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**The SEC's Regulatory Experiment:
Integrating Blockchain into US Equity Markets**

By

Ridipt Singh



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For information about Rosa&Roubini Associates, please send an email to info@rosa-roubini-associates.com or call +44 (0)20 7101 0718.

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Ridipt Singh

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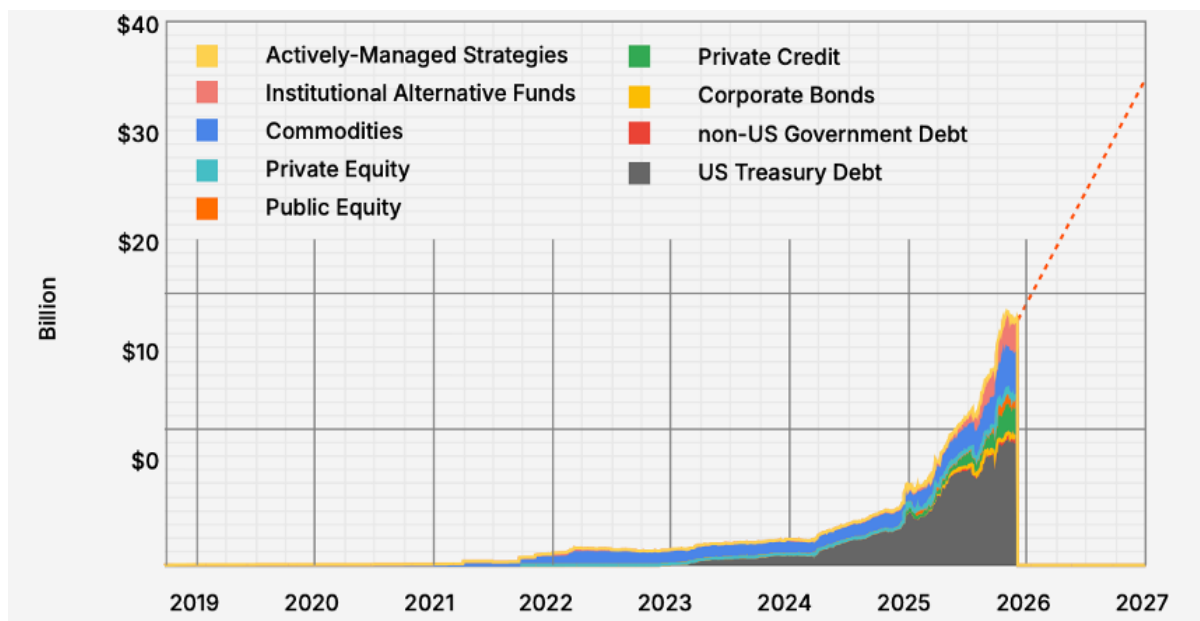
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Executive Summary

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- ✧ The SEC's September actions mark a significant shift from discussing tokenisation as a technological innovation to testing its use within regulated securities-market infrastructure.
- ✧ The transfer-agent proposal addresses blockchain-based ownership records, while the TSV exemption addresses tokenised stock trading.
- ✧ The key issue is not whether a token tracks a share, but what legal and institutional relationship connects the token to the underlying security.
- ✧ Different tokenisation models can give investors different rights, obligations and exposures making the legal structure behind the token as important as the technology itself.
- ✧ Tokenisation does not necessarily eliminate intermediaries, instead, control may shift among transfer agents, issuers, token administrators, trading venues, liquidity providers, custodians and blockchain infrastructure, raising questions about who controls the authoritative record, investor rights and market access.
- ✧ The emerging market could develop in two directions. Blockchain could become an embedded layer of existing securities infrastructure, or tokenized markets could develop parallelly.
- ✧ SEC's five-year exemption should be understood as a regulatory experiment where success should be assessed on whether tokenised markets develop sustainably and remain effectively connected to conventional markets.
- ✧ The ultimate test is whether tokenised equity can perform the functions of securities-market infrastructure at meaningful scale without creating new risks.
- ✧ If it does, blockchain could become an integrated layer of the securities market. If it does not, the experiment would reveal the limits of tokenisation as core market infrastructure.

Key Picture: Tokenization Growth Trajectory (2019–2027)



Source: [Presto Research](#)

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1. SEC's Approach to Blockchain

The Securities and Exchange Commission's (SEC) interventions in September address a pivotal question on whether blockchain can be integrated into the institutional infrastructure through which US equities are owned, recorded and traded. On 1 September 2026, the SEC proposed updates to its transfer-agent rules noting that despite major changes in the electronic securities processing, its rules have largely remained the same with no substantive updates since the late 1970s or early 1980s.

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The proposal therefore seeks to modernise the transfer-agent requirements to reflect the technological advancements, expressly including electronic and blockchain-based recordkeeping and uncertified securities.^{1 2} Later, on 17 September 2026, the SEC granted temporary, conditional and exemptive relief to Tokenised Securities Venues (TSVs), allowing qualified venues to facilitate trading in tokenised National Market System (NMS) stocks through permissioned automated market makers (AMM) and liquidity pools.³

The first intervention focuses on transfer agents that are not merely recordkeepers as the SEC describes these transfer agents as key component of the national clearance-and-settlement system noting they maintain an issuer's official record of ownership. This makes the SEC proposal significant as the updated rules would accommodate electronic and blockchain-based recordkeeping and would permit a transfer agent to use DLT as its master securityholder file, or as a component of that file.⁴ It is important to note here that the SEC has not confirmed blockchain to be the legal record of equity ownership as the proposal does not require transfer agents to adopt DLT, nor does it make every blockchain token or onchain address equivalent to a registered securityholder. It would, however, create regulatory space for DLT to be used within an existing regulated recordkeeping function. The distinction is crucial because the US securities system separates registered ownership from beneficial ownership.⁵

The second intervention addresses the trading side of the market by granting a temporary, conditional and exemptive relief to qualifying TSVs which would bring together permissioned participants through AMM liquidity pools to facilitate trading in NMS stocks. Here, the exemption should not be interpreted as a general authorisation for tokenised securities trading as it is still subject to conditions like limits on the number of securities and trading volume, requirements concerning investor rights, issuer notification, smart-contract transparency and coordination with trading halts in the underlying stocks.⁶

It is important to note the distinction between the two interventions. The transfer-agent proposal asks whether blockchain can form part of the infrastructure used to maintain registered ownership and the TSV exemption asks whether blockchain-based mechanism can be used to facilitate secondary trading within a regulated framework.

2. From Digital Representation to Legal Ownership

The significance of the SEC's September interventions depends partly on what a tokenised stock legally represents. A token's ability to track stock prices does not automatically make its holder the owner of the underlying shares. Here, the SEC's January 2026 statement distinguished between third-party custodial and synthetic models and issuer-sponsored tokenisation, demonstrating that the legal rights attached to a token depend on how it is integrated with the securities infrastructure. In a custodial model, the underlying stock is held by a custodian while the token represents an interest connected to that position. In a synthetic model, the token represents a separate instrument issued by a third-party that provides economic exposure to the referenced stock. The holder may therefore have economic exposure without being a shareholder of the referenced company or possessing its voting and other shareholder rights.⁷

The position is different when an issuer or its agent incorporates DLT into the master securityholder file. In this model, transferring the token can correspond to transferring the security itself. The SEC also recognises hybrid

arrangements in which the blockchain facilitates a transfer while the authoritative ownership record remains offchain.⁸ Thus, the presence of blockchain does not, on its own, establish legal ownership.

This distinction is directly relevant to the SEC's September actions. The transfer-agent proposal concerns whether DLT can form part of the infrastructure that records registered ownership, while the TSV exemption concerns the use of tokenised securities in secondary-market trading. For both, the underlying question is therefore not simply whether a security exists onchain, but how the token connects to the legal record of ownership and associated shareholder rights.

3. Tokenisation within the Securities Framework

The SEC's approach is not intended to create a separate and lightly regulated crypto market. Rather, it seeks to accommodate tokenisation within existing securities-law categories while imposing conditions on how tokenised securities are represented and traded. The January statement makes clear that tokenisation does not by itself change the legal character of a security i.e., a stock remains an equity security whether its ownership is recorded conventionally or through a crypto network. At the same time, the statement is from the Division of Corporation Finance, Division of Investment Management, and Division of Trading and Markets, rather than a SEC rule and therefore is not legally binding.⁹

The September 2026 conditional exemption for TSVs highlights how this approach would be in practice. The relief is subject to certain conditions which indicate that the SEC is attempting to permit technological experimentation without allowing the technological form of the security to circumvent established investor protections and market-integrity requirements. Furthermore, the issuer-notification requirement is particularly significant. Before an unaffiliated third party can make a tokenised NMS stock available for trading under the exemption, the underlying issuer must receive written notice and an opportunity to object.¹⁰ This gives issuers a formal role in determining whether a third-party tokenised representation can trade under the exemption, but it does not give them an unconditional veto over tokenisation itself.

The resulting issue is therefore not simply whether tokenisation is regulated, but how regulatory responsibility is distributed across the issuer, token issuer, transfer agent, trading venue and investor. Tokenisation changes the technological infrastructure through which securities may be recorded and traded. Here, the SEC's emerging framework seeks to ensure that this technological change does not displace the legal rights, obligations and protections attached to the underlying security.

4. Where would Control Be?

Tokenisation would not necessarily eliminate intermediaries from securities markets. Rather, the SEC's interventions show that tokenised securities can involve multiple institutional control points like transfer agents, issuers, tokenisation arrangements, trading venues and liquidity providers. Here, a key governance question is therefore not simply who created the smart contract, but who controls the official records, access to trading and resolves problems when the technical and legal records do not match.

Here, the transfer agent is an important starting point. The SEC describes transfer agents as responsible for maintaining the official record of an issuer's securities and for processing their issuance, cancellation and transfer alongside functions related to dividends, other payments and corporate actions. Under the transfer-agent proposal, the master security holder file could consist of several linked files or systems, and blockchain or other DLT could be used as master file or as part of it. However, the transfer agent would still retain exclusive control over the master securityholder file, which the SEC describes as the authoritative record of ownership.

Blockchain therefore does not automatically become the final legal record simply because it is used to record transactions.¹¹ Moreover, another control point is the tokenisation arrangement itself. The SEC distinguishes between issuer-sponsored tokenisation and third-party custodial and synthetic models. In some models, the token represents an interest in an underlying security, in others, it represents a separate instrument that

provides economic exposure to that security. The SEC notes that these structures can involve different rights and risks, including risks arising from the third party that created or administers the token.¹² Depending on the structure, control may therefore involve token issuance, custody, transfer restrictions and the process for matching tokens with the underlying securities.

The trading venue creates another point of control. Under the conditional exemption, TSVs can bring buyers and sellers together through AMM liquidity pools for permissioned participants and can set standards for access to those pools. At the same time, the smart contracts used by TSVs must be public and auditable and operate on a public and permissionless distributed ledger. A public blockchain therefore does not necessarily create a public market. The underlying ledger may be open while access to the trading venue remains controlled. The framework also depends on liquidity providers that supply tokenised NMS stocks to AMM pools using their own capital.¹³

The issuer can also retain an important role where an unaffiliated third party tokenises an NMS stock. The TSV must give the issuer written notice and an opportunity to object before making that tokenised stock available for trading. If the issuer formally objects, the TSV cannot make that tokenised stock available for trading.¹⁴ Chairman Paul Atkins described this as giving issuers the opportunity to prevent their securities from trading on a TSV.¹⁵

This demonstrates that blockchain can distribute transaction data across a network without distributing legal and administrative authority to the same extent.

5. The Five-Year Test for Tokenisation at Market Scale

Instead of making a choice between traditional securities and blockchain, the SEC's approach suggests a test of whether blockchain becomes part of the existing market structure or develops parallelly alongside it.

Under an embedded model, blockchain can become another layer of the existing securities infrastructure. Here, transfer agents could use DLT for ownership records, while tokenised trading could operate within the existing securities-law framework.¹⁶ Conversely, a parallel tokenised market could emerge, in which conventional and tokenised representations of the same underlying equity operate through different venues and infrastructure. The SEC's framework permits both issuer-tokenised and certain unaffiliated third-party tokenised NMS stock to trade on TSVs.¹⁷

The five-year exemption provides a way to test which model would work in practice. TSVs rely on AMM liquidity pools and designated liquidity providers, so an important question is whether tokenised stocks can develop stable and sufficient liquidity, rather than depending on a small number of providers or fragmented pools. Trading activity, liquidity, price differences with conventional markets and performance during periods of market stress will therefore matter more than simply showing that trades can take place on a blockchain. This experiment will also showcase whether investor protections can continue to work after shares are tokenised. TSVs must verify that eligible tokenised NMS stock provides the same rights and privileges as the traditional stock, while third-party tokenised stocks are subjected to issuer notification and an opportunity to object.¹⁸

Here, the key question is whether ownership and the rights attached to the underlying stock remain properly connected to the token and this is crucial as the SEC noted in the January statement that different forms of tokenisation can give investors different legal relationships to the underlying security.¹⁹ In this regard, the SEC has also asked how TSV trading could affect the liquidity, pricing and trading of the underlying NMS stock.²⁰

6. Conclusion

Commissioner Hester M. Peirce has described the exemption as an opportunity to observe how tokenised stocks are used and how onchain and traditional markets interact before developing durable rules.²¹ The SEC's requirements concerning auditable smart contracts, trading halts and recordkeeping provide further tests of

operational resilience and market integrity. Consequently, the five-year period should be viewed as a regulatory experiment and not just an expiry date.

The decisive question at the end of this experiment will therefore not be whether blockchain works technically but whether tokenised equity can perform the functions of securities-market infrastructure at meaningful scale without creating unacceptable new risks.

NOTES

¹ SEC Proposes to Modernize Rules for Registered Transfer Agents, US Securities and Exchange Commission, 01 September 2026 <https://www.sec.gov/newsroom/press-releases/2026-81-sec-proposes-modernize-rules-registered-transfer-agents>

² FACT SHEET | Proposed Transfer Agent Rule Modernization, US Securities and Exchange Commission, 04 September 2026 <https://www.sec.gov/files/34-106246-fact-sheet.pdf>

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⁷ Statement on Tokenized Securities, US Securities and Exchange Commission, 28 January 2026 <https://www.sec.gov/newsroom/speeches-statements/corp-fin-statement-tokenized-securities-012826-statement-tokenized-securities>

⁸ Statement on Tokenized Securities, US Securities and Exchange Commission, 28 January 2026 <https://www.sec.gov/newsroom/speeches-statements/corp-fin-statement-tokenized-securities-012826-statement-tokenized-securities>

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¹³ Order Granting Temporary Conditional Exemptive Relief for Trading of Tokenized Securities Venues, Release No. 34-106402, US Securities and Exchange Commission, 17 September 2026 <https://www.sec.gov/files/rules/exorders/2026/34-106402.pdf>

¹⁴ Order Granting Temporary Conditional Exemptive Relief for Trading of Tokenized Securities Venues, Release No. 34-106402, US Securities and Exchange Commission, 17 September 2026 <https://www.sec.gov/files/rules/exorders/2026/34-106402.pdf>

¹⁵ Paul S. Atkins, Statement on the Innovation Exemption: A Bridge Toward Durable Rulemaking, US Securities and Exchange Commission, 17 September 2026 <https://www.sec.gov/newsroom/speeches-statements/atkins-innovation-exemption-bridge-toward-durable-rulemaking-091726>

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²⁰ Order Granting Temporary Conditional Exemptive Relief for Trading of Tokenized Securities Venues, Release No. 34-106402, US Securities and Exchange Commission, 17 September 2026
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²¹ Commissioner Hester M. Peirce, Slumber Number: Innovation Exemption Statement, US Securities and Exchange Commission, 17 September 2026 <https://www.sec.gov/newsroom/speeches-statements/peirce-slumber-number-innovation-exemption-statement-091726>