



SEC No-Action Letter & DTC Tokenization Service FAQ

About the SEC No-Action Letter	- 1 -
About the Service & Implementation	- 2 -
Governance & Transparency	- 3 -
Issuer Control & Market Structure	- 3 -
Corporate Actions & Operational Challenges	- 3 -
Clearing, Settlement, and Reconciliation	- 4 -
Interoperability & Evolution	- 4 -
Infrastructure & Notifications	- 5 -
Regulatory & Legal Considerations	- 5 -
Market Power & Competition	- 5 -
Investor Protection & Education	- 5 -
Risk & Compliance	- 6 -

About the SEC No-Action Letter

What is the practical effect of the SEC No-Action Letter?

The No-Action Letter (NAL) authorizes The Depository Trust Company (DTC), under federal securities law and regulations, to offer a new, innovative and voluntary tokenization service for select DTC-custodied assets. This is an important first step for DTC to begin offering an at-scale tokenization service.

Why is this significant?

The NAL marks a key regulatory milestone, enabling DTC Participants to tokenize select stocks, ETFs and fixed-income securities within a secure, compliant framework. It outlines which assets are eligible for tokenization and establishes the necessary controls and compliance requirements.

How long is the approval valid?

The SEC granted, under federal securities law and regulations, DTC a three-year period to offer the service within the requirements of the NAL. DTC will use the three years to further refine and develop the service based upon feedback from the TradFi and DeFi industry, including Participants, blockchain networks, regulators and other key stakeholders, to arrive at a service that meets the needs of the industry and regulators.

About the Service & Implementation

What assets can be tokenized?

Under the NAL, DTC can initially support liquid assets, including the Russell 1000, which represents the 1,000 largest publicly traded U.S. companies by market cap, as well as ETFs tracking major indices and U.S. Treasury bills, bonds and notes.

When will the service be available?

We expect to launch the service in the second half of 2026.

Who can participate?

Participation in the service is voluntary and limited to DTC Participants and their clients. If your firm is interested in becoming a DTC Participant or has questions about the service, [click here](#) to learn more.

What action does a current DTC Participant need to take to use the new tokenization service?

DTC Participants do not need to go through the Participant onboarding process again. However, they must do the following:

- Acknowledge supplemental terms to their existing DTC Participant Agreement.
- Register their digital wallets for each blockchain in which they wish to receive tokenized assets. (We will share more details about wallets and wallet registration in the coming months.)
- Provide basic information about primary users of the service.

Which blockchain networks will be supported?

At the onset, **DTC will support a limited number of blockchains**, which we will begin announcing in the coming months. Our goal is to expand this offering to additional blockchains over time, based on client demand. Each network must meet the standards described in the NAL for reliability, resilience and security as well as meet DTC's eligibility criteria, which will be published in the near future. Networks will also need to support compliance-aware tokens and features, observability, governance and consensus. Our objective is to provide Participants with choice to support their investment and commercial objectives. DTC is taking a deliberate, risk managed approach to its tokenization services to ensure investor protection, good control and ease of use to Participants. As Participants are managing traditional and digital securities side-by-side, DTC is committed to making that integration and oversight as efficient and seamless as possible.

How will the new service integrate with existing DTC infrastructure?

When DTC converts an asset to tokenized form, the system immobilizes the traditional asset on DTC's traditional books and records and tracks the movement of the tokenized asset on-chain. This will enable DTC to maintain good control over the off-chain and on-chain aggregated positions DTC holds. In addition, DTC will continue to service corporate actions, with some corporate actions being available on-chain, while others will need to process off-chain, at least in the near-term. At launch, transactions will not be settled in digitized form. DTC will explore this capability in the future.

Governance & Transparency

How will DTCC govern its tokenization service?

DTC's ongoing approach to governing its tokenization service is to leverage and build upon its established internal governance structure, while consulting with a broad cross-section of its stakeholders, including Participants, end-users, financial market infrastructures, the DTCC Digital Launchpad Advisory Council and other stakeholders.

Issuer Control & Market Structure

Will the new tokenization service differ in how securities are represented or recorded?

Today, DTC acts as a central securities depository (CSD) and operates a securities settlement system, which holds securities in physical but immobilized form on behalf of its Participants. Such holdings are maintained via the "indirect holding" model. ([Learn more](#))

Under the first phase of the tokenization service, DTC will offer an alternative means by which it may represent and record ownership of securities held via the indirect holding model. This does not change the relationship between DTC, Participants, the issuer, their agent or the beneficial owner of the asset.

Could a system in which DTC maintains both tokenized and traditional securities records constrain innovation?

No. The dual system creates more choice and options for Participants, their clients, and the markets generally, who can choose whether or not they want to have their securities held in tokenized form. In addition, many new entrants are expected to enter the market and offer new services, which will spur innovation, competition and drive digital transformation.

Corporate Actions & Operational Challenges

How will corporate actions (dividends, splits, proxy voting) be managed for tokenized securities?

DTC will support the processing of corporate actions as described in the NAL. Assets held in traditional and tokenized form have the same ownership rights and will both receive the benefits of corporate actions. In some cases, new processes will be implemented to deliver corporate action benefits directly to Participant wallets holding tokenized assets. In other cases, corporate action benefits will flow through existing processes. More details regarding how corporate actions will be processed will be provided in the future.

How will the new tokenization service integrate with existing DTC systems and operations?

DTCC's ComposerX Capital Markets Platform and ComposerX LedgerScan platforms will be used to integrate with DTC's traditional systems, processes, and books and records. DTC's strong regulatory framework and proven risk management practices will mitigate potential challenges and maintain the safety, reliability and security of the service while DTCC's ComposerX LedgerScan platform will enable DTC to maintain complete and accurate records of assets held in tokenized form.

Clearing, Settlement, and Reconciliation

How will trades of tokenized securities clear and settle at DTC?

DTC Participants will be able to move their DTC tokens directly between other DTC registered digital wallets, free-of-value, 24/7, but DTC will not process any associated value transaction for such movements. Similarly, in accordance with the NAL, DTC securities tokens will not receive any collateral value for DTC risk management purposes, nor will they receive any end-of-day settlement value. If a Participant wishes to use a tokenized security for its traditional end-of-day settlement at DTC, it will need to convert that token back into a traditional book-entry entitlement in its DTC account.

How will DTC ensure that securities holdings are properly reconciled between a Participant's traditional account and digital wallet?

DTC will employ a multistep process to help ensure accurate and timely reconciliation. To begin, DTC will only tokenize a security from a Participant's traditional DTC account when instructed to do so by the Participant. Such instruction must then pass DTC's risk controls – the Participant must have adequate collateral in its traditional account to support the action. Once this risk control is satisfied, then DTC will move the subject security out of the Participant's traditional DTC account (similar to a free-of-value Delivery Order) into DTC's Digital Omnibus Account at DTC. That omnibus account will hold all underlying traditional securities that are represented in tokenized form.

Once moved into DTC's Digital Omnibus Account, DTC will mint a token, representing the security entitlement, and deliver that token into the registered digital wallet identified by the Participant. Once held in a Participant's registered digital wallet, DTCC's LedgerScan system, an application of the DTCC ComposerX suite, will record the location of the token off-chain and any future on-chain movements of the token. Finally, DTC will reconcile the total number of tokenized securities entitlements recorded by LedgerScan against the total number of traditional securities entitlements held in its omnibus account to ensure that they match. If an adjustment needs to be made, DTC maintains administrative rights over its tokens to make such adjustments.

This multistep process and associated applications help ensure that securities and tokens held at DTC are properly accounted for.

Interoperability & Evolution

How will DTC manage minting, burning and custody of tokens?

The DTCC Tokenization Services will leverage ComposerX Factory to mint, burn and manage the lifecycle of tokenized assets. When a Participant wants to hold their assets in tokenized form in a wallet on-chain, they will issue a "conversion order" instructing DTC to convert the specified assets to token form and deliver them to a wallet registered with DTC by the Participant. DTCC's LedgerScan system, an application of the DTCC ComposerX suite, will maintain DTC's official record of all token movements and locations. If a Participant wants to convert its tokenized entitlement back to a traditional entitlement held in its traditional DTC account, it can simply instruct DTC to make that conversion.

Whether assets are held in traditional or tokenized form, the custody relationship between DTC and its Participant does not change. The tokens created by DTC are simply extensions of DTC's books and records, representing the ownership rights to the assets held by Participants within DTC. Participants are free to hold those tokens in custodial or non-custodial digital wallets, and to manage the distribution of those digital wallets to their clients as they see fit.

Information and resources will be provided on a [dedicated website](#) to help Participants understand the service's new processes and infrastructure. If additional, sensitive details are needed, these will be shared privately with authorized parties. This approach ensures everyone has access to essential guidance while keeping confidential information secure.

Infrastructure & Notifications

How will custodians and clearing firms be notified of and involved in new infrastructure rollouts?

Notification and engagement regarding new infrastructure implementations will occur through DTC's formal notification and governance channels. Custodians and clearing firms will not be affected in terms of clearing and settlement of trading activities, as NSCC/DTC clearing and settlement processes are excluded from the initial phases. All pertinent information and guidance are readily available [here](#).

Regulatory & Legal Considerations

How will tokenized assets be treated under financial responsibility, bankruptcy and insolvency regimes?

DTC will treat its tokenized securities the same as traditional book-entry securities with respect to its management of financial, bankruptcy and insolvency responsibilities. The NAL outlines the requirements and steps DTC will take for evidencing and protecting beneficial ownership under the applicable federal securities laws. If a Participant needs more detailed legal information for its specific use case, it should seek legal and regulatory guidance from its legal counsel.

How will DTCC ensure compliance while supporting innovation?

DTC will continue to ensure compliance by requiring all firms to go through DTC's AML/KYC screening to become a DTC Participant. In addition, DTC will perform OFAC checks on digital wallets. Participants will continue to be responsible for completing AML/KYC on their own customers.

Market Power & Competition

Could DTCC's role in tokenization stifle competition?

No, DTCC is committed to working collaboratively with a wide cross-section of stakeholders and fostering responsible innovation by providing digital financial market infrastructure to drive industry-wide adoption. Through initiatives like DTCC's Digital Launchpad, DTCC enables experimentation and collaboration among participants, fintechs and technology partners. By promoting open architecture, transparency and industry collaboration, DTCC helps enable market transformation and encourages the development of new entrants and solutions. As a strategic partner with over 50 years of service, DTCC continues to mitigate friction, ensure compliance and create an ecosystem where innovation thrives.

Investor Protection & Education

How will beneficial ownership be evidenced and protected for tokenized securities?

Just like DTC records and maintains securities entitlements today in accordance with UCC Article 8, DTC will do the same for its tokenized securities, using blockchain networks, registered digital wallets, compliance-aware tokens, and new systems to evidence and protect digital securities entitlements.

Risk & Compliance

How does DTCC manage risk of tokenized securities?

DTC follows strict risk management procedures to keep assets and transactions safe, including setting clear eligibility rules for DTC Participants, using strong operational controls, screening digital wallets for compliance with the OFAC regulations, maintaining detailed audit trails of all activities, monitoring transactions in near real time, and holding administrative rights over its compliance-aware tokens. While DTC enforces these robust safeguards, each Participant is still responsible for verifying their clients' identities (KYC) and ensuring they comply with federal AML laws.

How are investor protections maintained?

The same rights and responsibilities that apply to how DTC manages traditional securities held in book-entry form also apply to tokenized securities. In other words, investors and Participants have the same protections, obligations, and procedures whether their assets are recorded traditionally or on a blockchain. Additionally, strict distribution controls are in place to ensure that tokenized assets can only be transferred to DTC-registered wallets, helping to prevent unauthorized transfers and safeguard ownership. Further, DTC retains full administrative control over its tokens, including claw-back and force transfer capabilities, if tokens are lost or stolen.

Third-Party Proposals

What does the DTC tokenization service mean for other tokenization proposals that may reference DTC, such as Nasdaq's recent proposal to enable the trading of securities in tokenized form?

In general, when an engaged party like Nasdaq references DTC as the provider of a post-trade tokenization solution, that reference is to the DTC tokenization service described in the No-Action Letter and related materials published on the DTCC tokenization microsite.

DTC appreciates that there is great interest in how the DTC tokenization service will support initiatives like the Nasdaq proposal and others that may come to market over time. We encourage interested parties to review the publicly available information DTC maintains on the tokenization microsite, along with information that engaged parties (such as Nasdaq) may also make available.

DTC is open to and interested in working with various parties. If your firm is interested in working together with DTC or has questions about integrating with DTC's tokenization service, [click here](#) to contact us.

We will continue to update this FAQ based on client feedback and will address specific use-case questions by market segment in the coming months. Please check back regularly for more information.