatory requirements. Consistent with its role and obligations as a registered clearing agency, DTC would, however, prescribe objective, neutral, and publicly available requirements for both blockchains and tokenization protocols aimed at ensuring that the Tokens are only transferrable to Registered Wallets, that DTC can take steps to address any corporate actions, erroneous entries, lost tokens, or malfeasance ("Conditions Requiring Reversal"), as needed, and that Tokens are maintained on blockchains that are reliable, resilient, secure, subject to robust consensus and governance mechanisms, and where LedgerScan is able to view and record transactions so as to maintain the necessary tokenization books and records in alignment with the "observability" principle described just below.

More specifically, as relates to tokenization protocols, DTC would permit a Participant, when issuing a Tokenization Instruction, to specify which DTC-supported tokenization protocol it would like to govern the Token. In order for DTC to support a tokenization protocol, DTC must have determined, through both analysis and testing, that the protocol demonstrates "compliance aware" features, including "distribution control" and "transaction reversibility." Distribution control refers to the ability of the protocol to prevent the Token from being transferred to any address other than a Registered Wallet. Transaction reversibility refers to the ability of the protocol to allow DTC to force convert or transfer the Token using DTC's "root wallet" on the blockchain when necessary to address a Condition Requiring Reversal.

DTC has identified certain protocols, such as ERC 3643, that are compliance-aware and intends to examine additional protocols based on Participant demand. In doing so, DTC anticipates prioritizing its review based on those protocols that have the greatest Participant demand and that can be integrated most readily into the DTCC Tokenization Services. DTC intends to make available to Participants a list of supported tokenization protocols to assist Participants in evaluating and identifying a preferred tokenization protocol when it issues a Tokenization Instruction.

In regards to supported blockchains, DTC similarly plans to make available to Participants a list of public and private distributed ledgers on which a Participant may register a blockchain address as a Registered Wallet. As with tokenization protocols, DTC intends to support the broadest range of distributed ledgers that can demonstrate the ability to satisfy the particular qualifications necessary to ensure that the DTCC Tokenization Services function as intended. To that end, DTC anticipates evaluating blockchains according to the following standards:

Reliability, Resilience, and Security. For purposes of including a blockchain in the Preliminary Base Version, DTC would need to confirm for this limited purpose that the blockchain demonstrates high reliability and resilience. DTC intends to consider these factors based on, among other things, the blockchain's availability, performance, and outage history. Additionally, DTC would need to satisfy itself that the blockchain is subject to robust cybersecurity standards, including those consistent with the standards prescribed by the National Institute of Standards and Technology.

Support for Compliance Aware Features. As with tokenization protocols, DTC would require that each blockchain supports compliance aware tokenization so that Tokens are only transferrable to Registered Wallets and that DTC can effectuate the Conditions Requiring Reversal.

Observability. While DTC would support private blockchains as well as those that allow privacy protecting technologies, such as zero knowledge proofs, DTC must have the ability to observe all transfers of Tokens. Accordingly, DTC would only support a blockchain if the blockchain—either on its own or through supporting technologies—allows DTC to review all transfers of Tokens on the blockchain.

Governance and Consensus. DTC anticipates supporting blockchains that have a range of governance models, including Proof of Work, Proof of Stake, and private permissioned networks. However, in order for DTC to support a blockchain, DTC must satisfy itself that the governance model of the network does not make it susceptible to bad actor or hostile nation state exploitation, frequent forking, or governance uncertainty.

As with tokenization protocols, DTC anticipates prioritizing its review of proposed blockchains based on those that have the greatest Participant demand and that can be integrated most readily into the DTCC Tokenization Services. In addition, DTC anticipates prioritizing its review of those that can scale to meet investor demand without incurring large variation in gas fees.

DTC believes that the foregoing standards (the “Technology Standards”) would allow it to support the broadest range of investor choice and exploration, without compromising the safeguarding of securities.

d. Corporate Actions

The Preliminary Base Version of the DTCC Tokenization Services would support the processing of the same corporate actions with respect to securities represented by Tokenized Entitlements as DTC supports for Book-Entry Entitlements. In certain instances, a Participant

may need to issue a de-tokenization instruction or DTC may need to force convert the Tokenized Entitlement into a Book-Entry Entitlement in order to receive a distribution or replacement security or to issue instructions in relation to the corporate action. In such situations, DTC would, to the extent feasible, provide the relevant Participants with advance notice of the need to provide such instruction or DTC's need to take such action.

In subsequent versions of the DTCC Tokenization Services, DTC may also provide additional functionalities in relation to corporate actions. For example, DTC may permit Participants with Tokenized Entitlements to instruct DTC to convert cash dividends into stablecoins or tokenized deposits and to deposit such stablecoins or tokenized deposits into the Participant's Registered Wallet. In addition, the corporate actions may involve new processes leveraging smart contracts or DLT. However, such functionalities are not the subject of this current request, and as discussed in Section III.a, below, prior to any expansion beyond the Preliminary Base Version, DTC would notify the Commission of its intent to expand, provide a description of the parameters of each new development, and seek relief to the extent necessary.

e. Design Controls

The Preliminary Base Version of the DTCC Tokenization Services includes numerous design controls that aim to ensure the safeguarding of securities holdings, open access, and the prompt and accurate clearance and settlement of securities transactions while significantly limiting the risk of loss and preventing systemic disruption.

No Collateral or Settlement Value. DTC would not give Tokenized Entitlements any collateral value for purposes of calculating a Participant's Net Debit Cap or the Collateral Monitor, the mechanisms that DTC uses to ensure that a Participant's net debit balance do not exceed DTC's liquidity resources and that a Participant's net debit obligation at DTC is fully collateralized.³⁰ Nor would DTC give any Tokenized Entitlement any settlement value. As a result, a Participant could only issue a Tokenization Instruction if it would have been able to instruct DTC to make a free delivery of the Subject Securities. By virtue of these limitations, neither DTC nor its Participants would be reliant on any Tokenized Entitlements or Subject Securities held in the Digital Omnibus Account to manage a Participant's default.

Only Highly Liquid Securities. DTC would only permit a Participant to issue a Tokenization Instruction for certain highly liquid securities. In particular, only securities in the Russell 1000 Index at the time the Preliminary Base Version launches as well as any additions to the index thereafter and irrespective of a security being removed from the index at a later time, U.S. Treasury securities (*i.e.*, bills, bonds, and notes), and exchange-traded funds ("ETFs") that track major indices, such as the S&P 500 index and Nasdaq-100 index, may be Subject Securities. Limiting Tokenized Entitlements to securities that are highly liquid ensures that tokenization should not impact trading activity or the market regarding any Subject Securities.

No Double Spend. As mentioned above, DTC would use the Digital Omnibus Account to eliminate the potential for any double spend of a Participant's security entitlements. More specifically, by recording any Subject Securities in the Digital Omnibus Account rather than in

³⁰ *Supra* note 28.

the relevant Participant's Account, DTC would ensure that a Participant cannot both transfer the Tokens and simultaneously issue an instruction to transfer the Subject Securities to a different party. That way, consistent with its obligations under Article 8, DTC would continue to hold one security for each security entitlement.

Only Participants May Register Wallets. Only Participants, which are required to comply with all applicable laws, including all applicable laws relating to securities, taxation, and money laundering, as well as sanctions administered and enforced by OFAC, would be permitted to register wallets with DTC. DTC would also perform screenings on the Registered Wallets to ensure compliance with OFAC requirements. While a Participant may register a wallet for the benefit of its customer and even provide that customer with the keys to the wallet,³¹ during the operation of the Preliminary Base Version, DTC would only recognize the Participant as the entitlement holder and the Participant would be fully responsible for the activity in the Registered Wallet. As a result, DTC's rights and responsibilities in relation to Tokenized Entitlements would be equivalent to those in respect of Book-Entry Entitlements.

Transfers Only to Registered Wallets. As discussed above, DTC would use smart contract technology to ensure that the Tokens can only be transferred to Registered Wallets. As a result, the Tokens would not be transferable to unknown wallets, and only Participants would be holders of Tokenized Entitlements.

Override Keys. DTC would have a "root wallet" on each blockchain with keys that it can use to convert, transfer, mint, or burn any of the Tokens, even without the private key for the Registered Wallet. These keys would allow DTC to act on any Tokens that have been the subject of Conditions Requiring Reversal. This override power would provide Participants with protections similar to those that exist with a centralized ledger but without compromising the benefits of DLT. DTC would maintain robust security systems to maintain the storage of its keys. In particular, DTC would store the keys relevant for the DTCC Tokenization Services in cold storage except for any such keys that are necessary for daily operations.

Only Approved Technology. As mentioned above, all Registered Wallets and smart contracts would need to satisfy the Technology Standards described above. As discussed above, these standards aim to ensure a reliable and secure record of Tokenized Entitlements, the ability of DTC to effectuate the Conditions Requiring Reversal, and that Tokens are only transferred to Registered Wallets. However, the standards would be narrowly tailored to what DTC determines is necessary to achieve these ends while ensuring an open access approach.

Resilient and Secure Infrastructure. The new DTCC systems used to perform the key functions of the Preliminary Base Version of the DTCC Tokenization Service, such as LedgerScan, would be designated as "Tier 2" systems within DTCC's internal rating structure by launch of the Preliminary Base Version. Among other things, Tier 2 systems must have the ability to operate from both a primary and a secondary location, a maximum of a four-hour

³¹ "Keys" in a blockchain system refer to security features used to identify participants in the network. In general, blockchain systems generate two sets of keys for network members. One key is a private key, unique to a network member, which the member uses to record and encrypt transactions. The other key is a public key that is common to everyone in the network, which allows others in the network to decrypt and verify transactions recorded by a specific participant using their private key.

recovery time objective, no more than two minutes of data loss from an outage, and annual out-of-region disaster recovery and resumption testing. Moreover, such new systems could only instruct DTC's existing centralized systems in two very limited ways: to deliver Subject Securities to or from the Digital Omnibus Account or to make a cash payment from a corporate action event (*e.g.*, a dividend payment). All other touch points between the new systems and DTC's existing centralized systems would be read only.

III. Expected Evolution of the DTCC Tokenization Services and Scope of Relief

DTC is developing the Preliminary Base Version of the DTCC Tokenization Services in response to feedback from Participants and other stakeholders that recording security entitlements using DLT would allow them to obtain substantial efficiencies. Its aim is to give Participants the opportunity to harness the mobility, decentralization, and programmability opportunities tokenization offers, but in an environment that includes numerous controls to limit the risks associated with new processes and novel technologies and allow refinements and adjustments as lessons are learned. However, as described in greater detail below, relief from the Subject Provisions under the circumstances described is critical in order for DTC to develop and launch the Preliminary Base Version of the DTCC Tokenization Services. The Subject Provisions should not apply to DTC's development and operation of the Preliminary Base Version since such provisions do not afford the flexibility necessary to accommodate a limited, voluntary service for which timely adjustments would be required to address lessons, market participant feedback, or technological developments. In addition, since a number of the Subject Provisions were designed without regard to distributed ledgers, applying them to DLT can present challenges akin to "trying to fit a square peg into a round hole."³² The relief is also appropriate under the circumstances described below because the design controls of the Preliminary Base Version would limit the scope of the Preliminary Base Version and include robust protections to ensure the safeguarding of securities, promote open access, and reduce the risk of disruption in the clearance and settlement of transactions.

Critically, DTC views the Preliminary Base Version as a step to a broader goal. In particular, DTC believes that the operation of the Preliminary Base Version in a manner consistent with the representations described below would provide useful insights to market participants and the Commission regarding how the various requirements under the Subject Provisions may be applied in a "sensible manner" to a recordkeeping arrangement involving DLT.³³ Based on such insights and any adjustments that the Commission makes to the Subject Provisions, DTC envisions expanding the DTCC Tokenization Services over time in a manner that complies with the Subject Provisions and the broader clearing agency regulatory framework, as applicable at that time and taking into account any refinements the Commission might make based on the lessons learned and insights taken from the Preliminary Base Version.

³² Paul S. Atkins, Keynote Address at the Crypto Task Force Roundtable on Tokenization (May 12, 2025), available at <https://www.sec.gov/newsroom/speeches-statements/atkins-remarks-crypto-roundtable-tokenization-051225>

³³ Hester M. Peirce, Getting Smart – Tokenization and the Creation of Networks for Smart Assets: Opening Remarks for Tokenization Roundtable (May 12, 2025), available at <https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-crypto-roundtable-tokenization-051225>.

Below we discuss the planned evolution of the DTCC Tokenization Services and describe the circumstances surrounding DTC's proposed operation of the Preliminary Base Version that support granting the relief.

a. Expected Evolution of the DTCC Tokenization Services

Initial Testing. Prior to launching the Preliminary Base Version, DTC would engage in substantial testing of the service with Participants. The testing would aim to ensure that the Preliminary Base Version will operate as intended and that the design controls described above are robust and serve their purpose. The testing would also ensure that Participants are able to begin using the Preliminary Base Version seamlessly when it is launched, which is expected to be in the second half of 2026.

In particular, in the fall of 2025, DTC engaged in an internal proof of concept using only synthetic data and assets. This initial testing did not involve the transfer of actual value and the tokenization was of a defined set of synthetic DTC-eligible assets created solely for the purpose of testing the proof of concept. DTC transferred the Tokens representing entitlements to the synthetic assets between two Registered Wallets. At no time did this initial testing involve the transfer of actual value.

In early 2026, DTC plans to conduct one or more production-based but limited minimum viable products ("MVPs") or pilots involving a few, select Participants, a live blockchain, and real data and assets with limited actual value. The MVPs or pilots would serve as a key step in testing the core functionality of the DTCC Tokenization Services before later launching the Preliminary Base Version.

Preliminary Base Version. Provided the Division staff grants the relief requested in this letter and following the initial testing described above, DTC plans to launch the Preliminary Base Version of the DTCC Tokenization Services, subject to the parameters described in Section II.e of this letter, above, in the second half of 2026. The relief requested in this letter is applicable only to the development and operation of the Preliminary Base Version of the DTCC Tokenization Services.

Expansion. As DTC garners insights and lessons from the operation of the Preliminary Base Version, it anticipates eventually expanding the functionality of the DTCC Tokenization Services beyond the parameters described in Section II.e of this letter. For example, DTC would consider expanding the scope of eligible securities, allowing Tokenized Entitlements to have settlement or collateral value, and broadening the services it provides in relation to corporate actions (e.g., to allow Participants to receive distributions in stablecoins or tokenized deposits). Prior to any such expansion, DTC would notify the Division staff of its intent to expand, provide a description of the parameters of each new development, and seek relief to the extent necessary.

Ultimately, as noted above, DTC envisions seeking to operate the DTCC Tokenization Services in compliance with the Subject Provisions and the broader requirements generally applicable to registered clearing agencies and CSDs at that time and considering any refinements made by the Commission based on the lessons learned and insights taken from the Preliminary Base Version.

b. Scope of Relief

DTC respectfully requests that the Division staff assure DTC that it would not recommend enforcement action to the Commission for violations of the Subject Provisions as a result of DTC's development and operation of the proposed Preliminary Base Version of the DTCC Tokenization Services, which, following advance notice to Division staff, DTC would launch and operate under the requested relief for a limited period of three (3) years and subject to the following representations by DTC:

1. DTC would not ascribe to any Tokenized Entitlements any collateral value or settlement value for purposes of calculating a Participant's Net Debit Cap or the Collateral Monitor. By virtue of these limitations, neither DTC nor its Participants would be reliant on any Tokenized Entitlements or Subject Securities held in the Digital Omnibus Account to manage a Participant's default.
2. The securities that are eligible for tokenization would be limited to (i) securities in the Russell 1000 Index at the time the Preliminary Base Version launches as well as any additions to the index thereafter and notwithstanding the subsequent removal of any securities from the index, (ii) U.S. Treasury securities (*i.e.*, bills, bonds, and notes), and (iii) ETFs that track major indices, such as the S&P 500 index and Nasdaq-100 index.
3. Only Participants would be permitted to register wallets, and the relevant Participant would be fully responsible for the activity in the Registered Wallet(s).
4. DTC would only register a blockchain address as a Registered Wallet if (i) the blockchain is a supported blockchain that satisfies the Technology Standards and (ii) DTC has performed its own screenings of the wallet and confirmed that it complies with OFAC requirements.
5. All Tokens would be subject to tokenization protocols that satisfy the Technology Standards, including to ensure that they support distribution control and transaction reversibility.
6. The Tokens would only be transferable to Registered Wallets.
7. DTC would have the technological capability to transfer any of the Tokens to address Conditions Requiring Reversal, such as to service a corporate action event, replace lost or stolen Tokens or correct erroneous transfers.
8. The new DTCC systems used to perform the key functions of the DTCC Tokenization Service, such as LedgerScan, would maintain a Tier 2 or better system rating, within DTCC's internal rating structure, from time of launch of the Preliminary Base Version, and the only two instructions such new systems could give DTC's existing centralized systems are to (i) deliver Subject Securities to or from the Digital Omnibus Account or (ii) make a cash payment from a corporate action event, whereas all other touch points would be read only.

9. If DTC identifies that a disruption, compliance issue, or intrusion of or into any of the new systems used to perform the key functions of the Preliminary Base Version has occurred that materially impacts, or is reasonably likely to materially impact, the operation of the Preliminary Base Version (a “Systems Event”), DTC would (i) notify the Division staff as soon as reasonably practicable following a Systems Event, (ii) keep the Division staff informed as DTC works to resolve the Systems Event, and (iii) notify the Division staff once the Systems Event is resolved.
10. Following the end of each calendar quarter, DTC would provide a quarterly report package to Division staff no later than 30 calendar days following each quarter’s end date. The report package would contain the following information for the calendar quarter covered in the report:
 - the identities of the Participants participating in the Preliminary Base Version as of the end of the quarter;
 - the total number of shares and total value of security entitlements that have been tokenized pursuant to a Tokenization Instruction during the quarter;
 - the total number of shares and total value of security entitlements as of the end of the quarter maintained as Tokenized Entitlements;
 - the average daily volume of Tokenized Entitlements transferred between Participants during the quarter;
 - the total number of security entitlements (*i.e.*, count of CUSIPs) that have been de-tokenized during the quarter;
 - the list of securities eligible to be Subject Securities as of the end of the quarter;
 - the number of Registered Wallets at the end of the quarter;
 - the names of the blockchains on which Tokens were recorded during the quarter;
 - the names of any blockchains DTC has determined not to approve for inclusion in the Preliminary Base Version during the quarter and the reason for such;
 - the names of any blockchains that DTC has approved for inclusion in the Preliminary Base Version that DTC knew to be unavailable during the quarter for the service;
 - any instances in which DTC used its “root wallet” to address Conditions Requiring Reversal, other than to service a corporate action even, during the quarter; and
 - any disclosures made to Participants under representation 13 of this section during the quarter.
11. Executive management of DTC would provide DTC’s board of directors with the materials provided to the Division staff described in representations 9 and 10.

12. DTC would provide Participants the ability to view, via LedgerScan, the Tokens that they hold in their Registered Wallets.
13. DTC would provide Participants with disclosures regarding the mechanics and operation of the Preliminary Base Version and would give Participants reasonable advance notice in writing of any material changes to the service.
14. DTC would disclose to Participants (i) the Technology Standards and any changes thereto, (ii) the names of the blockchains that DTC has approved for inclusion in the Preliminary Base Version, and (iii) any DTC fees or charges for access to or use of the Preliminary Base Version.
15. Participants eligible to participate in the Preliminary Base Version would be permitted to participate at will and would be able to begin or cease participating at any time upon notification and instruction to DTC.
16. DTC would make information and data maintained in its systems available to Division staff upon request.

Prior to implementing any changes to the above representations, DTC would notify the Division staff of its intent to change any such representation(s) and, if necessary, re-engage with the Division staff regarding proposed updates to the relief.

IV. Relief from Section 19(b) and Rule 19b-4

a. SRO Rule Filing Requirements

Section 19(b)(1) of the Exchange Act requires each self-regulatory organization (“SRO”), including any registered clearing agency, to file with the Commission copies of any proposed rule or any proposed change in, addition to, or deletion from the rules of such SRO (collectively, “proposed rule changes”) in accordance with such rules as the Commission may prescribe. Pursuant to this authority, the Commission adopted Rule 19b-4 which establishes the rule filing procedures in accordance with Section 19(b), including a requirement that proposed rule changes must be submitted on Form 19b-4 in accordance with the “General Instructions” thereto. Once a proposed rule change has been filed, the Commission is required to publish it in the Federal Register to provide an opportunity for public comment. A proposed rule change generally may not take effect unless the Commission approves it, or it otherwise becomes effective under Section 19(b).

Section 19(b)(2) of the Exchange Act sets forth the standards and time periods for Commission action either to approve, disapprove, or institute proceedings to determine whether the proposed rule change should be disapproved. The Commission must approve a proposed rule change if it finds that the underlying rule change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to the SRO proposing the rule change. In general, the Commission is required to issue an order approving or disapproving the proposed rule change not later than 180 days after the date of publication in the Federal Register; however, the Commission may extend the period by up to 60 days if it determines that a longer period is appropriate and publishes the reasons for such determination or the SRO that filed the

proposed rule change consents to the longer period. Thus, a proposed rule change filed pursuant to Section 19(b)(2) can take up to 240 days after being published in the Federal Register to be approved.

Section 19(b)(3)(A) of the Exchange Act provides that a proposed rule change may become effective upon filing with the Commission, without pre-effective notice and opportunity for comment, if it is appropriately designated by the SRO as (i) constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the SRO; (ii) establishing or changing a due, fee, or other charge imposed by the SRO on any person, whether or not the person is a member of the SRO; or (iii) relating solely to the administration of the SRO. Section 19(b)(3)(A) also provides the Commission with the authority, by rule and when consistent with the public interest, to designate other types of proposed rule changes that may be effective upon filing with the Commission. Rule 19b-4(c) provides that a “stated policy, practice, or interpretation” of an SRO will be deemed to be a proposed rule change unless (i) it is reasonably and fairly implied by an existing rule of the SRO or (ii) it is concerned solely with the administration of the SRO and is not a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the SRO. Rule 19b-4(a)(6) defines the term “stated policy, practice, or interpretation” to mean (i) any material aspect of the operation of the facilities of the SRO; or (ii) any statement made generally available to the membership of, to all participants in, or to persons having or seeking access (including, in the case of national securities exchanges or registered securities associations, through a member) to facilities of, the SRO (“Specified Persons”), or to a group or category of Specified Persons, that establishes or changes any standard, limit, or guideline with respect to (A) the rights, obligations, or privileges of Specified Persons or, in the case of national securities exchanges or registered securities associations, persons associated with Specified Persons; or (B) the meaning, administration, or enforcement of an existing rule.

Section 19(b)(3)(B) of the Exchange Act provides that a proposed rule change may be put into effect summarily if it appears to the Commission that such action is necessary for the protection of investors, the maintenance of fair and orderly markets, or the safeguarding of securities or funds, and provides that any proposed rule change so put into effect shall be filed promptly thereafter with the Commission under Section 19(b)(1) of the Exchange Act. A proposed rule change put into effect summarily under Section 19(b)(3)(B) is also subject to the procedures of Section 19(b)(2) and is therefore summarily effective only until the Commission (i) enters an order, pursuant to Section 19(b)(2)(A) of the Act, to approve or disapprove such proposed rule change; or (ii) institutes proceedings to determine whether the proposed rule change should be disapproved.

Section 19(b)(3)(C) of the Exchange Act grants the Commission the authority to temporarily suspend a proposed rule change of an SRO that has taken effect pursuant to either Section 19(b)(3)(A) or 19(b)(3)(B) of the Exchange Act within 60 days of its filing if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Exchange Act. If the Commission takes such action, it is then required to institute proceedings to determine whether the proposed rule change should be approved or disapproved.

With respect to clearing agencies in particular, Title VIII of the Dodd-Frank Act, titled the Payment, Clearing, and Settlement Supervision Act of 2010 (“Clearing Supervision Act” or “Title VIII”), included provisions for the enhanced regulation of financial market utilities (“FMUs”), including clearing agencies, that manage or operate a multilateral system for the purpose of transferring, clearing or settling payments, securities or other financial transactions among financial institutions or between financial institutions and the FMU. The regulatory regime in Title VIII applies to FMUs that FSOC designates as systemically important (or likely to become systemically important) in accordance with Section 804 of the Clearing Supervision Act (each such designated FMU, a “SIFMU”). Following the publication of its final rule outlining the criteria, processes, and procedures for the designation of FMUs on July 27, 2011, the FSOC proposed the designation of an initial set of FMUs as systemically important on May 22, 2012. At its July 18, 2012, meeting, the FSOC voted unanimously to designate eight FMUs, including DTC, as systemically important under Title VIII.

Among other requirements prescribed under Title VIII, Section 806(e) requires any SIFMU to file 60 days in advance notice of changes to its rules, procedures, or operations that could “materially affect the nature or level of risk presented” by the SIFMU (“Advance Notice”). In addition, Section 806(e) requires each “Supervisory Agency,” including the SEC, to adopt rules, in consultation with the Board of Governors of the Federal Reserve, that define and describe when a SIFMU is required to file an Advance Notice with its Supervisory Agency. In 2012, the SEC implemented this mandate through amendments to Rule 19b-4 and Form 19b-4. Specifically, Rule 19b-4(n)(2) provides that the phrase “materially affect the nature or level of risks presented,” when used to qualify determinations on a change to rules, procedures, or operations at a registered clearing agency designated as a SIFMU (a “designated clearing agency”), means “matters as to which there is a reasonable possibility that the change could affect the performance of essential clearing and settlement functions or the overall nature or level of risk presented by the designated clearing agency.” The rule provides further that these “may include, but are not limited to, changes that materially affect participant and product eligibility, risk management, daily or intraday settlement procedures, default procedures, system safeguards, governance or financial resources of the designated clearing agency.” In contrast, changes that may not materially affect the nature or level of risk presented include “[c]hanges to an existing procedure, control, or service that do not modify the rights or obligations of the designated clearing agency or persons using its payment, clearing, or settlement services and that do not adversely affect the safeguarding of securities, collateral, or funds in the custody or control of the designated clearing agency or for which it is responsible; or [c]hanges concerned solely with the administration of the designated clearing agency or related to the routine, daily administration, direction, and control of employees.”

b. Analysis and Request for Relief

The process for proposed rule changes under Section 19, as implemented through Rule 19b-4 thereunder, provides the Commission and the public with an important opportunity to review and assess an SRO’s proposed rule changes; however, the process is necessarily time intensive and operationally burdensome and prevents SROs from making needed changes to their rules on an expedited basis unless they meet the strictures of Section 19(b)(3)(A) and Rule 19b-4(f) with respect to “immediately effective” rule filings. Even then, however, the Commission retains the right to temporarily suspend any such proposed rule change within 60

days from filing. Accordingly, while DTC envisions ultimately complying with the requirements of Section 19 and Rule 19b-4 in full for the DTCC Tokenization Services, it believes that relief is necessary and appropriate for the development and operation of the Preliminary Base Version—which would be a limited and purely voluntary service—if conducted in accordance with the representations set forth above. In particular, DTC requests that the Division staff assure DTC that it would not recommend enforcement action to the Commission if DTC does not file proposed rule changes pursuant to Section 19(b) and Rule 19b-4 or the Advance Notice filings under Section 806(e) in connection with the Preliminary Base Version of the DTCC Tokenization Services.

If conducted consistently with the representations and limitations described above, DTC believes that the development and operation of the Preliminary Base Version should not be subject to the rule filing requirements of the Exchange Act and Section 806(e). Moreover, as a practical matter, relief from the rule filing requirements under Section 19(b) and Rule 19b-4 is necessary because the logistics, timeframe, and public comment process associated with proposed rule changes filed pursuant to Rule 19b-4 would present practically insurmountable challenges to launching the Preliminary Base Version. As described above, the Preliminary Base Version would be a limited and voluntary offering. Its aim would be to allow certain Participants to elect to have their security entitlements recorded using new technologies that may present opportunities as well as challenges. In order for this preliminary service to be successful, it would be important for DTC to be able to make changes to various aspects of the service on a routine basis (provided those changes remain in conformance with the relief granted by the Division). In particular, DTC would need to be able to respond dynamically to feedback from Participants and service providers, among others, as well as to changing technological developments and its own experiences in operating the service. Effectuating those changes with the promptness required to ensure the continuing utility of the service for Participants would be difficult if not impossible to accomplish if DTC were required to submit a proposed rule change and potentially wait for up to 240 days to effectuate each such change.

The relief is appropriate because the development and operation of the Preliminary Base Version of the DTCC Tokenization Services is purposefully designed to be narrow and is not intended or expected to be a “material aspect of the operations of the facilities” of DTC; nor would it “materially affect the nature or level of risk presented” by DTC. As discussed above, the Preliminary Base Version of the DTCC Tokenization Services would be limited to highly liquid securities, and DTC would give Subject Securities no collateral or settlement value at DTC. Accordingly, the service would not be material to DTC’s default management, would not affect DTC’s processing of delivery-versus-payment instructions, including those related to the National Securities Clearing Corporation (“NSCC”), and would not impact trading activity or the market regarding any Subject Securities. The lack of collateral and settlement value and the eligibility requirements for the Subject Securities would also likely lead Participants to tokenize a smaller proportion of securities in the Preliminary Base Version, thereby further keeping the scope of the service narrow.

The relief is also appropriate because the Preliminary Base Version would be entirely voluntary. As mentioned above, DTC would make available to interested Participants disclosures describing the Preliminary Base Version and, for on-boarded Participants, reasonable notice of any material changes to the extent practical. Accordingly, Participants would only be subject to

the requirements of the service if they so choose. If a Participant chooses not to participate or initially participates but then objects to a change DTC is proposing to make to the service, the Participant can instruct DTC to de-tokenize any existing Tokenized Entitlements and can continue to have its security entitlements recorded by DTC as Book-Entry Entitlements subject to DTC's Rules and procedures adopted pursuant to Rule 19b-4. Moreover, DTC would collect input from and engage frequently with various stakeholders, including the DTCC Digital Launchpad Advisory Council, regarding the DTCC Tokenization Services. Such engagement would ensure that DTC is providing an opportunity for Participants and other stakeholders to understand and weigh in on developments related to the service.

Finally, DTC would provide quarterly reports and prompt notification of any Systems Event to the Division staff regarding the Preliminary Base Version. Consequently, the relief would not serve to interfere with the Commission's oversight of the service. DTC would make the LedgerScan system and data available to Division staff upon request, and the Commission would, of course, retain the ability to request any information from DTC it deems necessary to ensure appropriate oversight.

V. Covered Clearing Agency Standards

a. Rule 17ad-22(e) Background

As a registered clearing agency that provides CSD services, DTC is a "covered clearing agency" (or a "CCA") as defined in Rule 17ad-22 under the Exchange Act. DTC is therefore required to comply with the CCA Standards, which require CCAs to establish, implement, maintain, and enforce written policies and procedures covering a variety of topics concerning their operation and governance. These topics include:

- general organization (including legal basis, governance, and a framework for the comprehensive management of risks);
- financial risk management (including credit risk, collateral, margin, and liquidity risk);
- settlement (including settlement finality, money settlements, and physical deliveries);
- CSDs and exchange-of-value settlement systems;
- default management (including default rules and procedures and segregation and portability);
- business and operational risk management (including general business risk, custody and investment risks, and operational risk);
- access (including access and participation requirements, tiered participation arrangements, and links);

- efficiency (including efficiency and effectiveness and communication procedures and standards); and
- transparency.³⁴

The Commission has explained that the primary goals of the CCA Standards are to enhance the stability of the U.S. securities markets, promote financial stability through the application of enhanced requirements for CCAs, promote market integrity, improve the robustness of clearing systems, and protect the financial system against contagion.³⁵ The Commission explained that it believes the CCA Standards achieve these goals by “supporting the objectives of (i) the Exchange Act to facilitate the establishment of a national system for the prompt and accurate clearance and settlement of securities transactions and linked or coordinated facilities for clearance and settlement of securities transactions, having due regard for the public interest, the protection of investors, the safeguarding of securities and funds, and maintenance of fair competition among brokers and dealers, clearing agencies, and transfer agents, and (ii) the Clearing Supervision Act to promote robust risk management, promote safety and soundness, reduce systemic risks, and support the stability of the broader financial system.”³⁶

b. Analysis and Request for Relief

DTC fully expects the DTCC Tokenization Services to ultimately adhere to the CCA Standards. However, imposing such exacting and wide-ranging requirements on the Preliminary Base Version would be unworkable and is not necessary in order to ensure the purpose behind the CCA Standards. Accordingly, DTC requests that the Division staff assure DTC that it would not recommend enforcement action to the Commission for violations of the CCA Standards if DTC develops and operates the Preliminary Base Version consistent with the representations in this request.

DTC believes that the CCA Standards should not apply to the development and operation of the Preliminary Base Version because the CCA Standards are designed for systemically important systems that largely remain fixed over time. Their demanding requirements are fundamentally inconsistent with a limited experimental system that aims to respond dynamically in a rapidly changing technological landscape and is limited in scope and application as described above. In order to develop and operate the Preliminary Base Version, DTC would need to leverage systems and technology that have been comprehensively tested, but are still somewhat novel, and to make adjustments as new developments arise. DTC would not be able to make adjustments to the service as necessary if it is required to ensure that each feature of the Preliminary Base Version satisfies each CCA Standard at all relevant times. For example, it would be impractical and needlessly delay innovation were DTC required to wait to make any change to the Preliminary Base Version until it determined whether the change had a high degree of “scalable capacity.”³⁷ In certain cases, the contemplated change may not currently be scalable, but may become so in the future if it is successful. In addition, at least for the Preliminary Base

³⁴ Standards for Covered Clearing Agencies, Securities and Exchange Commission, Exchange Act Release No. 34-78961, 81 FR 70786 at 70792 (Oct. 13, 2016) (the “Rule 17ad-22(e) Adopting Release”).

³⁵ *Id.* at 70793.

³⁶ *Id.*

³⁷ 17 C.F.R. § 240.17ad-22(e)(17)(ii).

Version, it would be unduly burdensome for DTC to identify and mitigate each source of operational risk that may arise through a Participant's use of Tokens,³⁸ and to incorporate each feature of the Preliminary Base Version into its internal auditing processes.³⁹

Relief is also necessary because the applicability of some CCA Standards is unclear or infeasible in the context of a decentralized recordkeeping system like the DTCC Tokenization Services. For example, it is unclear how the internal auditing requirements would apply to Registered Wallets and associated blockchains, and it would likely be impossible to subject certain blockchains to business continuity requirements. Accordingly, absent relief, DTC would effectively be unable to offer the Preliminary Base Version or make changes to it in a dynamic manner.

Relief from these provisions is also appropriate, as the limited scope of the Preliminary Base Version operated consistently with the representations in this request would ensure that the service does not implicate the concerns on which the Commission was focused when it adopted the CCA Standards. The CCA Standards were designed for CCAs "to address the activity and risks that their size, operation, and importance pose to the U.S. securities markets, [and] the risks inherent in the products they clear."⁴⁰ As discussed above, the Preliminary Base Version would be a limited, voluntary service involving highly liquid securities and numerous risk controls. These controls would ensure that neither DTC nor the broader securities market would face risk of material loss or disruption on account of any challenges involving the Preliminary Base Version. In particular, by not extending to Subject Securities any collateral or settlement value, DTC would ensure that it is not dependent on the availability of those securities to address a distress situation involving one of its Participants. Furthermore, through the Technology Standards and override keys, DTC would be able to ensure that it can address any Conditions Requiring Reversal. Accordingly, the operation of the Preliminary Base Version would not be of a size, operation or importance to pose a risk to the U.S. securities markets.

Finally, while DTC is requesting that the Division staff assure DTC that it would not recommend enforcement action to the Commission for violations of the CCA Standards as applied to the development and operation of the Preliminary Base Version of the DTCC Tokenization Services, as a registered clearing agency DTC would still be subject to the more general requirements of Section 17A of the Exchange Act, which outlines the requirements for clearing agencies, including that the rules of a clearing agency must be "designed to promote the prompt and accurate clearance and settlement of securities transactions ... to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and, in general, to protect investors and the public interest."⁴¹ In addition, Section 17A requires that the rules of a clearing agency "not impose any burden on competition not necessary or appropriate in furtherance of the purposes of this chapter."⁴² As discussed

³⁸ 17 C.F.R. § 240.17ad-22(e)(17)(i).

³⁹ 17 C.F.R. § 240.17ad-22(e)(11)(ii).

⁴⁰ Rule 17ad-22(e) Adopting Release at 70793.

⁴¹ 15 U.S.C. § 78q-1(b)(3)(F).

⁴² 15 U.S.C. § 78q-1(b)(3)(I).

above, DTC has designed the Preliminary Base Version of the DTCC Tokenization Services, including the Technology Standards, to ensure open access and not to favor any particular system or provider. DTC believes these standards comport with Section 17A's requirements, and any changes would need to continue to comply. In addition, DTC would provide comprehensive reporting to the Commission so that they can monitor the consistency of the Preliminary Base Version with Section 17A.

VI. Senior Management/Board Obligation

a. Rule 17ad-25 Background

As a registered clearing agency, DTC is subject to the recently adopted Exchange Act Rule 17ad-25, addressing clearing agency boards of directors and conflicts of interest. Rule 17ad-25(i) requires clearing agencies to establish, implement, maintain, and enforce written policies and procedures reasonably designed to manage risks related to relationships with "service providers for core services," which is defined to mean any person that "directly supports the delivery of clearance or settlement functionality or any other purposes material to the business of the registered clearing agency." Among other things, Rule 17ad-25(i) requires senior management to submit to the board of directors for review and approval any agreement that would establish a relationship with a service provider for "core services," along with a risk evaluation for such agreement. Rule 17ad-25(j) requires clearing agencies to establish, implement, maintain, and enforce written policies and procedures reasonably designed to require the board of directors to solicit, consider, and document its consideration of the views of participants and other relevant stakeholders of the registered clearing agency regarding material developments in its risk management and operations on a recurring basis.

In the release adopting Rule 17ad-25, the Commission explained that Rule 17ad-25(i) is aimed at cases where "failure of the service provider to perform its obligations would pose significant operational risks and have critical effects on the ability of the registered clearing agency to perform its risk management function and facilitate prompt and accurate clearance and settlement," and where "absent regular monitoring and oversight, these relationships could endanger the operational resilience of a registered clearing agency and call into question the registered clearing agency's ability to meet its obligations under the Exchange Act."⁴³ The Commission further explained that the rule is "meant to capture outsourced services directly applicable to core clearance and settlement functionality."⁴⁴

The Commission also explained that the purpose of Rule 17ad-25(j) is "for registered clearing agencies to solicit, consider, and document their consideration of the views of participants and other relevant stakeholders regarding material developments in their risk management and operations,"⁴⁵ and that such stakeholders should be allowed to comment on the operations of a registered clearing agency, including "the design and functioning of the processes

⁴³ Clearing Agency Governance and Conflicts of Interest, Securities and Exchange Commission, Exchange Act Release No. 34-98959, 88 FR 84454 at 84476 (Dec. 5, 2023) (the "Rule 17ad-25 Adopting Release").

⁴⁴ *Id.*

⁴⁵ *Id.* at 84485.

and technology systems that support the infrastructure of the registered clearing agency itself, and the way that participants and other stakeholders connect to such systems.”⁴⁶

b. Analysis and Request for Relief

DTC does not believe the Preliminary Base Version, operated consistently with the representations in this request, would be a “core service” of DTC as it is limited and voluntary. Consequently, DTC requests the Division staff assure DTC that it would not recommend enforcement action to the Commission under Rule 17ad-25(i) and (j) in connection with the Preliminary Base Version of the DTCC Tokenization Services if DTC develops and operates the service in accordance with the representations above. As discussed above, relief from these rules is also necessary as a practical matter because in the Preliminary Base Version, DTC would need flexibility to make real-time adjustments to develop or improve systems and processes in response to Participant, technical, operational, and other needs. Requiring DTC’s board of directors to review and approve, and requiring senior management to conduct a risk evaluation of, any such change would unnecessarily stifle DTC’s ability to develop, test, and implement solutions and respond to feedback dynamically. Similarly, while DTC has and continues to solicit and consider views of Participants and other stakeholders in designing these systems, and plans to continue doing so in the future, the formal process required by these rules for amendments would be ill-fitted for the Preliminary Base Version, when DTC needs to react promptly.

Relief from these provisions is also appropriate given their purpose—namely to protect the core clearance and settlement function and to give stakeholders a voice in decisions that would affect the infrastructure of the system. The changes that DTC would need to make to the Preliminary Base Version of the DTCC Tokenization Services would not affect DTC’s core clearance and settlement functions. As discussed above, the Preliminary Base Version would be a strictly voluntary service that would allow Participants to elect to have DTC record a limited scope of security entitlements using DLT rather than a centralized ledger. It would not affect DTC’s processing of delivery-versus-payment instructions, including those involving NSCC, or DTC’s management of Participant defaults. It would not affect the legal framework of DTC’s holdings or how DTC holds securities. It would simply involve using, at the request of a Participant, different technology to reflect changes in ownership. Moreover, there would be numerous features in place to ensure limited risk of disruption, including robust and objective Technology Standards, a Digital Omnibus Account to ensure there is no “double spending,” the ability for DTC to address Conditions Requiring Reversal, and reporting of any Systems Events and any use by DTC of the root wallet. Furthermore, since the service would be strictly voluntary and limited and DTC would continue to engage regularly with its Participants and other stakeholders, DTC believes it would not implicate the concerns underlying Rule 17ad-25(j). To the extent it did, DTC has consulted on the Preliminary Base Version with a broad cross-section of its stakeholders, including Participants, end-users, financial market infrastructures, the DTCC Digital Launchpad Advisory Council, and other stakeholders. Moreover, DTC would continue to engage in broad stakeholder consultation and leverage its established internal governance

⁴⁶ *Id.* at 84485–85.

processes, particularly in regards to any contemplated material changes to the DTCC Tokenization Services.

Lastly, as also discussed above, while DTC is seeking relief from Rule 17ad-25(i) and (j) as applied to the Preliminary Base Version of the DTCC Tokenization Services, DTC would still be subject to the more general requirements of Section 17A of the Exchange Act.

VII. Regulation SCI

a. Reg SCI Background

As an “SCI SRO” and, therefore, an “SCI entity” as defined in Reg SCI Rule 1000, DTC is subject to the requirements of Reg SCI, which include the requirements to “establish, maintain, and enforce written policies and procedures reasonably designed to ensure that its SCI systems and, for purposes of security standards, indirect SCI systems, have levels of capacity, integrity, resiliency, availability, and security, adequate to maintain the SCI entity’s operational capability and promote the maintenance of fair and orderly markets” and to “establish, maintain, and enforce written policies and procedures reasonably designed to ensure that its SCI systems operate in a manner that complies with the [Exchange] Act and the rules and regulations thereunder and the entity’s rules and governing documents, as applicable.”⁴⁷ Reg SCI Rule 1001(a)(4) provides that these policies and procedures are deemed to be “reasonably designed” if they are consistent with “current SCI industry standards.”⁴⁸

An “SCI system” is defined in Reg SCI Rule 1000 to mean “all computer, network, electronic, technical, automated, or similar systems of, or operated by or on behalf of, an SCI entity that, with respect to securities, directly support trading, clearance and settlement, order routing, market data, market regulation, or market surveillance.”⁴⁹ In the release adopting Reg SCI, the Commission explained that the definition of “SCI system” was “limited to apply to production systems that relate to securities market functions, and in particular to those six functions—trading, clearance and settlement, order routing, market data, market regulation, or market surveillance—that traditionally have been considered to be central to the functioning of the U.S. securities markets.”⁵⁰ Furthermore, the Commission emphasized that the focus of the definition was to identify systems providing functions that “may pose a significant risk to the maintenance of fair and orderly markets if their capacity, integrity, reliability, availability or security is compromised.”⁵¹

In addition to “SCI systems,” Reg SCI Rule 1000 defines a “critical SCI system” to mean any “SCI systems of, or operated by on behalf of, an SCI entity that (1) directly support functionality relating to (i) clearance and settlement systems of clearing agencies; (ii) openings,

⁴⁷ 17 C.F.R. § 240.1001(a)(1); (b)(1).

⁴⁸ In the Reg SCI Adopting Release, the Commission stated that the staff should issue guidance to assist SCI entities in developing policies and procedures consistent with “current SCI industry standards” and that the staff guidance should assist SCI entities in developing policies and procedures consistent with “current SCI industry standards.” *See, e.g.*, Staff Guidance on Current SCI Industry Standards (Nov. 14, 2014).

⁴⁹ 17 C.F.R. § 240.1000.

⁵⁰ Regulation Systems Compliance and Integrity, Securities and Exchange Commission, Exchange Act Release No. 34-73639, 79 FR 72252 at 72273 (Dec. 5, 2014) (the “Reg SCI Adopting Release”).

⁵¹ *Id.*

reopenings, and closings on the primary listing market; (iii) trading halts; (iv) initial public offerings; (v) the provision of market data by a plan processor; or (vi) exclusively-listed securities; or (2) provide functionality to the securities markets for which the availability of alternatives is significantly limited or nonexistent and without which there would be a material impact on fair and orderly markets.” Reg SCI Rule 1001 requires that an SCI entity’s business continuity and disaster recovery plans should be reasonably designed to ensure two-hour resumption of any critical SCI systems following a wide-scale disruption.

Reg SCI contains additional requirements regarding “SCI events” defined in Reg SCI Rule 1000 to include “systems disruptions,” “systems compliance issues” and “systems intrusions,” each of which refers to events related to SCI systems. If an SCI event occurs, Reg SCI Rule 1002 requires the SCI entity to take corrective action, to notify the Commission, to keep records related to the event, and, in certain instances, to disseminate information regarding such SCI events. In addition, Rule 1003 requires SCI entities to, among other things, “[w]ithin 30 calendar days after the end of each calendar quarter, submit to the Commission a report describing completed, ongoing, and planned material changes to its SCI systems and the security of indirect SCI systems, during the prior, current, and subsequent calendar quarters, including the dates or expected dates of commencement and completion.”⁵²

b. Analysis and Request for Relief

When it adopted Reg SCI, the Commission acknowledged that applying it to experimental or trial systems would not always be workable, and would “have the effect of deterring SCI entities from fully utilizing the testing and development process to test new systems and system changes and develop solutions to issues prior to implementation.”⁵³ In fact, the Commission originally proposed that the definition of “SCI system” would include development and testing systems, but amended the definition in the final rule to exclude such systems for this reason.⁵⁴

DTC does not believe the Preliminary Base Version of the DTCC Tokenization Services, if developed and operated consistently with the representations and limitations described above, should be considered an SCI System of DTC. Consequently, DTC is requesting that the Division

⁵² 17 C.F.R. § 240.1003(a)(1).

⁵³ Reg SCI Adopting Release at 72274. *See also* Letter from Janet McGinness, EVP & Corporate Secretary, NYSE Euronext to Elizabeth Murphy, Secretary, Commission, dated July 9, 2013 at 11; Letter from Marcia E. Asquith, Senior Vice President and Corporate Secretary, FINRA to Elizabeth Murphy, Secretary, Commission, dated July 8, 2013 at 10–11; Letter from Norman M. Reed, Omgeo LLC, New York, New York to Elizabeth Murphy, Secretary, Commission, dated July 8, 2013 at 5; Letter from Larry E. Thompson, Managing Director and General Counsel, The Depository Trust Clearing Corporation to Elizabeth Murphy, Secretary, Commission, dated July 8, 2013 at 4; Letter from Timothy J. Mahoney, CEO, BIDS Trading, L.P., New York, New York to Elizabeth Murphy, Secretary, Commission, dated July 8, 2013 at 16; Letter from Jay M. Goldstone, Chairman, Municipal Securities Rulemaking Board, Alexandria, Virginia to Elizabeth Murphy, Secretary, Commission, dated June 28, 2013 at 7–8; Letter from Raymond Tamayo, Chief Information Officer, Options Clearing Corporation to Elizabeth Murphy, Secretary, Commission, dated July 8, 2013 at 5; Letter from Joseph Adamczyk, Executive Director, Associate General Counsel, CME Group Inc. to Elizabeth Murphy, Secretary, Commission, dated July 8, 2013 at 6; Letter from Eric Swanson, SVP, General Counsel and Secretary, BATS Global Markets, Inc., et al. to Elizabeth Murphy, Secretary, Commission, dated July 30, 2013 at 5; and Letter from William O’Brien, Chief Executive Officer, Direct Edge Holdings to Elizabeth M. Murphy, Secretary, Commission, dated September 25, 2013 at 2.

⁵⁴ Reg SCI Adopting Release at 72274.

staff assure DTC that it would not recommend enforcement action to the Commission for violations of Reg SCI if DTC develops and operates the Preliminary Base Version in a manner consistent with the representations provided in this request and does not treat the Preliminary Base Version as subject to Reg SCI. Moreover, providing relief from Reg SCI for the Preliminary Base Version is necessary for the reasons the Commission identified. In order to develop and operate the Preliminary Base Version, DTC would need to fine-tune its systems promptly in response to feedback, technological developments, and actual experience. This would necessarily involve changes to the relevant code, procedures, software, systems, providers, processes and more. DTC would not be able to make these changes if it were required to go through a lengthy process of confirming the consistency of each and every adjustment with Reg SCI's comprehensive standards and, when necessary, preparing a report to the Commission or disseminating information. Furthermore, given the rapidly changing technological landscape, it would be unworkable, if not impossible, for DTC to assess what "current SCI standards" are in the context of some of the systems that DTC anticipates using for the Preliminary Base Version.

Moreover, it is possible that a literal interpretation of Reg SCI may view public blockchains as SCI systems. In such instance, it would be infeasible to subject the blockchains to Reg SCI's requirements. The requirements, which include stress tests, as well as business continuity and disaster recovery plans, presume that SCI systems used by an SCI entity are operated by, or on behalf of, an SCI entity with some degree of control over the SCI system. No one, including DTC, would control any public blockchain used as part of the DTCC Tokenization Services, and it is unclear how such a blockchain could even be subject to stress tests or business continuity and disaster recovery plans. Therefore, while DTC envisions ultimately complying with Reg SCI in relation to the DTCC Tokenization Services once the Commission has clarified or refined its application to DLT, it would currently be impossible to do so.

DTC believes that relief from treating the development and operation of the Preliminary Base Version of the DTCC Tokenization Services as subject to Reg SCI is also appropriate for a number of reasons. First, the Preliminary Base Version would be far from "central to the functioning" of the U.S. securities markets or DTC's services in any meaningful sense. As noted above, the Preliminary Base Version would be a limited and entirely voluntary option for Participants and would have a number of risk and design controls that ensure that neither its operation nor any sort of disruption or failure would negatively affect DTC's clearance and settlement services (or any of the other functions identified in the SCI system definition). Of particular note, (i) DTC would limit Subject Securities to those with sufficient liquidity so as to ensure that tokenization does not impact trading activity or the market regarding the Subject Securities, (ii) DTC would retain override keys so as to be able to address any Conditions Requiring Reversal, and (iii) DTC would not give Subject Securities any collateral or settlement value, thereby ensuring that DTC does not depend on them to address a Participant default or to perform delivery-versus-payment settlements.

Second, the systems that DTC uses in connection with the Preliminary Base Version of the DTCC Tokenization Services would be limited to those that meet certain robust and objective Technology Standards designed to ensure their integrity, stability, continuity, and compliance. In particular, as mentioned above, DTC would only support tokenization protocols and blockchains that satisfy the Technology Standards. Additionally, as described in Section II.e, above, the new

DTCC systems used in connection with the Preliminary Base Version would maintain a system rating of Tier 2 within DTCC's internal rating structure at the time of launch of the Preliminary Base Version. This means that the systems would have, among other things, the ability to operate from a primary and a secondary location, a maximum four-hour recovery time objective, a maximum two minutes of data loss from an outage, and annual out-of-region disaster recovery and resumption testing. To compare the Tier 2 designation to a Reg SCI designation (*i.e.*, a Tier 1 rating), the material differences are that Tier 1 has a maximum two-hour recovery time objective, a maximum 30 seconds of data loss, biannual recovery and resumption testing, and an annual audit. At present, it would likely take DTC several years to enable the new systems to meet those heightened standards, particularly moving from a four-hour to a two-hour recovery time objective. Such a move is not a linear progression as it may require significant changes to the systems – changes that are not currently known. Moreover, satisfying a Reg SCI standard is not purely a DTC endeavor, as DTC would need to work closely with the third-party vendors that support the new systems and Division staff, all of which can take substantial time and would be premature for this preliminary phase. Regardless of whether the new systems were designated Tier 1 or Tier 2, DTC's existing centralized systems would not be exposed to any material security risks, as the new systems could only instruct the existing systems to deliver Subject Securities to or from the Digital Omnibus Account or make a cash payment, with all other interactions being read only.

Third, the Preliminary Base Version of the DTCC Tokenization Services would not change the ultimate custodian of record for the Subject Securities or the legal framework governing their ownership. DTC would remain the securities intermediary for the Subject Securities subject to Article 8 of the UCC. While the Preliminary Base Version would allow Participants to have DTC use DLT to record their security entitlements, DTC would maintain the ultimate final record of such entitlements. As a result, in the event of any disruption in any of the relevant systems DTC uses in connection with the DTCC Tokenization Services, DTC would have the ability to leverage its Reg SCI-compliant systems to restore continuity.

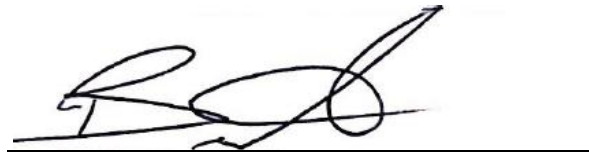
Fourth, as described above, DTC would provide the Division staff with notification of Systems Events related to the Preliminary Base Version as described in Section III.b of this letter. This notification process would provide the Division staff with information similar to that required by Reg SCI with respect to SCI events, and on a similar timeframe. Consequently, the Commission would have prompt notice of any Systems Events related to the Preliminary Base Version and would be kept apprised of ongoing developments in a manner that would ensure adequate Commission oversight.

* * * * *

Jeffrey Mooney
December 11, 2025

For the reasons described above, DTC respectfully requests that the Division staff grant the requested no-action relief to permit DTC to develop and operate the Preliminary Base Version of the DTCC Tokenization Services in a manner consistent with the representations set forth in this request without requiring DTC to apply the requirements in the Subject Provisions to the Preliminary Base Version. We appreciate your assistance in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Steele", written over a horizontal line.

Brian Steele
Managing Director, President, Clearing & Securities Services
DTCC

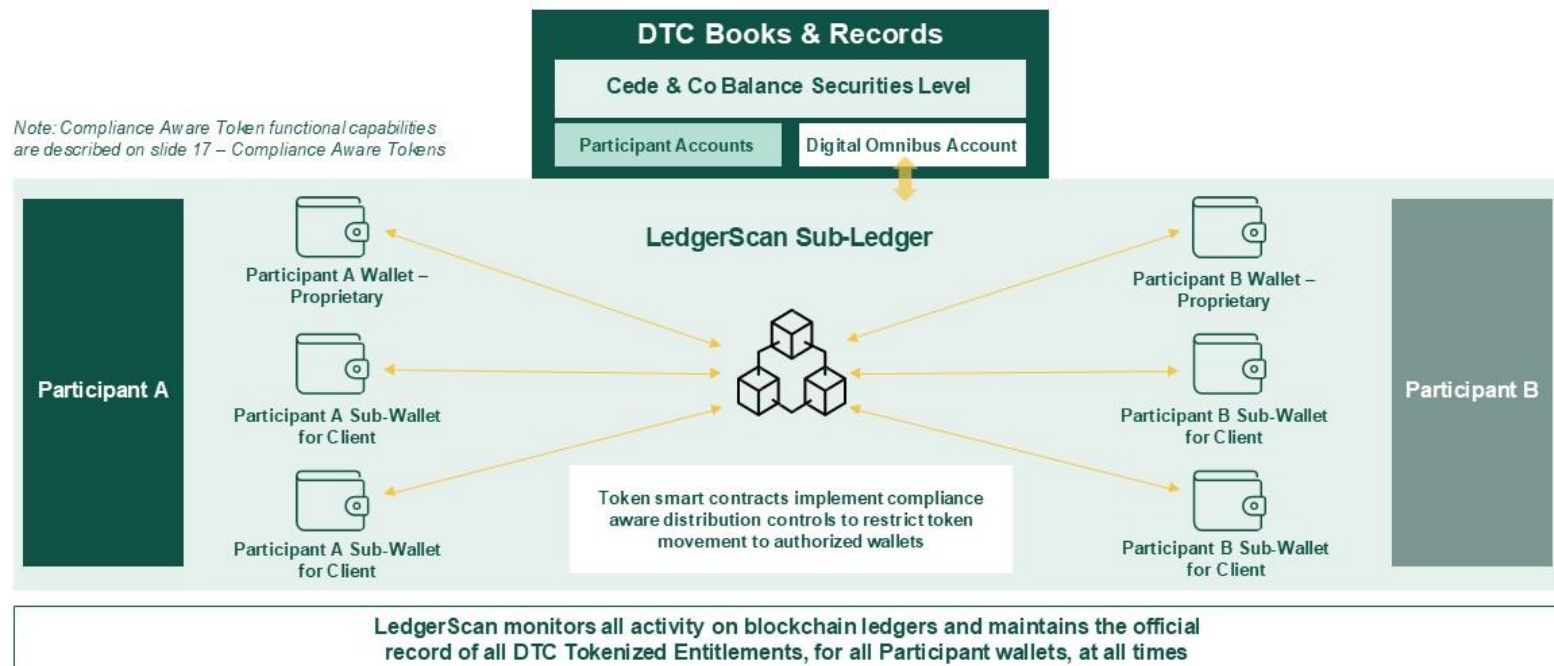
A handwritten signature in black ink, appearing to read "Nadine Chakar", written over a horizontal line.

Nadine Chakar
Managing Director, Global Head of DTCC Digital Assets
DTCC

cc: Jamie Selway
Director
Division of Trading and Markets

DISTRIBUTION CONTROLS FACILITATE COMPLIANT WALLET TO WALLET TRANSFERS

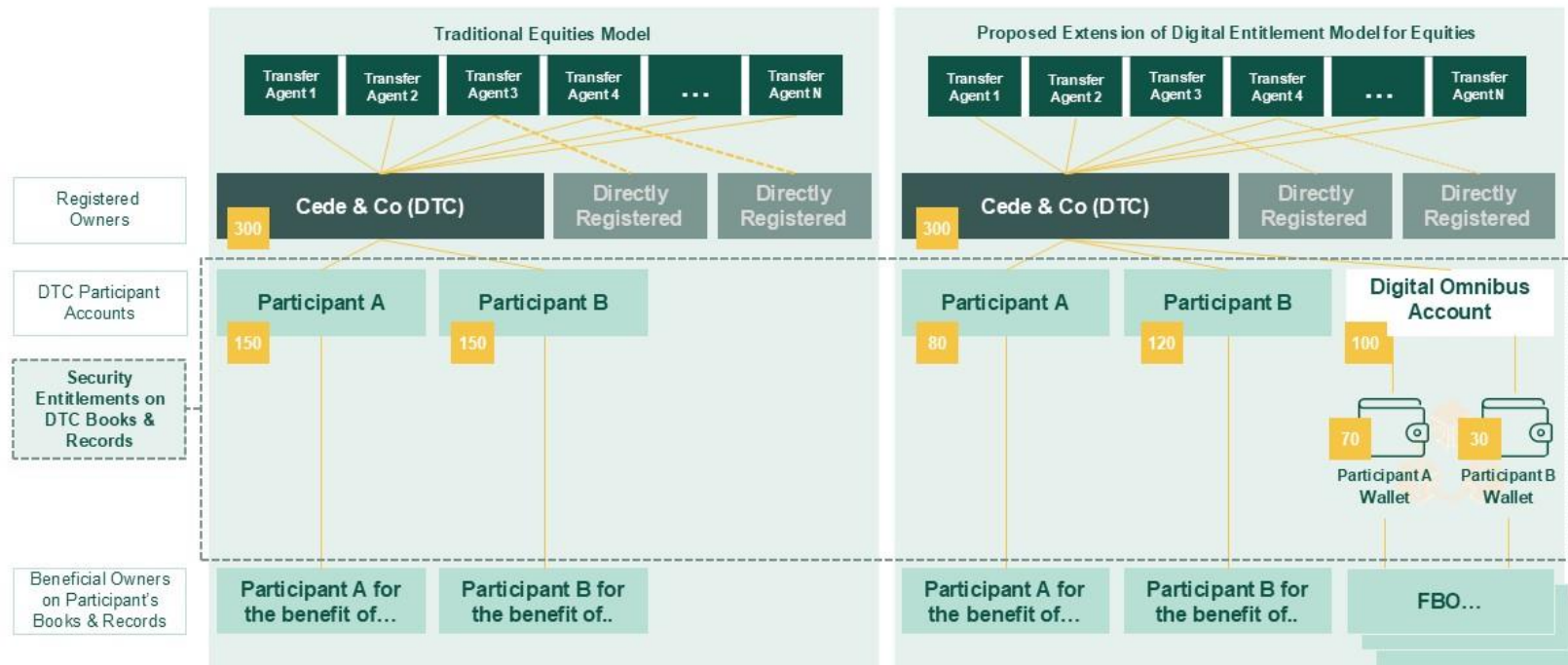
Establishing a network of permissioned wallets that allows for the immediate exchange of Tokenized Entitlements between them enhances the efficiency of transfer and settlement processes, while also enabling innovative applications for the securities (such as their use as collateral in external platforms). Meanwhile, DTC continues to act as the central securities depository for the asset, offering risk management and ensuring compliance.



DTCC

DTC ACCOUNT STRUCTURE ENABLES MARKET SCALE ADOPTION

DTC Books & Records will encompass both Book-Entry and Tokenized Entitlement forms



DTCC