



## **Mimicking Tokenised Equities**

**26 August 2025**

## Summary

The World Federation of Exchanges (WFE) and its members are committed to advancing innovation in financial markets. New technologies, including tokenisation, have the potential to improve efficiency, transparency, and investor access when developed and deployed responsibly.

However, the emergence of unregulated platforms offering so-called tokenised equities raises serious concerns. These offerings often bypass established safeguards, creating risks for investors, undermining market integrity, and enabling regulatory arbitrage.

We refer to these products as 'mimics' because even though they're marketed as stock tokens and may seem like stocks, they are not stocks. It is not entirely clear what their legal status is across all jurisdictions, but we believe they're considered derivatives in Europe.

This paper sets out the WFE's position on these developments, distinguishes genuine innovation from harmful imitation, and outlines key policy recommendations to ensure markets remain fair, transparent, and well-regulated.

To uphold the integrity of global capital markets, we propose the following regulatory actions:

1. **Affirm the Principle of Technological Neutrality:** Regulatory standards must apply consistently, irrespective of the technological format in which financial instruments are issued or traded.
2. **Ensure Regulatory Parity:** Tokenised equities and similar instruments should be subject to the same disclosure, trading, clearing, and settlement obligations as traditional securities.
3. **Promote Supervisory Coordination:** IOSCO should enhance cross-border collaboration to prevent regulatory arbitrage and ensure coherent supervision of tokenised markets.
4. **Clarify Legal Frameworks:** Regulators should work to resolve legal uncertainties, particularly regarding ownership, custody, and enforceability in tokenised environments.
5. **Prevent Marketing of Derivatives Products as Stock Equivalents:** Regulators should ensure that companies cannot market products as the equivalent of stocks when they are clearly not.

## Real Tokenisation

The WFE and its members are committed to supporting and promoting technological innovation across global financial markets. WFE members continue to invest in and adopt cutting-edge technologies to improve market infrastructure and ensure the robustness and integrity of the markets which they operate.

In our June 2024 paper on tokenisation, the WFE stated that tokenised traditional assets are likely “the natural next step for financial markets.”<sup>1</sup> Building on the transition from paper share certificates to dematerialisation and electronic records, tokenisation may represent the next evolutionary step in the treatment of traditional assets. Rather than a radical departure from the norm, tokenised traditional assets should be viewed as nothing more than a modernised and innovative iteration of traditional finance, providing new opportunities for investors and market participants.

We must be thoughtful about how we incorporate tokenisation into existing infrastructure. In some cases, to maintain fair and orderly markets and adequately protect investors, the move toward tokenisation should be treated as an industry-wide initiative with a regulatory action plan and timeline similar to other industry initiatives like the move to T+1 settlement.

## Mimicking Tokenised Equities

We are alarmed at the plethora of brokers and crypto-trading platforms offering or intending to offer so-called tokenised US stocks. These products are marketed as stock tokens or the equivalent to stocks when they are not. This development poses multiple and interconnected risks.

Firstly, there is a risk of further **fragmenting liquidity** in already fragmented markets. Tokenised equities traded outside established and regulated venues may divert order flow from exchanges and other regulated venues ultimately working against the interest of investors, especially retail.

Secondly, there are **investor protection concerns**. Token holders will not enjoy equivalent protections as traditional shareholders and may not realise it. Closely linked to these issues are the **rights, custody and legal enforceability issues**. Brokers and crypto-trading platforms are issuing these tokens on their own blockchains. In the event of failure of the broker, it is unclear whether the token will still have value and who will own the underlying asset. Recent high-profile failures of crypto-asset trading platforms, resulting in losses exceeding USD 10 billion, highlight the risks posed by inadequately regulated actors.

On the other side of the table are concerns with regards to **issuers**. Issuers of stock in the United States, or indeed anywhere else, may suffer reputational damage should these tokens fail. Moreover, they may be concerned by the legal risks if the owners of these tokens believe they have shareholder rights that are not clear. And, the link between the holders of these tokens and the issuers themselves will likely be broken affecting voting rights.

Finally, there are the numerous issues of **regulatory arbitrage**. Media reports suggest that some of the crypto firms and brokers sought a “no action” letter or exemptive relief from the Securities and Exchange Commission (SEC) in the United States to permit them to operate these tokenised securities

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<sup>1</sup> Demystifying Tokenisation: Embracing the Future, World Federation of Exchanges  
<https://www.world-exchanges.org/our-work/articles/demystifying-tokenisation-embracing-future>

outside of the traditional regulatory framework.<sup>2</sup> It is a clear effort to operate beyond the established regulatory perimeter which is an issue of serious concern, particularly given its focus on retail investors.

For the avoidance of doubt, we agree with SEC Commissioner Peirce: “Tokenized securities are still securities. Accordingly, market participants must consider—and adhere to—the federal securities laws when transacting in these instruments.”<sup>3</sup>

## Recommendations

We welcome the development of truly innovative products and services – particularly those built on the foundations of our members public, lit markets. But these mimicked products are not those, and there are serious questions as to whether these copycat products are able to adhere to the standards of transparency, investor protection, and regulatory compliance that underpin our members’ markets.

The existing financial regulatory framework has been established for good reason: it is the product of hard-learned lessons from numerous past failures, market abuses, and crises. These rules are designed to safeguard market integrity, protect investors and promote systemic stability. Attempts to bypass or undermine this framework not only disregard its foundational purpose but also risk repeating the very failures that necessitated its creation.

US regulators should open this discussion up for public comment and overseas regulators should be very wary of allowing these products into their jurisdiction without proper safeguards.

To uphold the integrity of global capital markets, we propose the following regulatory actions:

1. **Affirm the Principle of Technological Neutrality:** Regulatory standards must apply consistently, irrespective of the technological format in which financial instruments are issued or traded.
2. **Ensure Regulatory Parity for Tokenised Securities:** Tokenised equities and similar instruments should be subject to the same disclosure, trading, clearing, and settlement obligations as traditional securities.
3. **Promote Supervisory Coordination:** IOSCO should enhance cross-border collaboration to prevent regulatory arbitrage and ensure coherent supervision of tokenised markets.
4. **Clarify Legal Frameworks:** Regulators should work to resolve legal uncertainties, particularly regarding ownership, custody, and enforceability in tokenised environments.
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<sup>2</sup> <https://www.reuters.com/business/coinbase-seeking-us-sec-approval-offer-blockchain-based-stocks-2025-06-17/>

<sup>3</sup> <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-tokenized-securities-070925>

## **Background**

Established in 1961, the WFE is the global industry association for exchanges and clearing houses.

Headquartered in London, it represents the providers of over 250 pieces of market infrastructure, including standalone CCPs that are not part of exchange groups. Of our members, 36% are in Asia Pacific, 43% in EMEA and 21% in the Americas. The WFE's 87 member CCPs and clearing services collectively ensure that risk takers post some \$1.3 trillion (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements. The exchanges covered by WFE data are home to over 55,000 listed companies, and the market capitalization of these entities is over \$111tr; around \$124tr in trading annually passes through WFE members (at end-2023).

The WFE is the definitive source for exchange-traded statistics and publishes over 350 market data indicators. Its free statistics database stretches back more than 40 years and provides information and insight into developments on global exchanges. The WFE works with standard-setters, policy makers, regulators and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system.

With extensive experience of developing and enforcing high standards of conduct, the WFE and its members support an orderly, secure, fair and transparent environment for investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise the common good, consumer confidence and economic growth. And we engage with policy makers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in a globally integrated financial system.

Website: [www.world-exchanges.org](http://www.world-exchanges.org)

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If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

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