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SEC STAFF NO-ACTION RELIEF FOR DTC PILOT PROVIDES A PATHWAY FOR TOKENIZED SECURITIES

On December 11, 2025, the staff of the Division of Trading and Markets (the “**Staff**”) of the Securities and Exchange Commission (the “**SEC**”) issued a no-action letter to The Depository Trust Company (“**DTC**”) concerning a pilot version (the “**Preliminary Base Version**”) of a securities tokenization program, referred to as the “DTCC Tokenization Services.”¹ The letter permits DTC to conduct a limited, voluntary, three-year pilot under which DTC participants may elect to have their security entitlements to DTC-held securities recorded using distributed ledger technology (“**DLT**” and such security entitlements “**Tokenized Entitlements**”), rather than exclusively through DTC’s current centralized ledger (“**Book-Entry Entitlements**”). While the relief is subject to conditions and limited in scope, it materially accelerates DTC’s ability to launch the pilot version relative to a traditional rule filing and approval process and is a significant step toward on-chain market infrastructure. DTC plans to launch the Preliminary Base Version in the second half of 2026.

BACKGROUND AND RATIONALE

DTC is a registered clearing agency under Section 17A of the Securities Exchange Act of 1934 (the “**Exchange Act**”) and a wholly owned subsidiary of the Depository Trust & Clearing Corporation (“**DTCC**”), a user-owned cooperative that provides custody, clearing, and settlement services central to U.S. market infrastructure. In 2012, DTC was designated as a systemically important financial market utility by the Financial Stability Oversight Council. The DTCC Tokenization Services aims to harness the 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) that tokenization offers, while preserving the protections and accountability of a central securities depository.

In order to operate the Preliminary Base Version, DTC faced implications under the Exchange Act, including: (i) Regulation Systems Compliance and Integrity (“**Reg SCI**”); (ii) Section 19(b) of the Exchange Act (“**Section 19(b)**”) and Rule 19b-4 thereunder; and (iii) Exchange Act clearing agency standards (collectively, the “**Subject Provisions**”). As DTC emphasized in its no-action request, the Subject Provisions were developed for traditional, centralized securities processing environments. Applying them wholesale to experimental, decentralized, or hybrid models, such as those leveraging public blockchains,

¹ See *The Depository Trust Company* (Dec. 11, 2025), available at [dtc-nal-121125.pdf](#).

could be impracticable or counterproductive. Therefore, DTC proposed tailored safeguards to address the regulatory concerns underlying the Subject Provisions.

HOW THE DTCC TOKENIZATION SERVICES PILOT WORKS

Eligible DTC Participants. Any DTC participant will be permitted to participate in the pilot, except those DTC participants for which DTC has U.S. tax withholding or reporting obligations, or a Treasury International Capital reporting obligation. Participation is voluntary.

Registered Wallets and Eligible Blockchains. DTC participants that elect to participate in the pilot will be required to register one or more addresses on a DTC-approved (private or public) blockchain (each, a “**Registered Wallet**”) for the purpose of holding Tokens (as defined below) corresponding to Tokenized Entitlements. Participants can 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 will be at the discretion of, and agreement between, the participant and its customers. DTC will only have a relationship with the participant in regard to Registered Wallets and Tokenized Entitlements.

Each Registered Wallet must comply with certain technology and other requirements, including a DTC-conducted screening for compliance with Office of Foreign Assets Control (OFAC) requirements, along with DTC’s risk management and compliance controls. While DTC will not prescribe a particular blockchain on which a Registered Wallet must be maintained or require a particular tokenization protocol (a suite of governing smart contracts), DTC plans to prescribe objective, neutral, and publicly available requirements for both blockchains and tokenization protocols (“**Technology Standards**”), aiming to ensure that (i) Tokens are only transferrable to Registered Wallets, (ii) DTC can take steps to address any erroneous entries, lost tokens or malfeasance (“**Conditions Requiring Reversals**”), and (iii) Tokens are maintained on blockchains that are reliable, resilient, secure, and subject to robust consensus and governance mechanisms. Tokenization protocols must have “compliance aware” features, including “distribution control” and “transaction reversibility.”² Similarly, blockchains must support compliance aware tokenization and enable DTC to observe all Token transfers. DTC will make a list of approved blockchains and the Technology Standards publicly available.

Tokenization of Book-Entry Entitlements. A DTC participant with a Registered Wallet will be able to instruct DTC to tokenize the participant’s Book-Entry Entitlement to certain eligible securities (“**Subject Securities**”), as described below, currently credited to the participant’s account (“**Account**”) on DTC’s centralized ledger system. DTC will then debit the Subject Securities from the 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. Using its Factory system (a software system maintained by DTC), DTC will mint and deliver to the DTC participant’s Registered Wallet a token that represents the participant’s security entitlement to the Subject Securities (“**Token**”).

Transfer of Tokens. Any DTC participant with a Token will be able to transfer the Token directly to the Registered Wallet of another DTC participant. No instructions to DTC to effectuate the transfer will be required.

To avoid “double spend”, Subject Securities credited to the Digital Omnibus Account cannot be transferred from the account until the corresponding Token is burned. As a result, the DTC participant holding a Tokenized

² “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” (as further described herein) on the blockchain when necessary to address a Condition Requiring Reversal.

Entitlement to a Subject Security will 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 must effectuate transfers by transferring the Token on the blockchain, or by instructing DTC to burn or convert the Token.

DTC Tracking and Official Record. DTC will track in near real-time any transfer of Tokens from one Registered Wallet to another Registered Wallet utilizing 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. LedgerScan will make a record of the Tokenized Entitlements according to the Tokens that are held in each participant's Registered Wallet(s). For purposes of recording Tokenization Entitlements, *LedgerScan's off-chain record will constitute DTC's official books and records.*

Registered Ownership. Registered ownership of the underlying securities will remain in the name of Cede & Co., DTC's nominee.

De-Tokenization. A DTC participant may instruct DTC to credit any securities represented by Tokenized Entitlements back to its Account (i.e., convert the Tokenized Entitlement back to a Book-Entry Entitlement in the Account). Upon acceptance of such instruction, DTC will (i) burn the Token in the participant's Registered Wallet, (ii) debit the securities from the Digital Omnibus Account, and (iii) credit the securities to the participant's Account.

Usage of Token. DTC participants will be able to use the Tokens to engage in the same transactions and activities in relation to their Tokenized Entitlements as they currently do for Book-Entry Entitlements, in a substantially similar manner. In addition, the Tokens will provide functionality beyond that currently available. For example, the Tokens can be traded after hours, which will support extended hours trading, and participants and their customers can utilize smart contracts, which will help them efficiently allocate securities across financing transactions and should reduce costs. Moreover, participants and their customers will 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. As described above, depending on its relationship with its DTC participant, a customer will be able to effectuate a transfer of a Token (and thus a Tokenized Entitlement) directly, without needing to wait for the participant to act first.

Subject Securities. The scope of token-eligible securities is 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; and (iii) exchange-traded funds tracking major indices such as the S&P 500 and Nasdaq-100.

Corporate Actions. The Preliminary Base Version will support the processing of the same corporate actions with respect to securities represented by Tokenized Entitlements as DTC supports for Book-Entry Entitlements. DTC notes that 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. DTC will, 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.

No Collateral or Settlement Value. Tokenized Entitlements will not carry collateral or settlement value for purposes of DTC risk management.

Override Keys. DTC will have a "root wallet" on each blockchain with keys that it can use to convert, transfer, mint, or burn Tokens, even without the private key for the Registered Wallet. These keys will allow DTC to act

on any Tokens that have been the subject of Conditions Requiring Reversal. DTC will store the keys in cold storage, except for any keys that are necessary for daily operations.

SUBJECT PROVISIONS AND DTC'S REPRESENTATIONS

DTC's no-action request focused on three regulatory areas, with targeted safeguards designed to address each.

Regulation SCI. DTC represented that the systems used to perform the key functions of the DTCC Tokenization Services (Factory and LedgerScan) will be physically and logically segregated from the SCI systems used by DTC to perform clearance and settlement services. Moreover, DTC will notify the Staff of any material systems events affecting the pilot. The position reflects the limited and experimental nature of the Preliminary Base Version and the impracticality of applying full SCI controls to components outside DTC's dominion, such as public blockchains.

Section 19(b) and Rule 19b-4. To preserve the pilot's iterative character without triggering formal rule change requirements for each update, DTC committed to transparency and oversight through quarterly reporting to the Staff, public disclosure of applicable Technology Standards, the list of approved blockchains, and any fees charged by DTC for the service, and robust participant disclosures covering mechanics, operations, and material changes. Participants will receive regular reports identifying securities in their accounts that are subject to tokenization and advance notice of material modifications to the pilot.

Clearing Agency Standards. DTC acknowledged its continuing obligations under Exchange Act Section 17A, including promoting prompt and accurate clearance and settlement, assuring the safeguarding of securities and funds, fostering cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, and avoiding unnecessary burdens on competition. DTC argued that it has designed the Preliminary Base Version, including the Technology Standards, to ensure open access and not to favor any particular system or provider. In addition, DTC will provide comprehensive reporting to the SEC so that the Staff can monitor the consistency of the Preliminary Base Version with Section 17A.

SIGNIFICANCE OF RELIEF AND OUTLOOK

The Staff's no-action posture provides a structured pathway for DTC and its participants to test Tokenized Entitlements in production while maintaining traditional custody protections. By confining the pilot to highly liquid securities, segregating it from the core central ledger, enhancing transparency, and maintaining reversibility, the framework is designed to capture the operational benefits of DLT without compromising the safeguards embedded in the existing market infrastructure.

Although the relief is fact-specific and conditioned on DTC's representations, it signals regulatory openness to iterative pilots that integrate DLT with incumbent clearing and custody rails. This openness was lauded in SEC Commissioner Hester Peirce's December 11 statement on the no-action letter,³ characterizing the no-action relief as a meaningful, incremental step toward on-chain market infrastructure, given DTC's central role in the

³ Hester M. Peirce, *Statement: Tokenization Trending: Statement on the Division of Trading and Markets' No-Action Letter Related to DTC's Development of Securities Tokenization Services* (Dec. 11, 2025), available at <https://www.sec.gov/newsroom/speeches-statements/peirce-121125-tokenization-trending-statement-division-trading-markets-no-action-letter-related-dtcs-development>.

U.S. securities markets. She emphasized that tokenization should remain flexible and model-agnostic, with room for issuer-driven approaches that could facilitate more direct investor ownership and transactional pathways.

It is meaningful that this guidance came in the form of a Staff no-action letter rather than in rule making. That alone demonstrates the importance of tokenization as an initiative. It also may be a response to the pressures of addressing initiatives from the securities exchanges and other market participants. Of course, it does leave many questions unanswered. Tokens can be traded after-hours and for longer trading hours—but how does this square with the current rules and operations of securities exchanges and alternative trading systems and with Regulation FD and current notions regarding timely corporate disclosures. Will this lead to same-day settlement?

As noted above, the relief prohibits DTC from ascribing collateral or settlement value to the Tokens for purposes of, for example, calculating a DTC participant's Net Debit Cap or the Collateral Monitor or for any other purpose. Future expansions may be addressed in another letter. In this regard, DTC stated that as it garners insights and lessons from the operation of the Preliminary Base Version, it would consider allowing Tokenized Entitlements to have settlement or collateral value, expanding the scope of eligible securities, 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 and seek relief to the extent necessary.

Nonetheless, the no-action letter is a significant step, and if successful, DTC's pilot could inform durable models for tokenized securities and standardized approaches to interoperability, paving the way for broader on-chain market infrastructure.



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