

Alert | Blockchain & Digital Assets



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Nasdaq Proposes Rule Changes to Enable Trading of Tokenized Securities

On Sept. 8, 2025, the Nasdaq Stock Market LLC filed a proposed rule change with the U.S. Securities and Exchange Commission to enable the trading of tokenized equity securities and exchange-traded products (ETPs) on its platform. The proposal, submitted under Form 19b-4 (SR-NASDAQ-2025-072), represents a significant step toward integrating blockchain-based assets into the existing U.S. equities market infrastructure.

On Sept. 9, 2025, the SEC published the proposal for public comment.

Overview of the Proposal

As a self-regulatory organization under the Securities Exchange Act of 1934 (Exchange Act), Nasdaq is required to seek the SEC's approval before changing its own rules. Nasdaq's recent filing seeks to amend its rules to allow securities to be traded in either traditional form, which consists of a digital representation of ownership and rights without utilizing distributed ledger (blockchain) technology, or tokenized form, which consists of a digital representation utilizing blockchain technology.

Under the proposal, tokenized securities must be fungible with their traditional counterparts, share the same CUSIP number, and provide identical material rights and privileges (e.g., voting, dividends, liquidation rights). Orders for tokenized securities would be entered and executed under the same rules as traditional securities. Participants may indicate a preference for tokenized settlement at order entry, and

Nasdaq would communicate this instruction to the Depository Trust Company (DTC) for post-trade processing.

Nasdaq anticipates that DTC would mint and deliver tokenized assets to participants' digital wallets; tokenized trades would settle on a T+1 basis, consistent with current standards; and market data feeds and fee schedules would treat tokenized and traditional shares identically. Nasdaq would issue an Equity Trader Alert at least 30 days before accepting tokenized securities for trading.

Key Rule Amendments

Specifically, Nasdaq proposes changes to its Equity Rules, which govern the trading of equity securities on the Nasdaq Stock Market and establish the framework for order entry, execution, routing, and post-trade processing. These rules are codified in the Nasdaq Rulebook under Equity 1 through Equity 11, with each section addressing specific aspects of market operations. The proposed rule change would affect the following Equity Rules:

- Equity 1, Section 1: Changes would expand the definition of “security” to include tokenized forms.
- Equity 4, Rule 4756: Changes would allow participants to flag orders for tokenized settlement.
- Rule 4757: Changes would clarify that tokenization does not affect execution priority.
- Rule 4758: Changes would address routing of tokenized orders and communication with DTC.

Regulatory Context and Market Implications

Nasdaq's proposal aligns with existing SEC regulations and does not seek exemptions from the national market system. Nasdaq emphasizes that tokenized securities would trade transparently, contribute to the National Best Bid and Offer (NBBO), and be subject to existing surveillance, reporting, and investor protection mechanisms.

The proposal responds to growing market interest in blockchain-based securities and aims to avoid the risks of fragmented liquidity and opaque trading venues. Nasdaq's approach contrasts with certain European platforms offering tokenized “equities” that lack full shareholder rights and issuer consent.

Next Steps

With the proposal now published by the SEC for public comment, the SEC will review feedback from stakeholders before determining whether to approve the rule change. Final approval is required before Nasdaq can implement the proposal.

Nasdaq has indicated its intent to engage with stakeholders and regulators to refine the proposed framework, which is expected to evolve alongside DTC's infrastructure development. Such infrastructure development and framework implementation may occur by the end of the third quarter of 2026, subject to regulatory approval.

Practical Implications for Market Participants

Broker-dealers and market makers should assess system readiness for tokenization flags and DTC integration and consider procedural changes that may be needed to participate in ETPs as tokenized shares of these products grow in popularity. Issuers may wish to monitor developments to understand

how tokenization could affect market visibility and begin to consider how they would offer and disclose the features of tokenized securities alongside traditional shares. Finally, investors should be aware that tokenized securities under Nasdaq's framework would retain the same protections and rights as traditional shares.

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