

SEC Provides Clarity on Tokenized Securities

What Financial Institutions Need to Know

Key takeaways from the SEC's January 2026 statement on the regulatory framework for tokenized securities

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Introduction

The U.S. Securities and Exchange Commission has spoken. On January 28, 2026, three divisions (Corporation Finance, Investment Management, and Trading and Markets) issued a joint statement providing much-needed clarity on how federal securities laws apply to tokenized securities. This guidance marks a significant milestone for financial institutions exploring tokenization—and removes a key barrier to institutional adoption.

What Are Tokenized Securities?

A tokenized security is simply a traditional security (stock, bond, fund shares) formatted as a crypto asset, with ownership recorded on a blockchain or crypto network. The SEC confirms what many have argued: the format doesn't change the fundamental nature of the security.

"The format in which a security is issued or the methods by which holders are recorded (e.g., onchain vs. offchain) does not affect application of the federal securities laws."

This is a critical statement. It means existing securities law applies—in registration requirements, disclosure obligations, and investor protections.

Two Paths to Tokenization

The SEC outlines two distinct pathways, each with different regulatory implications:

1. Issuer-Sponsored Tokenization

The issuer itself tokenizes its own securities, integrating blockchain directly into their shareholder records:

- **Integrated Model:** The blockchain becomes the official shareholder record (master securityholder file). Transfer of the token = transfer of ownership on the issuer's books.
- **Non-Integrated Model:** Token is issued as a notification mechanism, but the official record remains off-chain.

Key Insight: An issuer can offer the same security in both traditional and tokenized formats—or allow holders to convert between them. The tokenized version may be considered the "same class" if it offers substantially similar rights.

2. Third-Party Sponsored Tokenization

Unaffiliated third parties create tokenized versions of securities they don't issue:

- **Custodial Model:** A third party issues a token representing ownership of securities held in custody (similar to modern brokerage account structures).
- **Synthetic Model:** A third party issues its own security that provides "synthetic exposure" to the underlying asset—more like a derivative or swap.

Key Risk Highlight: Investors in third-party tokenized securities face counterparty risk (e.g., third-party bankruptcy) that holders of the underlying security would not face.

What This Means for Financial Institutions

For Asset Managers and Fund Sponsors

- Tokenizing existing fund shares is permitted under existing securities law
- Registration or exemption requirements remain unchanged
- Consider how tokenized shares fit within existing class structures

For Broker-Dealers and Custodians

- Custodial tokenized securities models align with existing regulatory framework
- Security entitlement structures translate naturally to token format
- Third-party tokenization creates new custody opportunities

For Banks and Payment Providers

- Tokenized securities can coexist with traditional formats
- No need to choose one or the other—hybrid models are viable
- Cross-format conversion adds flexibility without regulatory burden

The Regulatory Path Forward

The SEC statement is intentionally descriptive rather than prescriptive. It clarifies how existing law applies rather than creating new rules. This means:

1. No new registrations specifically for tokenized securities—existing frameworks apply
2. No special exemptions needed if the underlying security is already compliant
3. Clearer due diligence for institutions evaluating tokenization partners

The SEC explicitly states it is "ready to engage" on questions—signaling a collaborative approach to market development.

Why This Matters Now

This guidance removes uncertainty that has delayed institutional tokenization projects. With regulatory clarity established:

- Asset managers can move forward with tokenization initiatives
- Custodians can develop institutional-grade token holding infrastructure
- Banks can explore securities settlement using regulated stablecoins
- The tokenized securities market can scale beyond pilot programs

Looking Ahead

The SEC's statement complements other regulatory developments—the GENIUS Act for stablecoins and ongoing digital asset custody frameworks—creating a coherent regulatory landscape for digital asset infrastructure.

For financial institutions, the message is clear: the regulatory environment is now sufficiently clear to act. Those who have been waiting for certainty can move forward with tokenization projects with confidence that the SEC understands and has provided guidance for this market.

BE Global Advisor, Inc. helps financial institutions navigate digital asset strategy, regulatory compliance, and tokenization implementation. Contact barry.eisenberg@beglobaladvisors.com to discuss how tokenized securities fit into your strategic roadmap.

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