SEC'S TOKENIZED SHARES FRAMEWORK: WHAT PUBLIC COMPANIES SHOULD KNOW

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US Corporate Alert

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The US Securities and Exchange Commission (SEC) adopted a five-year conditional framework (the Innovation Exemption) for secondary trading of certain tokenized shares of National Market System (NMS) stocks on 17 September 2026. Unaffiliated third-party tokenization may proceed without company consent under a default opt-in framework, but companies can block trading on a particular venue by objecting in writing within 30 calendar days after receiving notice. Companies should consider pre-emptively establishing a response process, even if they have no tokenization plans.

THE SEC REGULATORY FRAMEWORK

The SEC order grants qualifying tokenized securities venues (TSVs) and certain liquidity providers conditional relief from the definitions of “exchange” and “dealer,” respectively, under the Securities Exchange Act of 1934, as amended (Exchange Act). It covers tokenized NMS stocks, generally exchange-listed shares represented on a blockchain or other distributed ledger (excluding synthetic exposures, security-based swaps, and warrants). TSVs use automated market makers: software enabling trades against liquidity-provider asset pools rather than matching individual buy and sell orders. Relief expires 17 September 2031, with the SEC seeking comment on a longer-term framework.

The framework is strictly limited to secondary market trading; primary issuances or initial public offerings on TSVs remain prohibited under the relief, and registration under the Securities Act of 1933 (Securities Act) or an applicable exemption is still required.

PRACTICAL CONSIDERATIONS FOR ISSUERS

Third-party tokenization raises practical questions about ownership records, voting, dividends, corporate actions, custody, cybersecurity, and error resolution. Tokenized shares may trade at different prices from traditionally traded shares. Blockchain technology does not itself ensure around-the-clock trading or settlement, which depend on the venue's operating arrangements and applicable trading halts (which must mirror primary listing exchange halts).

Tokens must represent underlying shares, not merely synthetic exposure, and TSVs may not conduct primary issuances or initial offerings. Securities Act registration or an exemption remains required, as do applicable antifraud and antimanipulation protections. TSVs must verify equivalent dividend, voting, and liquidation rights. Unaffiliated third-party tokenizers must provide proxy materials and company communications at no cost to companies or shareholders.

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THE 30-DAY OBJECTION PROCESS

Before offering third-party-tokenized shares without company affiliation, a TSV must give written notice to the principal executive office address or email listed on the company's Exchange Act report cover and wait at least 30 calendar days after the company's receipt of the notice before trading.

A company may object in writing on or before the 30th calendar day following receipt of notice. Companies should ensure that the TSV receives the objection before the deadline and retain verifiable evidence of delivery. A timely objection prevents that TSV from offering the identified tokenized stock under the Innovation Exemption. The TSV must also update within five business days its public notice posted on its website as required by the Innovation Exemption.

Each notice issued by a TSV to a company requires a separate response, and objections will appear in that venue's public notice. Without a timely objection, trading may begin after the waiting period if the exemption's other conditions are met. Companies cannot proactively object to tokenization; they must respond to each notice received from a TSV.

MARKET DYNAMICS AND PUBLIC NOTICE TRENDS

OKXICE, a venue for trading tokenized shares, listed objections from 67 companies, including each of the “Magnificent Seven,” in its 5 November 2026 public notice. While one venue's experience does not establish broader opposition, these responses offer an early indication of emerging trends in management and market perceptions of third-party tokenization, underscoring the importance of evaluating each venue's proposal on its own terms.

WHAT PUBLIC COMPANIES CAN DO TO PREPARE

In light of the new framework, a public company should consider taking the following steps:

Establish an Internal Notice Protocol

Ensure that personnel responsible for receiving physical mail and email at the company's principal executive offices, including investor relations and corporate secretary personnel, are aware of TSV notices and are directed to promptly escalate them to the legal department.

Implement a 30-Day Response Procedure

Establish a process for promptly evaluating any notice received, determining whether the company wishes to object, and, if so, obtaining the necessary internal approvals and submitting an objection within the applicable 30-calendar-day period.

- *Evaluate the Company's Tokenization Position:* Consider whether the company would permit unaffiliated third parties to tokenize and trade its shares or whether it would prefer to object to such activity.
- *Coordinate with Service Providers:* Engage the company's transfer agent, proxy solicitor, and other relevant service providers to assess how tokenized share ownership could affect shareholder records, voting, dividends, record dates, and corporate actions.

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- *Prepare Investor Communications:* Develop appropriate messaging to respond to shareholder and investor inquiries regarding third-party tokenization, including whether the company has authorized, sponsored, or endorsed the activity.

CONCLUSION AND STRATEGIC NEXT STEPS

The SEC's Innovation Exemption marks a significant shift in the architecture of US capital markets, extending the reach of secondary trading into blockchain-based infrastructure on a default opt-in basis. Because trading may commence automatically if a company fails to respond within 30 calendar days of receiving a TSV notice, inaction is itself a consequential decision that could expose issuers to fragmented market liquidity, pricing dislocations, and unresolved complications in proxy voting and transfer agent recordkeeping.

Public companies need not have tokenization plans to be affected. Every public company whose shares are an eligible NMS stock is a potential subject of a TSV notice, and the 30-day objection window is strict. Legal departments and corporate secretaries should take three immediate actions:

- *Formalize Escalation Workflows:* Implement same-day mailroom and legal escalation procedures for TSV notices received at the principal executive office address and email address (if any) listed on Exchange Act report cover pages.
- *Brief the Board, Appropriate Committees, and Investor Relations Personnel:* Ensure directors, governance personnel, and the company's investor relations function understand the company's default opt-in exposure under the Innovation Exemption and have approved a standing policy on whether, and under what circumstances, the company will object.
- *Prepare Objection Templates:* Develop form objection letters so that, if a TSV notice is received, a compliant objection can be submitted promptly and well within the 30-day deadline.

As the SEC monitors this five-year pilot program through September 2031, issuer objections will serve as the primary mechanism by which public companies control whether their shares are traded on TSVs. The window for each company to exercise that control is short, and the consequences of missing it are real.

The firm's Corporate team is closely monitoring the SEC's tokenized securities framework and advising public companies on their response obligations. Please contact us for assistance understanding what this framework means for your company or for help developing tailored notice-tracking, escalation, and objection procedures.

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