



October 14, 2025

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: The Nasdaq Stock Market, LLC; Notice of Filing of Proposed Rule Change to Amend the Exchange's Rules to Enable the Trading of Securities on the Exchange in Tokenized Form, File No. SR-NASDAQ-2025-072, 90 Fed. Reg. 45,426 (Sept. 22, 2025)

Dear Ms. Countryman:

Better Markets¹ appreciates the opportunity to comment on the above-referenced proposed amendments to the rules of the Nasdaq Stock Market, LLC (Nasdaq or Exchange).² The proposed rules would enable the trading of securities on the Exchange in tokenized form.³ The proposed rules should be rejected.

Nasdaq filed its proposed rule change after Chair Atkins launched “Project Crypto,” an SEC-wide initiative to move the securities markets “on-chain.”⁴ There is no question that this initiative will benefit the crypto industry. The real question is whether it will benefit investors.

As it considers this question, the Commission must recognize the threats to investor protection that tokenization poses. Although there could be some benefits to tokenization if done right and if tokenization is kept separate from crypto,⁵ tokenization as promoted by the crypto industry has the potential to cause enormous harm. Nasdaq's proposal seems designed to mitigate some of those potential harms, but it is not clear that any benefits are worth the risks. In other words, it is not clear why it is necessary to tokenize securities. The SEC should not

¹ Better Markets is a non-profit, non-partisan, and independent organization founded in the wake of the 2008 financial crisis to promote the public interest in the financial markets, support the financial reform of Wall Street, and make our financial system work for all Americans again. Better Markets works with allies—including many in finance—to promote pro-market, pro-business, and pro-growth policies that help build a stronger, safer financial system that protects and promotes Americans' jobs, savings, retirements, and more.

² 90 Fed. Reg. 45,426 (Sept. 22, 2025).

³ *Id.* at 45,426.

⁴ Chairman Paul S. Atkins, *American Leadership in the Digital Financial Revolution* (July 31, 2025), <https://www.sec.gov/newsroom/speeches-statements/atkins-digital-finance-revolution-073125>.

⁵ Hilary Allen, *Hearing on Next Generation Infrastructure: How Tokenization of Real-World Assets Will Facilitate Efficient Markets*, Before the U.S. House of Representatives Committee on Financial Services (June 5, 2024), <https://docs.house.gov/meetings/BA/BA21/20240605/117392/HHRG-118-BA21-Wstate-AllenP-20240605.pdf>, at 2.

promote tokenization because that is what the crypto industry wants; it should do its job and protect investors, and it is not clear that investors have any need for tokenized securities.

I. Tokenization poses fundamental risks to investor protection

There are tremendous risks with tokenizing stocks. The biggest risk is that the crypto industry wants tokenized stocks to be exempt from some of the rules governing stock trading.⁶ Although Commissioner Peirce has emphasized that tokenized securities are securities,⁷ it seems as though the Commission is contemplating an “innovation exemption” that would render some of the provisions of the federal securities laws inapplicable to tokenized stocks.⁸ The fact that tokenized securities are securities will not matter if the rules applicable to securities don’t apply to them. It is essential that any “innovation exemption” not “become a way to issue and trade tokenized securities outside the core protections of the federal securities laws and regulations.”⁹

Investors in a tokenized stock also may not receive the same price as for the traditional stock. On crypto exchanges, tokenized versions of Apple and Amazon have seen divergent prices.

On July 3, for instance, the price of APPLX—a token tracking Apple—briefly jumped to \$236.72, a 12% premium to where the stock was trading at the time, according to data provider CoinGecko. A similar token tracking Amazon surged to \$891.58 on July 5, four times the stock’s previous closing price, CoinGecko data shows. The same token, AMZNX, suffered an even wilder dislocation on Jupiter, a peer-to-peer platform for crypto trading, early on July 3. Blockchain data shows that an unknown user trying to buy about \$500 worth of the token briefly sent its price to \$23,781.22, more than 100 times Amazon’s closing price the previous day.¹⁰

In addition to the price of a tokenized stock diverging from the price for the traditional version of that stock available on a stock exchange, crypto markets “are notorious for fast-paced

⁶ Jeff John Roberts, *SEC plan for blockchain-based stocks pits Coinbase and Robinhood against Wall Street giants*, Fortune (Sept. 30, 2025), <https://finance.yahoo.com/news/sec-plan-blockchain-based-stocks-202618791.html>.

⁷ Commissioner Hester M. Peirce, *Enchanting, but Not Magical: A Statement on the Tokenization of Securities* (July 9, 2025), <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-tokenized-securities-070925>.

⁸ Declan Harty, *SEC’s Atkins floats ‘innovation exemption’ for blockchain-based markets*, Politico (July 17, 2025), <https://subscriber.politicopro.com/article/2025/07/secs-atkins-floats-innovation-exemption-for-blockchain-based-markets-00461710>.

⁹ SIFMA, *Modern Markets, Enduring Protections: Protecting Investors in Tokenized Securities*, <https://www.sifma.org/resources/news/blog/modern-markets-enduring-protections-protecting-investors-in-tokenized-securities/>.

¹⁰ Alexander Osipovich, *Want to Trade Amazon on Crypto Exchange? The Price Might Be Off by 300%*, The Wall Street Journal (July 15, 2025), https://www.wsj.com/finance/stocks/tokenized-stocks-prices-crypto-exchanges-856ea114?gaa_at=eafs&gaa_n=ASWzDAibpZ1kanape5UmKLF3mqpNGwI5f-9LEAbejQn3z1XvWTR2qf0dhyBz&gaa_ts=68e92704&gaa_sig=jOC7vOwzsfpWVi2VUXkPB-vbDE-W2KDU44EPGjaiuHmgZQj08nH8AlheLVydQmoY4cOUB6p9olndBALDDncZaA%3D%3D.

fluctuations, which can translate into extreme price volatility for tokenized stocks.”¹¹ Tokenized stocks may also “experience more frequent short-term price fluctuations due to lower liquidity or limited market depth,” which can also lead to a situation where “prices can diverge.”¹²

There are also risks due to the unregulated nature of the crypto exchanges where tokenized stocks trade. The fact is that a “lot of financial regulation happens at the exchange level,” but because blockchains are peer-to-peer it is hard to enforce the traditional trading rules.¹³

In the U.S. stock market, exchanges monitor for manipulation and other abuses, while brokerages must know the identity of their customers. That allows regulators to probe suspicious activity and identify the people behind it. But such controls don’t necessarily exist with tokenized stocks. . . .

Still, other industry players worry that tokenized stocks being traded on anonymous platforms is a recipe for trouble. Such arrangements could facilitate abuses such as insider trading, said Carlos Doingo, CEO of tokenization startup Securitize. “It’s a can of worms and it is going to explode at some point, because people will find ways to do something illegal with these tokens,” Domingo said.¹⁴

Another problem is that tokenized stocks may be issued by a third party rather than the company that issues its traditional shares. For example, Robinhood launched trading in tokens pegged to Open AI, but Open AI clarified that it had not blessed the offering.¹⁵ In this situation, it is not clear with whom investors are investing—the issuer of the stock or the firm that tokenized it.¹⁶

Perhaps most fundamentally, tokenized stock investors are usually not shareholders in the underlying company.¹⁷ Tokens “rarely offer the same rights, disclosures and protections as

¹¹ Emil Mendoza, *Tokenizing Stocks in Crypto Raises Investor Safety Concerns*, Que.com (Oct. 8, 2025), <https://www.msn.com/en-us/money/savingandinvesting/tokenizing-stocks-in-crypto-raises-investor-safety-concerns/ar-AA1O7yJn?ocid=finance-verthp-feeds>.

¹² Becca Bratcher, *What Are Tokenized Stocks? Your Complete Guide To Digital Equities*, Forbes (Jul. 7, 2025), <https://www.forbes.com/sites/digital-assets/article/what-are-tokenized-stocks-digital-equities/>.

¹³ Aaron Brown, *The Battle to Rewire Stock Trading the Crypto Way Is On*, Bloomberg (Oct. 6, 2025), <https://www.bloomberg.com/opinion/articles/2025-10-06/coinbase-robinhood-plan-to-rewire-stock-trading-the-crypto-way?sref=mQvUqJZj>.

¹⁴ Osipovich, *supra* note 10.

¹⁵ Hannah Lang and Elizabeth Howcroft, *Crypto race to tokenize stocks raises investor protection flags*, Reuters (Oct. 8, 2025), <https://www.reuters.com/sustainability/boards-policy-regulation/crypto-race-tokenize-stocks-raises-investor-protection-flags-2025-10-08/>.

¹⁶ James Royal, Ph.D., *Tokenized stock trading: The huge risks in moving stocks to blockchain*, Bankrate (Aug. 14, 2025), <https://www.bankrate.com/investing/tokenized-stock-trading-huge-risks-in-moving-stocks-to-blockchain/>.

¹⁷ Elizabeth Howcroft, *European regulator says tokenised stocks risk ‘investor misunderstanding’*, Reuters (Sept. 1, 2025), <https://www.reuters.com/sustainability/boards-policy-regulation/european-regulator-says-tokenised-stocks-risk-investor-misunderstanding-2025-09-01/>.

traditional equities.”¹⁸ This means that tokenized stocks may be marketed to retail investors as functionally equivalent to traditional stocks when they are not, which could confuse investors.¹⁹

II. Nasdaq’s recognition of these risks is an admission that tokenization is unnecessary

Nasdaq’s proposal acknowledges these risks. It recognizes that the “trading of tokenized stocks is occurring in a manner that raises investor concerns.”²⁰ One concern, in Nasdaq’s view, is that “trading platforms are purporting to offer U.S. investors access to tokenized U.S. ‘equities,’” but “are not providing investors with actual shares in U.S. companies.”²¹ Instead, they are providing tokens that “do not comprise the full extent of the rights to which owners” of traditional stock are entitled.²² This is likely “contrary to the understanding of unsophisticated investors.”²³

Nasdaq also recognizes the risks of trading tokenized stocks on unregulated crypto exchanges. Because these exchanges are not part of the national market system, investors would lack insight into the best market-wide prices and assured access to those prices.²⁴ This could result in more fragmentation, with liquidity not available to all investors, and “greater price dislocation.”²⁵ Issuers also “would have no understanding of the total shares traded in any given day in their company’s stock” and no ability to understand their “stock price movements.”²⁶ So “the markets, the issuers, and investors would be blind to activity occurring on these platforms.”²⁷

For these reasons, Nasdaq says that tokenization must occur “in regulated markets, namely national securities exchanges, alternative trading systems, and at FINRA regulated broker-dealers.”²⁸ Tokenized securities trading on Nasdaq would “be subject to the full panoply of SEC regulatory obligations and oversight, as well as Nasdaq rules, which together help ensure that trading of all securities on Nasdaq is transparent, fair, orderly, equitable, and in the best interests of investors.”²⁹ Nasdaq says that “no significant exemptions or parallel market structure

¹⁸ Lang and Howcroft, *supra* note 15.

¹⁹ Howcroft, *supra* note 17.

²⁰ 90 Fed. Reg. at 45,428.

²¹ *Id.*

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.* at 45,430.

constructs are needed for tokenized securities to trade alongside other securities.”³⁰ “Wholesale exemptions . . . are neither necessary to achieve the goal of accommodating tokenization, nor are they in investors’ best interest.”³¹ Nasdaq’s proposal also limits the trading of tokenized securities on Nasdaq to securities that use blockchain technology that are fungible with, and afford their holders the same material rights and privileges as, equivalent traditional securities.³²

We agree that Nasdaq’s proposal is better than having tokenized securities that do not offer the same rights and privileges as traditional securities trade on unregulated crypto exchanges, but it is not clear why having tokenized securities trading on Nasdaq is necessary at all. The only reason for tokenization that Nasdaq proffers is that “tokenization technology presents novel capabilities by which to record evidence of securities ownership and transactions”—that is, it allows securities transactions “to be recorded on a blockchain.”³³ Tokenization advocates say that blockchain technology may improve clearance and settlement by supporting “faster settlement and fewer intermediaries, which may reduce costs and increase efficiency.”³⁴ The problem is Nasdaq itself admits that the entities responsible for clearing and settling trades today “are highly regulated and trusted to protect investors,” that the system “works extraordinarily well,” and it is “already highly efficient and reliable” with “little or no commission cost to retail investors.”³⁵

Conversely, it is “highly undesirable for public permissionless blockchains to serve as the ‘plumbing’ for any financial services.”³⁶ That is because “public permissionless blockchain technology suffers from critical governance and operational fragilities.”³⁷ The way they work

make transaction processing on [them] inefficient and wasteful – this is unavoidable, as without inefficiency and expense it would be far too easy for a bad actor to approve problematic transactions. As a result of this inefficiency, permissionless public blockchains struggle to process large volumes of transactions, and the delays and transaction fees can be significant at peak times. . . . The efficiencies that *can* be achieved using public permissionless blockchains often come from avoiding what can sometimes be time-consuming and expensive regulatory compliance (for

³⁰ *Id.* at 45,428.

³¹ *Id.*

³² *Id.* at 45,429.

³³ *Id.* at 45,428-45,429.

³⁴ Bratcher, *supra* note 12.

³⁵ 90 Fed. Reg. at 45,428.

³⁶ Allen, *supra* note 5, at 4.

³⁷ *Id.*

example, compliance with [Know Your Customer/Anti-Money Laundering] requirements. But avoiding these regulatory requirements is not socially desirable.³⁸

Blockchains are also “prone to hacks and cyber-attacks, potentially compromising investor assets.”³⁹ Although tokenization through the use of other technologies may offer greater benefits, it should be noted that “existing delays in securities settlement are not necessarily due to technological limitations.”⁴⁰ “In some instances, technology already exists that can speed up settlement, but market participants consider immediate settlement undesirable.”⁴¹ In any case, the ability to settle transactions on public permissionless blockchains is no reason for tokenization.

Nasdaq also suggests that, once its separate proposal to extend trading hours to 23 hours a day is approved, tokenized stocks will be able to be traded around the clock.⁴² Tokenization proponents say that the ability to trade stocks 24/7 is a benefit of tokenization.⁴³ But “all-hours trading does not benefit long-term investors.”⁴⁴ Instead, around-the-clock trading would harm retail investors by leading them to receive worse prices on their trades, leading them to trade excessively, and leading them to engage in speculative and impulsive trading.⁴⁵ And rather than trying to emulate the crypto markets, which trade 24/7, crypto is a cautionary tale for around-the-clock trading.⁴⁶

Tokenization proponents say that another potential benefit of tokenized stocks is that they can be fractionalized, which may “increase liquidity by allowing investors to buy a piece of an asset, rather than requiring them to commit to purchasing the whole asset.”⁴⁷ But retail investors “can already access fractional shares” on thousands of stocks and ETFs.⁴⁸ Indeed, in recent years

³⁸ *Id.* at 5-6 (emphasis in original).

³⁹ Mendoza, *supra* note 11.

⁴⁰ Allen, *supra* note 5, at 9.

⁴¹ *Id.*

⁴² 90 Fed. Reg. at 45,430.

⁴³ Elizabeth Howcroft, *Stock exchanges urge regulators to crack down on ‘tokenised stocks,’* Reuters (Aug. 25, 2025), <https://www.reuters.com/sustainability/boards-policy-regulation/stock-exchanges-urge-regulators-crack-down-tokenised-stocks-2025-08-25/>.

⁴⁴ Royal, *supra* note 16.

⁴⁵ Benjamin Schiffirin, *Let’s Not Make the Same Mistakes With Stock Trading as We Made With Sports Gambling*, Better Markets (May 14, 2025), https://bettermarkets.org/wp-content/uploads/2025/05/BetterMarkets_24-7_Trading_Report_05-14-2025.pdf.

⁴⁶ *Id.* at 8-9.

⁴⁷ Allen, *supra* note 5, at 9.

⁴⁸ Royal, *supra* note 16.

“fractional shares have become more widespread and have evolved, with a number of firms making fractional share investing available to individual investors.”⁴⁹

Nasdaq offers no good reason for facilitating tokenized securities trading on its exchange.

III. The demand for tokenization appears to be overstated

Despite not offering a compelling justification for trading tokenized securities on its exchange, Nasdaq says one of the reasons for its proposal is that “investors increasingly demand the ability to own and trade tokenized versions of financial assets, including securities.”⁵⁰ Is this true? According to J.P. Morgan, it is not.

Despite billions poured into blockchain initiatives promising to reshape finance, the idea of putting traditional assets like bonds, funds, and private credit on blockchain rails has yet to win over major institutional investors. The market for tokenized real world assets—long touted as crypto’s bridge to mainstream finance—remains small, with a total value of just \$25 billion, according to J.P. Morgan Chase & Co. And most of that, the bank says, is driven by crypto-native firms rather than Wall Street incumbents.⁵¹

The Commission should heed J.P. Morgan’s assessment that the “rather disappointing picture on tokenization” reflects “traditional investors not seeing a need for it thus far.”⁵² Tokenization thus appears to be driven not by investors but by the crypto industry. The Commission must remember that its mission is not to promote the crypto industry but to protect investors.

For now, traditional investors still see limited utility. The existing financial system continues to get faster and more efficient—undermining the need for radical change—while concerns about legal clarity, operational risk, and ecosystem fragmentation persist.⁵³

Investors’ views about tokenization appear to mirror those about crypto generally, as recent polls show that only 2% of adults own or trade crypto regularly.⁵⁴ If there is no need for tokenization, there is no need for the Commission to approve the proposal.

⁴⁹ *Investing in Fractional Shares*, FINRA (June 26, 2025), <https://www.finra.org/investors/insights/investing-fractional-shares>.

⁵⁰ 90 Fed. Reg. at 45,430.

⁵¹ Isabelle Lee, *Tokenization Boom? Wall Street Still Isn’t Biting, JP Morgan Says*, Bloomberg (Aug. 7, 2025), <https://www.bloomberg.com/news/articles/2025-08-07/tokenization-boom-wall-street-still-isn-t-biting-jpmorgan-says?sref=mQvUqJZj>.

⁵² *Id.*

⁵³ *Id.*

⁵⁴ Elizabeth Crisp, *Cryptocurrency owners more likely to be young men: Survey*, The Hill (September 11, 2025), <https://thehill.com/policy/technology/5498696-cryptocurrency-young-men-nbc-poll/>.

Conclusion

The Commission should not approve the trading of tokenized securities on national securities exchanges simply to “feed into what has been described as ‘the perpetual motion machine that is crypto trading.’”⁵⁵ Yet without a better justification for Nasdaq’s proposal, that is exactly what the proposal would do. For these reasons, the Commission should reject Nasdaq’s proposal.

We hope these comments are helpful as the Commission considers this matter.

Sincerely,



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⁵⁵ Hillary Allen, *The dark side of tokenization*, Financial Times (Jun. 19, 2024), <https://www.ft.com/content/4c3ebc9f-d447-466a-8816-d4a166143029>.