

# SEC No-Action Letter on DTCC Tokenization Services

December 11, 2025

# Outline of presentation

- Introduction
- Description of DTCC Tokenization Services
- Implementation Stages
- Scope of No-Action Relief

# Introduction

## Scope and timing of no-action relief

- On December 11, 2025, the [SEC granted no-action relief](#) to The Depository Trust Company relating to the development of the **DTCC Tokenization Services**
- The relief applies for three years from the date that DTC launches the **Preliminary Base Version** of the DTCC Tokenization Services
- The planned launch is for the 2<sup>nd</sup> half of 2026
- The no-action relief applies to the “Subject Provisions” (see next slide)

## No-action relief (Subject Provisions)

Description of Provisions	Citations
<b>SRO rule filing requirements</b>	<a href="#">Section 19(b)</a> of the Securities Exchange Act; Securities Exchange Act <a href="#">Rule 19b-4</a>
<b>Requirements applicable to Covered Clearing Agencies (“CCAs”)</b>	Securities Exchange Act <a href="#">Rule 17Ad-22(e)</a>
<b>Senior Management and Board obligations</b>	Securities Exchange Act <a href="#">Rule 17Ad-25(i) and (j)</a>
<b>Regulation SCI requirements</b>	Securities Exchange Act <a href="#">Market Regulation Rules 1000-1007</a>

# Description of DTCC Tokenization Services

# Background

- DTC, in coordination with DTC Participants, technology providers and other parties, has explored the use of DLT (Digital Ledger Technology) for over nine years
- DTC has consulted with
  - DTC Participants
  - End-users
  - Financial market infrastructures
  - DTCC Digital Launchpad Advisory Council
    - Industry professionals from investment banks, custodians, exchanges, and blockchain-based service providers

# Intended benefits

Intended Benefits	Description
<b>Mobility</b>	“The ability to transfer an asset across jurisdictions and time zones without regard to standard trading hours or holidays”
<b>Decentralization</b>	“The ability for market participants to access their assets more directly”
<b>Programmability</b>	“The ability to use smart contracts to optimize transfers or allocations of assets”

# Tokenized Entitlements

- The Tokenization Services allow DTC Participants (including their agents and designees) to instruct DTC to record their security entitlements held by DTC using DLT (Distributed Ledger Technology) rather than Book-Entry
- DTC Participants are permitted to hold their securities through **Tokenized Entitlements** rather than **Book-Entry Entitlements**

# Preliminary Base Version

- The no-action letter describes the **Preliminary Base Version** of the Tokenization Services
- Objectives of Preliminary Base Version
  - “... 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.”

## Eligibility to participate

- Any DTC Participant is permitted to participate in the Preliminary Base Version of the DTCC Tokenization Services except for
  - Participants for which DTCC has U.S. tax withholding obligations or a Treasury International Capital (“TIC”) reporting obligation
- These Participants represent approximately 11% of DTC Participants
- DTC is working on resolving outstanding issues relating to these Participants so DTC can offer the Tokenization Services to all Participants

## Registered Wallets

- To participate, a Participant must “... 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
- DTC will perform screenings of Registered Wallets to ensure compliance with OFAC requirements
  - This is in addition to each Participant complying with its own legal obligations

## Registered Wallets

- A Participant can establish an unlimited number of Registered Wallets
- A Registered Wallet can be for the benefit of a Participant or its customers
- DTC only has a relationship with the Participant and not with the customers
- Access to a Registered Wallet by a customer is based on the agreement between the Participant and the customer

# Subject Securities

- For the Preliminary Base Version, Tokenization Instructions will only be permitted for the following securities (highly liquid securities)
  - Securities in the Russell 1000 Index
  - U.S. Treasury securities (Treasury bills, notes and bonds)
  - ETFs that track major indices, such as the S&P 500 and the Nasdaq-100

# Tokenization Instruction

- A Participant with a Registered Wallet (or its agent) can instruct DTC to tokenize the Participant's Book-Entry Entitlement
  - This is referred to as a "Tokenization Instruction"
- Conditions for a Tokenization Instruction
  - The Participant has a Registered Wallet
  - The securities are Subject Securities
  - The transfer does not result in a violation of DTC's risk management controls

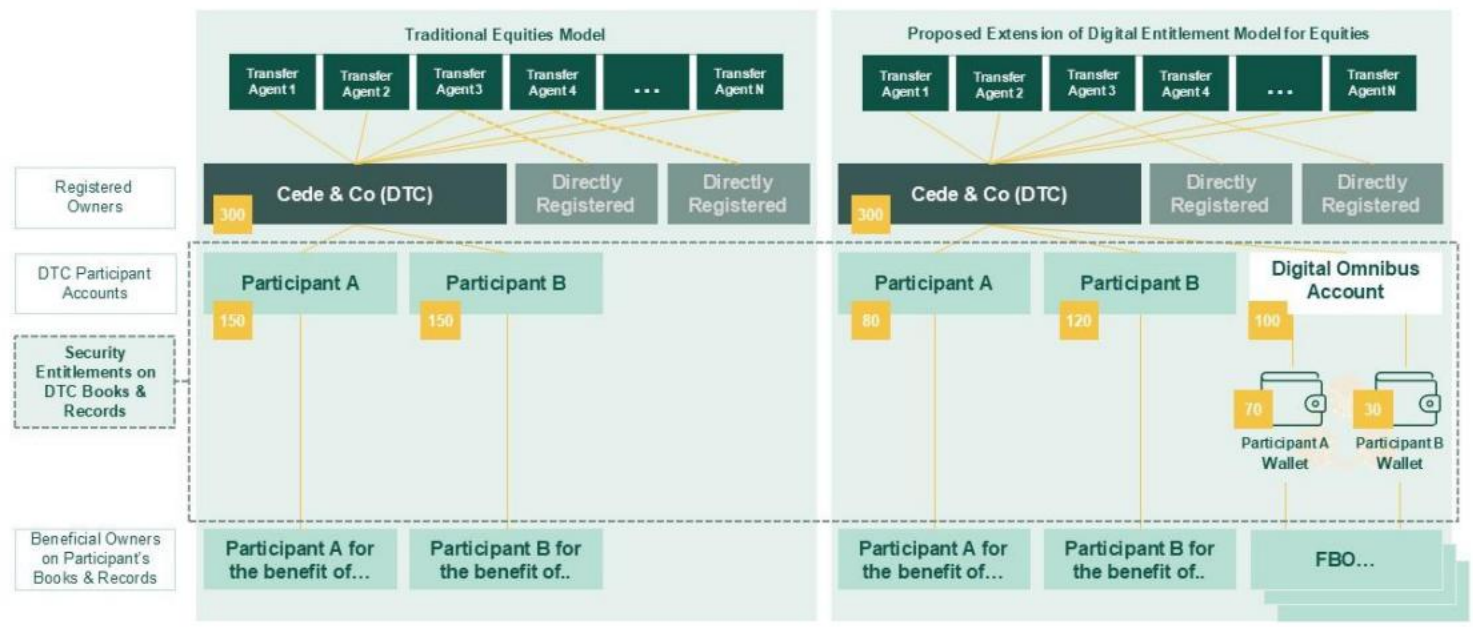
# Tokenization Instruction

- Upon acceptance of a Tokenization Instruction, DTC will
  - Debit the Subject Securities from the Participant's book-entry account; and
  - Credit the securities to a Digital Omnibus Account
- Digital Omnibus Account
  - An account on DTC's centralized ledger that reflects the sum of all Tokenized Entitlements held in all Registered Wallets
- DTC will then mint and deliver to the Participant's specified Registered Wallet tokens representing the Participant's security entitlement

### Exhibit 2

## DTC ACCOUNT STRUCTURE ENABLES MARKET SCALE ADOPTION

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



DTCC

## Factory software

- DTC will utilize Factory, “DTCC’s open tokenization framework designed to integrate compliance-aware features, automate complex business workflows, and enhance the overall functionality of tokenized real-world assets.”

# Transfer of Tokenized Entitlements

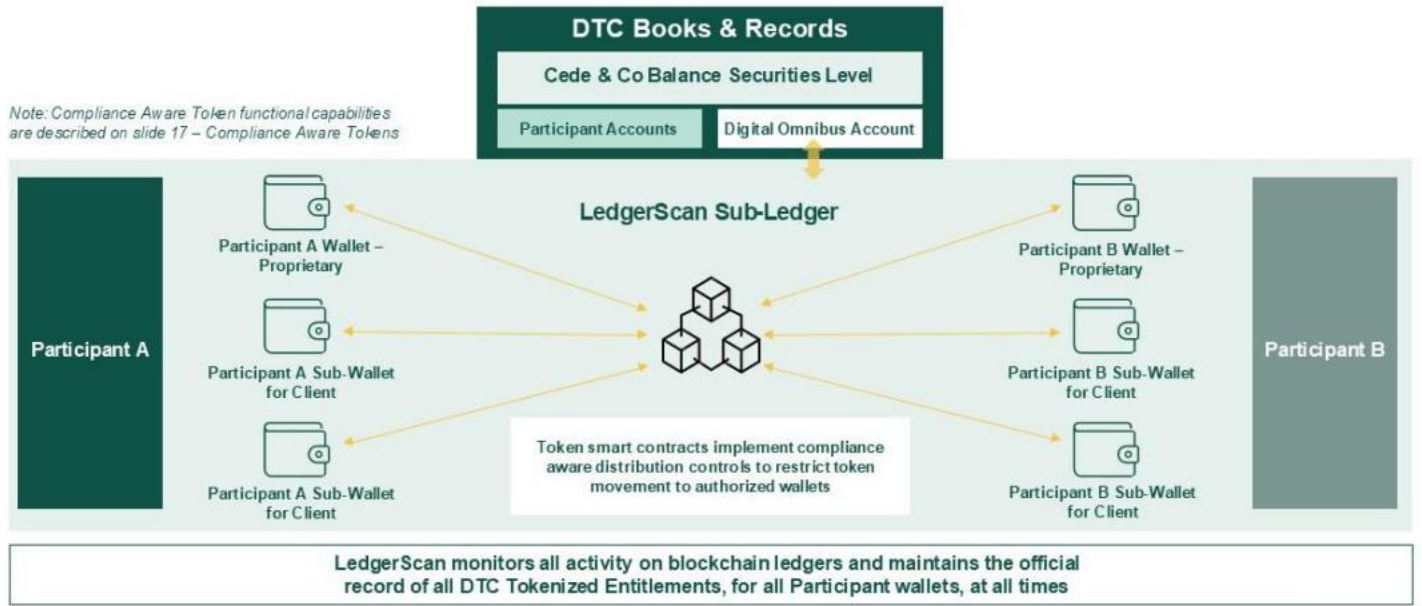
- A Participant with a Tokenized Entitlement can transfer the tokens to the Registered Wallet of another Participant “... and would not be required to instruct DTC to effectuate the transfer”
- The transfer will be tracked by DTC using “LedgerScan”, an off-chain, DTCC software that resides in the public cloud
- LedgerScan will scan the underlying blockchains in near real-time and record the Tokenized Entitlements of each Registered Wallet
- LedgerScan’s record will constitute DTC’s official books and records

Jenney Mooney  
December 11, 2025

Exhibit 1

### 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.



# UCC Article 8 Security Entitlements

- Article 8 of the Uniform Commercial Code (adopted by all states in the U.S.) supports ownership of securities through book-entry systems like DTC
- Under Article 8, ownership records recorded in book-entry systems are defined as “security entitlements”
- Tokenized Entitlements have the same legal rights under Article 8 as Book-Entry Entitlements
- “The only difference is that DTC would record such security entitlements through LedgerScan rather than its centralized ledger system”

## De-Tokenization instruction

- A Participant can instruct DTC to convert a Tokenized Entitlement back to a Book-Entry Entitlement (a “de-tokenization instruction”)
- To execute a de-tokenization instruction, DTC will
  - Burn (i.e., cancel) the tokens in the Participant’s Registered Wallet
  - Debit the Subject Securities from the Digital Omnibus Account
  - Credit the Subject Securities to the Participant’s account (through DTCC’s book-entry system)

## Transferring to a different blockchain

- A Participant can instruct DTC to convert tokens to a Registered Wallet on a different blockchain
- To execute this transaction, DTC will
  - Burn the original token on the original blockchain
  - Issue a new token to the specified Registered Wallet on the new blockchain

## Avoiding “double spend”

- To avoid “double spend” for a de-tokenization
  - Subject Securities would not be transferred from the Digital Omnibus Account to a Participant’s book-entry account until the corresponding token has been burned

## Token usage

- Participants and their customer can engage in the same transactions with their Tokenized Entitlements as they engage in with their Book-Entry Entitlements, including
  - Securities financing transactions (repos and reverse repos; securities lending transactions)
  - Pledges
  - Sales
- If a Participant seeks to transfer a Tokenized Entitlement to a purchaser that does not participate in the DTCC Tokenization Service, the Participant would need to issue a “de-tokenization instruction” to DTC

# Token usage

- Certain usage that is not available with Book-Entry Entitlements would be available with Tokenized Entitlements
  - Transferring tokens at any time rather than only during DTC's hours of operation
  - Effectuating DVP transfers with other tokenized assets (if supported by the relevant blockchain)
  - Use of smart contracts to optimize the "... allocation of securities across various securities financing transactions and collateralization arrangements ..."
  - Transfer by customer without involvement by the Participant (if agreed by the Participant)

# Blockchain standards

- DTC will “... prescribe objective, neutral, and publicly available requirements for both blockchains and tokenization protocols ...” to ensure that
  - Tokens are **only transferrable to Registered Wallets** (“distribution control”)
  - “... DTC can take steps to **address any corporate actions, erroneous entries, lost tokens, or malfeasance**” (“Conditions Requiring Reversal”)
  - “... Tokens are maintained on blockchains that are **reliable, resilient, secure**, subject to **robust consensus 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”

# Tokenization protocols

- When issuing a Tokenization Instruction, a Participant can “... specify which DTC-supported tokenization protocol it would like to govern the Token.”
- Any protocol is subject to prior approval by DTC; the protocol must demonstrate that it is “compliance aware”, including
  - Distribution controls
  - Transaction reversibility

## Transaction reversibility

- DTC must have the ability “... to force convert or transfer the Token using DTC’s ‘root wallet’ on the blockchain when necessary to address a Condition Requiring Reversal”

## Approved protocols and blockchains

- DTC has identified ERC 3643 as “compliance-aware”
- DTC will examine additional protocols based on Participant demand
- DTC will publish a list of approved tokenization protocols and blockchains

# Blockchain technology standards

- Reliability, resilience and security
  - DTC will review the blockchain's availability, performance and outage history
  - Robust cybersecurity standards, consistent with NIST (National Institute of Standards and Technology)
- Compliance aware features (discussed above)
- Observability by DTC (discussed above)
- Governance and consensus
  - “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”

## Override keys

- DTC will 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.”
  - “... allow DTC to act on any Tokens that have been the subject of Conditions Requiring Reversal”
- DTC will “... maintain robust security systems to maintain the storage of its keys.”
- DCT will maintain keys in cold storage except for keys that are necessary for daily operations

## Resilient and secure infrastructure

- LedgerScan (and other tokenization systems) will be designated as a “Tier 2” system within DTCC’s internal ranking structure
  - Ability to operate from both a primary and a secondary location
  - Maximum recovery time objective of four hours
  - No more than two minutes of data loss from an outage
  - Annual out-of-region disaster recovery and resumption testing
- Tokenization systems can only instruct DTC’s centralized systems in two ways
  - Deliver Subject Securities to or from the Digital Omnibus Account
  - Make a cash payment from a corporate action event (e.g., a dividend payment)

# Corporate actions

- DTC will support the processing of the same corporate actions for Tokenized Entitlements as supported for Book-Entry Entitlements
- This could include
  - Requiring Participant to issue de-tokenization instructions
  - DTC force converting a Tokenized Entitlement to a Book-Entry Entitlement prior to issuing a new security entitlement
- Subsequent versions of the DTCC Tokenization Services could include permitting Participants to convert cash dividends into stablecoins or tokenized deposits
  - This would be subject to prior notice to the SEC and obtaining regulatory relief as required

## No collateral or settlement value

- DTC will “... not give Tokenized Entitlements any collateral value for purposes of calculating a Participant’s Net Debit Cap or the Collateral Monitor ...”
- “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.”

## No collateral or settlement value

- “... 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 Participant’s 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.”

## DTC design controls (risk controls)

- The design controls will apply to the Preliminary Base Version
  - No collateral or settlement value
  - Only highly liquid securities
  - No double spend
  - Only DTC Participants may register wallets
  - Transfers only to Registered Wallets
  - Override keys
  - Only approved technology
  - Resilient and secure infrastructure

# Implementation Stages

## Expected evolution and scope of relief

- “... DTC views the Preliminary Base Version as a step to a broader goal.”
- “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.”
- “... 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.”

# Testing

- DTC will engage in substantial testing with Participants
- In the fall of 2025, DTC engaged in an internal proof of concept using only synthetic data and assets; this testing did not 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 and expansion

- DTC plans to launch the Preliminary Base Version during the 2<sup>nd</sup> half of 2026
- “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 ... this letter.”
- “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.”

## Potential areas for expansion

- Expanding the scope of eligible securities
- Allowing Tokenized Entitlements to have settlement or collateral value
- Allowing Participants to receive distributions in stablecoins or tokenized securities

# Compliance with Subject Provisions

- “Ultimately ... 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.”

# Scope of No-Action Relief

## Representations by DTC

- The no-action relief is subject to a series of representations by DTC
  - DTC will not ascribe any collateral value or settlement value to the Tokenized Entitlements
  - Tokenized Entitlements will be limited to the Subject Securities
  - Only Participants can register wallets; the relevant Participant is fully responsible for the activity in the Registered Wallet
  - Any supported blockchain and protocol must satisfy the Technology Standards
  - DTC will screen wallets for compliance with OFAC requirements
  - Tokens can only be transferred to Registered Wallets
  - DTC will have the ability to address Conditions Requiring Reversal

## Representations by DTC (continued)

- The no-action relief is subject to a series of representations by DTC
  - LedgerScan and other tokenization systems will maintain a Tier 2 or better system rating within DTCC's internal rating structure
  - Tokenization systems can only provide instructions to DTC's centralized systems to (i) deliver Subject Securities to or from the digital Omnibus Account, or (ii) make a cash payment from a corporate action event
  - DTC will notify the staff of the SEC's Division of Trading and Markets upon any disruption, compliance issue or intrusion
  - DTC will submit quarterly reports to the SEC
  - DTC will report to the DTC Board of Directors

## Representations by DTC (continued)

- The no-action relief is subject to a series of representations by DTC
  - Participants will be able to view their Registered Wallet holdings (through LedgerScan)
  - DTC will make disclosures to Participants regarding the mechanics and operation of the Preliminary Base Version and reasonable advance written notice of any material changes
  - DTC will make disclosure to Participants on (i) the Technology Standards, (ii) the approved blockchains, and (iii) any DTC fees or charges for access to or use of the Preliminary Base Version
  - Participants can begin or cease participating at any time upon notification to DTC
  - DTC will make information available to Division staff upon request

## No-action relief (Subject Provisions)

Description of Provisions	Citations
<b>SRO rule filing requirements</b>	<a href="#">Section 19(b)</a> of the Securities Exchange Act; Securities Exchange Act <a href="#">Rule 19b-4</a>
<b>Requirements applicable to Covered Clearing Agencies (“CCAs”)</b>	Securities Exchange Act <a href="#">Rule 17Ad-22(e)</a>
<b>Senior Management and Board obligations</b>	Securities Exchange Act <a href="#">Rule 17Ad-25(i) and (j)</a>
<b>Regulation SCI requirements</b>	Securities Exchange Act <a href="#">Market Regulation Rules 1000-1007</a>

# SRO rule filing requirements

- Justification for relief
  - “... 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.”

# Covered Clearing Agency Standards

- Justification for relief
  - “... 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.”

# Senior Management and Board Obligations

- Justifications 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.”
  - “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.”
  - “... 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.”

# Regulation SCI requirements

- Justifications for relief
  - “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.”

## Regulation SCI requirements (continued)

- Justifications for relief (continued)
  - “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.”

Contact [fifinfo@fif.com](mailto:fifinfo@fif.com) with  
comments or questions