

VIA ELECTRONIC SUBMISSION

April 25, 2025

Chairman Paul S. Atkins
 Commissioner Hester M. Peirce, Chair of the Crypto Task Force
 Crypto Task Force
 U.S. Securities and Exchange Commission
 100 F Street, NE
 Washington, DC 20549-0213

Re: Tokenization of Real-World Assets

Dear Chairman Atkins, Commissioner Peirce and Members of the SEC's Crypto Task Force:

I am writing on behalf of Robinhood Markets, Inc. and Robinhood Crypto to describe the key benefits of tokenization of securities and other real-world non-natively digital assets (commonly referred to as “RWAs”), and to explain some of the challenges to realizing those benefits under the current legal and regulatory environment. We aim to offer suggestions to foster innovation while promoting the three-part mission of the Securities and Exchange Commission (“Commission”) of facilitating capital formation, protecting investors, and maintaining fair, orderly, and efficient markets.¹ We applaud the creation of the Crypto Task Force, and we stand ready to assist you in your efforts to develop an appropriately tailored regulatory framework for digital asset markets.

I. Key Points

- Tokenization of RWAs will transform market structure and provide numerous benefits to market participants, as well as reduce risk in the financial system.
- A new regulatory approach is needed to allow tokenization to flourish, and that system should be designed at a federal level to provide consistency to the marketplace.
- An immediate starting point would be to permit broker-dealers to more freely custody and trade tokenized RWAs and other types of digital assets.

II. Tokenization Provides Innumerable Benefits

Tokenization refers to the process of representing an RWA, or the ownership rights of an RWA, as a digital asset (also referred to as a token) on a blockchain ledger. Tokenized assets are commonly designed to digitally represent legal and beneficial ownership of an RWA.

¹ This letter also indirectly addresses certain tokenization-related questions raised by Commissioner Peirce in her thoughtful statement, “There Must Be Some Way Out of Here” (Feb. 21, 2025), available at: <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-rfi-022125>.

Tokenization of RWAs presents a generational opportunity to modernize and dramatically enhance legacy market infrastructure. We view the main benefits of tokenization to include the following:

A. Tokenization Can Enhance Transaction Settlement

Blockchain networks and blockchain-based (or “on-chain”) transactions are effected on a peer-to-peer basis. Tokenization could provide consumers with almost instantaneous transaction settlement. The results would be improvements to market efficiencies and reductions in operational costs and risks for intermediaries and consumers. Historically, settlement cycles have been prolonged due to reliance on centralized intermediaries and multi-day clearing processes. With tokenization, on-chain transactions can be validated and settled on a blockchain network within seconds. Accelerated settlement and greater transparency can in turn reduce counterparty risk and the risk of other failures that pervade an intermediated system. We agree with Commissioner Peirce, who observed another risk-reducing characteristic of tokenization, stating that “the use of a blockchain-based database may be more secure in some respects than using a centralized database with a single point of failure.”²

B. Tokenization Allows for Better Price Discovery and More Capital Formation

Unlike traditional financial infrastructure, which is still heavily reliant on manual operations and limited trading hours, tokenized RWAs could trade on fully decentralized platforms on a 24/7/365 basis. Continuous trading of tokenized RWAs would introduce a marked improvement in price competition for tokenized RWAs that represent traditionally illiquid assets and would in turn result in more efficient markets and additional capital flows into those markets.

C. The Programmability of Tokenized Assets Would Aid Compliance

Tokenized RWAs can be embedded with pre-defined rules and conditions through the use of smart contract technology. These programmability features would enable automated enforcement of certain regulatory requirements, such as transfer restrictions, required holding periods, know-your-customer and anti-money laundering requirements, and jurisdictional restrictions on offers and sales. Smart contracts could also allow issuers to implement features such as the automatic implementation of mandatory corporate actions (such as dividend distributions, coupon payments, and stock splits and reverse splits) and could be used to facilitate shareholder voting. Decreased reliance on manual intervention would enhance operational integrity and reduce administrative costs.

D. Tokenization Promotes Liquidity and Inclusion in the Financial Marketplace

By making it easier for ownership to be divided *ad infinitum*, tokenization would allow for more access to securities and other assets priced at levels out of reach for certain investors and facilitate deeper liquidity for tokenized RWAs representing assets that are traditionally less liquid. Coupled with the use of digital wallets and decentralized infrastructure, tokenization

² *Id.*

would reduce financial barriers to entry and allow for more democratized access to investment offerings, a principle that is core to Robinhood’s business.

E. Tokenization Enhances Transparency

Transactions in RWAs could be recorded on a blockchain network that provides an immutable and publicly verifiable record. The use of the blockchain enables real-time verification of ownership, transaction history, and asset movements, which would allow for more effective fraud detection and promote market integrity.

III. Legal & Regulatory Considerations

For the benefits of tokenization to be realized, Robinhood believes that the Commission should consider the following legal and regulatory issues when developing a regulatory framework for digital assets:

A. The Market Needs a Single, Federal Regulatory Framework

Market participants involved in the issuance, custody, or secondary trading of tokenized RWAs (and other digital assets) have been required to navigate federal and state-level regulatory regimes. The interplay of federal law with state registration and regulation regimes, including money transmission laws, leads to duplicative, confusing, and often contradictory compliance obligations. This regulatory environment stifles growth and innovation. As an initial means to providing clarity in this space, Robinhood supports a regulatory framework that results in a federal standard, one that avoids a patchwork of state-specific requirements.³

B. Any Regulatory Framework Should Avoid Treating Tokens as Assets Separate and Apart from the Underlying Assets That They Represent

We agree with Commissioner Peirce’s view that “[c]reating a digital representation of a security on a blockchain or issuing a security directly on a blockchain does not change the substance of the security.”⁴ Accordingly, any federal regulatory framework adopted for tokenization and tokenized RWAs generally should not distinguish between tokenized versions of RWAs and the underlying assets that the tokens represent and, in the case of tokenized book-entry securities, should consider the token itself to be the security. For example, a tokenized version of a publicly traded equity security that confers rights identical to its related “physical” certificated or book-entry security (e.g., voting rights or dividends) should be regulated in an identical manner as the “physical” security.

Eliminating the distinction between a token and its underlying related asset would avoid the confusion that would be caused by, e.g., having two securities that represent the same underlying

³ We also believe it will be important to explore reciprocity arrangements with regulators outside the United States.

⁴ *Id.*

equity interest and, in the case of tokenized securities, would avoid triggering redundant registration requirements for the tokens themselves, which would unnecessarily delay the realization of the benefits of tokenization.

Eliminating the distinction would also help to avoid the needless application of clearing agency and transfer agency rules under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). These rules are broad in reach and could be misinterpreted to apply to a wide range of persons who contribute to the functioning of digital asset markets, potentially including miners, validators, and others involved in developing and maintaining blockchains and nodes, but who do not provide clearing or transfer agency services in the manner contemplated under the Exchange Act. The clearing and transfer agency rules are incompatible with the unique features of blockchain transactions that miners, validators, and other participants support.⁵

C. Broker-Dealers Should Be Able to Custody and Trade Tokenized Securities & Tokenized Non-Securities

Over the years, the Commission’s staff has expressed concerns regarding the ability of broker-dealers to engage in digital asset activities.⁶ We acknowledge that the Commission and the staff under Chairman Jay Clayton attempted to provide pathways for broker-dealers to participate in these markets, but those pathways have proven to not be viable.

The Commission’s time-limited statement related to broker-dealer custody of digital asset securities (the “**SPBD Release**”), for example, provides that a broker-dealer can only trade and custody digital asset securities if it strictly limits its activities to digital asset securities.⁷ This condition is unnecessary given the robust compliance processes and controls that broker-dealers are obligated to implement. In our view, all registered broker-dealers should be able to custody

⁵ For instance, it would be unnecessarily burdensome to require each such market participant to have membership standards and procedures for measuring the market participant’s credit exposure to counterparties, as would be required under Exchange Act Rule 17Ad-22, or, as a self-regulatory organization, to enforce its members’ compliance with its rules under Exchange Act Section 19(g) or make filings with respect to rule changes under Exchange Act Rule 19b-4. At the same time, the SEC’s clearing agency rules do not address the risks presented by the irreversibility of unwinding a transaction.

⁶ See, e.g., Statement, Securities and Exchange Commission, Division of Trading and Markets, U.S. Securities and Exchange Commission; Office of General Counsel, Financial Industry Regulatory Authority, *Joint Staff Statement on Broker-Dealer Custody of Digital Asset Securities* (July 8, 2019), available at: <https://www.sec.gov/newsroom/speeches-statements/joint-staff-statement-broker-dealer-custody-digital-asset-securities> (“**Joint Statement**”).

⁷ See, Commission Statement, Securities and Exchange Commission, *Custody of Digital Asset Securities by Special Purpose Broker-Dealers*, Exchange Act Release No. 34-90788 (Dec. 23, 2020), 86 FR 11627 (Feb. 21, 2021), available at: <https://www.sec.gov/files/rules/policy/2020/34-90788.pdf>.

and trade traditional securities, tokenized securities, and tokenized non-securities within the same regulated entity.⁸

To support our view, we respond below to several of the issues raised in the SPBD Release and in prior staff statements.⁹

i. *Custody*

The Commission’s staff have historically taken the position that it is challenging to demonstrate “possession” or “control” over digital assets within the meaning of Rule 15c3-3 under the Exchange Act, also known as the “Customer Protection Rule.” In that regard, the SEC staff has expressed the view that “the fact that a broker-dealer (or its third party custodian) maintains the private key may not be sufficient evidence by itself that the broker-dealer has exclusive control of the digital asset” because, for example, the broker-dealer may not be able to demonstrate that no other party has a copy of the private key.¹⁰ Robinhood believes that the SEC should permit broker-dealers to custody tokenized securities and tokenized non-securities if the broker-dealer establishes, maintains, and enforces reasonably designed policies, procedures, and controls for (a) the maintenance of exclusive control of the private keys necessary to access and transfer the digital assets held in custody and (b) the protection against theft, loss, and unauthorized or accidental use of any private keys. Such reasonable controls would have prevented customer losses that resulted from many of the crypto firm failures and cybersecurity incidents that occurred in recent years.

ii. *Net Capital Requirements*

Rule 15c3-1 under the Exchange Act requires broker-dealers to maintain minimum net capital to satisfy customer claims promptly. Currently, digital assets—whether tokenized securities or

⁸ Such an approach is grounded in historical Commission precedent that has allowed registrants to engage in securities and non-securities business utilizing the same infrastructure. *See, e.g.*, OTC Derivatives Dealers, 63 Fed. Reg. 59362, 59364 (Nov. 3, 1998) (“By permitting U.S. securities firms to conduct both securities and non-securities OTC derivatives activities through a single legal entity, the new structure will enable the firms to enter into more comprehensive netting arrangements with counterparties and thus more effectively manage credit risk. End-users should also benefit as a result of a reduction in the legal risks that arise when securities firms structure their derivatives activities in a manner that avoids U.S. broker-dealer registration.”); Memorandum of Understanding between the U.S. Securities and Exchange Commission and the U.S. Commodity Futures Trading Commission Regarding Coordination in Areas of Common Regulatory Interest and Information Sharing (July 11, 2018), available at

https://www.cftc.gov/sites/default/files/2018-07/CFTC_MOU_InformationSharing062818.pdf (“The SEC and CFTC further recognize that through increased coordination and cooperation, the agencies can facilitate the introduction of novel derivative products or other products to market users and investors, and enhance the functioning of the underlying markets.”).

⁹ This is a partial list, and we fully expect that additional areas of relief will be necessary to fully realize the benefits of tokenization.

¹⁰ *See*, the Joint Statement.

otherwise—are generally treated as non-allowable assets under Rule 15c3-1 and receive a 100% haircut. Robinhood believes that broker-dealers should be permitted to treat a digital asset as an allowable asset for net capital purposes and should not be required to subject a digital asset to excessive haircuts so long as it satisfies certain reasonable criteria, including that it is regularly marked to market. Treating a tokenized equity security as an allowable asset, in particular, should not be viewed as presenting capital risk that differs in any respect from the “physical” security (whether in certificated or book-entry form) to which the token relates.

iii. *Trading and Transfers of Digital Assets*

To fulfill the promise of tokenization, tokenized RWAs should be tradable at least to the same extent as the underlying assets to which they relate, subject to compliance with the regulatory regimes that govern the underlying assets, and should be transferrable to and from digital wallets held by broker-dealers in nominee form or as principal, and, in the case of tokenized non-securities, to and from digital wallets held on a self-custody basis by a broker-dealer’s customers. Tokenized NMS or OTC stocks could be traded via market makers, ATSs, or exchanges, and tokenized private equity could be traded in compliance with exemptions from the securities registration requirements via private placements or an ATS. Trades in tokenized NMS or OTC stocks could be cleared and settled by broker-dealers on a same-day basis via the Depository Trust Company, at least initially, until a regulatory framework for a disintermediated trading model (and potentially even a single public blockchain) is developed.

iv. *Issuer Information for Tokenized Securities Other than NMS and OTC Stocks*

Rule 15c2-11 under the Exchange Act generally requires a broker-dealer to have in its possession specified information about a security and its issuer that it believes are reliable and materially accurate (and much of that information must be publicly available) before a broker-dealer may publish a quotation for the security or submit a quotation into a quotation medium. The rule presents challenges for tokenized trading insofar as certain information required by the rule may not be available for review with respect to tokenized securities. The Commission should provide relief from the rule with respect to tokenized securities and should permit broker-dealers to initiate quotations for all tokenized securities if certain pre-defined criteria are met. These criteria could include, for example, that the underlying network’s audit(s) and technical documentation are made publicly available. There is historical precedent for such relief. For example, the Commission has previously provided indefinite relief from the rule for broker-dealers that publish or submit quotations for fixed income securities if the fixed income security or its issuer meets pre-defined criteria.¹¹

v. *The Federal Securities Laws Should Not Apply to Non-Securities Activities*

To the extent that a broker-dealer custodies and trades securities (whether in tokenized or other form) *and* non-security digital assets, the federal securities laws and FINRA rules should apply

¹¹ Financial Industry Regulatory Authority, Inc., SEC No-Action Letter (Nov. 22, 2024), available at: <https://www.sec.gov/files/investment/no-action/fixed-income-rule-15c2-11-no-action-letter-finra-11224.pdf>.

only to business activities involving securities in order to respect the jurisdictional limits of the Commission’s authority, avoid overlapping regulatory regimes that apply to the same conduct, and facilitate clear compliance. In that regard, broker-dealers that engage in securities and non-securities activities should be permitted to implement internal policies and procedures for determining whether a particular digital asset is a security and rely on those policies and procedures to segregate their activities between Commission-regulated activity and activity that is outside the Commission’s perimeter.

vi. *Broker-Dealers Should Be Afforded Reasonable Flexibility for Changes in the Regulatory Status of Particular Digital Assets*

Given the ongoing uncertainty with respect to the regulatory status of certain digital assets, which we understand the Crypto Task Force is seeking to resolve, there may be times when a digital asset that a broker-dealer has previously determined is a non-security is deemed by the Commission or a court to be a security. Any regulatory framework adopted by the Commission (or Congress) should account for the potential change in a particular digital asset’s regulatory status—either from security to non-security, or *vice versa*. More specifically, we believe that if the Commission or a court determines that a digital asset custodied or traded by a broker-dealer is a security after the broker-dealer previously determined in good faith (pursuant to reasonable policies and procedures, as discussed above) that the digital asset was not a security, then:

- (a) there should be a compliance period during which the broker-dealer is afforded an opportunity to come into compliance with the securities laws without compromising the integrity of the market for the digital asset;
- (b) absent fraud, the SEC and DOJ should be prevented from pursuing related enforcement actions or cases pertaining to the digital asset based on activity prior to the end of the compliance period; and
- (c) private rights of action under the Securities Act and Exchange Act based on activity prior to the end of the compliance period should be prohibited.

IV. Additional Recommendations

In addition to the considerations discussed above, Robinhood believes that the measures outlined below would also help fulfill the promise of tokenization’s benefits:

- *Accredited Investors.* We believe that the “accredited investor” limitations under Regulation D are outdated, unnecessary and should be eliminated. At a minimum, however, we believe that the definition of “accredited investor” should be revised to incorporate: (i) a knowledge-based test component in lieu of net worth, income, and/or professional designation criteria; (ii) a self-certification component such that an investor automatically would be deemed to be an accredited investor if the investor self-certifies as to their understanding of the risks of an investment; and/or (iii) a category of investors who are advised on the merits of making a private investment by (a) an SEC- or state-registered investment adviser, or (b) a

registered broker-dealer providing a recommendation subject to Regulation Best Interest.

- *Regulation CF and Regulation A.* The Commission should raise the offering thresholds under each of Regulation CF and Regulation A Tier 2 to cover token offerings in excess of \$5 million and \$75 million, respectively.
- *Amendments to Form S-1.* The Commission should make available a modified Form S-1 for tokenized securities, which could include disclosure and investor protection requirements tailored specifically for digital asset offerings.
- *ATS Registration.* The Commission should create a streamlined registration process for alternative trading systems where tokenized RWAs are to be traded.
- *National Securities Exchanges.* The Commission should permit registered exchanges to list and trade tokenized RWAs.
- *Trading Rules.* The Commission should consider reasonable requests for relief from specific trading rules as market participants approach the Commission with specific proposals for tokenizing RWAs.
- *Intermediaries.* The Commission should explore whether clearing agencies and transfer agents are necessary for the clearance and settlement of tokenized securities transactions if market participants are able to rely on blockchain data to determine securities ownership.
- *The Safeguarding Rule Proposal.* The current Safeguarding Proposal—Proposed Rule 223-1 under the Advisers Act—would require investment advisers to custody digital assets (securities and non-securities) at a qualified custodian and would not allow for self-custody or custody on digital asset trading platforms that are not operated by qualified custodians, even though self-custody options and exchange platforms offer security features for digital assets that may be more protective for investors than qualified custodian solutions. Given these considerations, the relative dearth of qualified custodian options, the fact that some digital assets are not capable of being held by a qualified custodian, and the fact that some digital asset activities (e.g., staking) may not be easily effected through a qualified custodian arrangement, the Commission should withdraw the Safeguarding Proposal and issue new guidance or a new rulemaking proposal for amending current Rule 206(4)-2 so that investment advisers can fulfill their fiduciary duties without being restricted by technical requirements of the custody rule that are not clearly tethered to the Commission’s interest in fostering investor protection.

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Thank you again for your consideration of these matters, and we would be pleased to engage with you further on these matters. If you have any questions or would like to discuss our comments, please contact me at johann.kerbrat@robinhood.com or Lucas Moskowitz at luca.moskowitz@robinhood.com.

Sincerely,

Signed by:



April 25, 2025

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Johann Kerbrat
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cc:

Michael Selig, Chief Counsel to the SEC Crypto Task Force
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