



**WRITTEN TESTIMONY OF**

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**BEFORE THE**

**Committee on Financial Services  
U.S. House of Representatives**

**FULL COMMITTEE HEARING**

**“Tokenization and the Future of Securities: Modernizing Our Capital Markets”**

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Chairman Hill, Ranking Member Waters, and distinguished Members of the Committee,

Thank you for the opportunity to testify today. My name is Summer Mersinger, and I am the Chief Executive Officer of the Blockchain Association (“BA”), the largest crypto-native trade association. We are the unified voice of the U.S. digital asset industry, representing more than 100 of the most innovative and successful job creators and partners in the blockchain ecosystem. Our members are advancing toward the next generation of the internet in the United States—from software developers and infrastructure providers to investment firms and exchanges—and we are proud to advocate for the responsible growth of blockchain technology.

The next generation of U.S. capital markets will increasingly be built on blockchain technology. The digital asset ecosystem has already grown into a significant part of the global financial landscape. Today, the total market capitalization of digital assets exceeds \$2.5 trillion, and more than 50 million Americans own digital assets.<sup>1</sup> The United States remains a global leader in blockchain entrepreneurship and innovation, home to more than half of the private blockchain companies valued at over \$1 billion each.<sup>2</sup> Yet, our leadership is not guaranteed. The U.S. share of global blockchain developers has declined in recent years—from roughly 40 percent in 2018 to less than 20 percent today<sup>3</sup>—as innovation increasingly moves to jurisdictions with clearer regulatory frameworks, highlighting the need for policies that allow this next generation of financial infrastructure to be built in the United States.

At the same time, as developer activity declines, trading and capital formation are also increasingly shifting outside the United States. While U.S. markets are closed, traders increasingly turn to offshore venues—many operating on blockchain rails—that operate 24/7 and offer continuous price discovery and exposure to assets ranging from equities to oil. Many of these products, including equity perpetuals, are not available to U.S. users. This growing gap between U.S. market structure and global innovation presents a clear challenge for policymakers.

That challenge also presents a clear opportunity. The rise of tokenization, a technology that allows users to represent real world assets as digital tokens on a blockchain, represents a paradigm shift in our financial infrastructure. I am here today to deliver an important message on behalf of BA and the digital asset industry: to strengthen U.S. market competitiveness, protect investors, and foster an economy accessible for all Americans, tokenization must be allowed to grow and thrive in the United States. We must act now to foster that growth with regulatory clarity. If we fail to establish regulatory clarity, the outcome is certain: innovation in this space will continue, but it will happen abroad, and America will be left behind.

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<sup>1</sup> Forbes, *Crypto Prices and Market Cap*, <https://www.forbes.com/digital-assets/crypto-prices/?sh=366624932478> (last visited Mar. 15, 2026); National Cryptocurrency Association & The Harris Poll, 2025 State of Crypto Holders Report Jan. 22–Feb. 3, 2025).

<sup>2</sup> Blockchain Coinvestors Newsletter, *Meet the Blockchain Unicorns Mid-Year 2024*, (Jul. 2024), <https://www.blockchaincoinvestors.com/newsletter/meet-the-blockchain-unicorns-mid-year-2024>.

<sup>3</sup> Electric Capital, *Developer Report* (2024), <https://www.developerreport.com>.

In this testimony, I will explain what tokenization is, outline its benefits, and discuss why it represents the next phase of capital market infrastructure. I will then outline key considerations for developing an appropriate regulatory framework and review efforts to date to address emerging financial technologies.

## **I. What is tokenization and why does it matter?**

Tokenization represents a new way of recording, transferring, and managing financial assets within modern market infrastructure. Today’s financial system relies on a series of centralized ledgers maintained by intermediaries—such as central securities depositories, broker-dealers, and transfer agents—to track ownership and facilitate transactions. Tokenization builds on this structure by introducing a shared, digital ledger that can perform these functions more efficiently. The U.S. Securities and Exchange Commission (“SEC”) describes tokenization as “the process of creating a digital representation of a tangible or intangible asset using distributed ledger technology.”<sup>4</sup>

Tokenization in capital markets takes a variety of forms. In some cases, an existing financial instrument is represented on a blockchain through a digital token that reflects ownership or economic rights in an underlying asset—for example, tokenized shares of public equities or tokenized money market funds that mirror traditional holdings. In others, the financial instrument itself is issued directly on a blockchain, with ownership and transfer recorded natively onchain—as with digital bonds issued directly on blockchains by institutions. Other models involve hybrid structures or fractional ownership arrangements.<sup>5</sup>

In each of these variations, tokenization introduces a better way of recording ownership and facilitating transfers using distributed ledger technology and opens up a number of use cases that will facilitate capital formation in the United States. While the underlying asset and associated rights remain substantially the same in many cases, the infrastructure through which those assets are issued, recorded, and settled has evolved and advanced. In this sense, tokenization represents the next phase in the evolution of capital market infrastructure—following earlier transitions from paper-based systems to electronic trading and clearing.<sup>6</sup>

This technological progress enables improvements across several core functions of capital markets. As a result, market participants are increasingly exploring tokenization for its potential to enhance efficiency, transparency, and access. In particular, tokenization can:

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<sup>4</sup> Div. of Corp. Fin., Sec. & Exch. Comm’n, *Statement on Tokenized Securities* (Jan. 28, 2026).

<sup>5</sup> European Investment Bank, *EIB issues €100 million digital bond on Ethereum blockchain* (Apr. 27, 2021), <https://www.eib.org/en/press/all/2021-147-eib-issues-eur-100-million-digital-bond-on-ethereum-blockchain> (describing issuance of a €100 million bond recorded and settled using blockchain technology); see also European Investment Bank, *EIB launches digital bond on HSBC Orion platform* (Feb. 2023) (demonstrating continued use of blockchain platforms for bond issuance and settlement).

<sup>6</sup> See Regulation of Exchanges and Alternative Trading Systems, Release No. 34-40760, 63 Fed. Reg. 70844 (Dec. 22, 1998) (offering a historical example of financial technology innovation and corresponding regulatory adaptation); see also Asset-Backed Securities, Release No. 33-8518, 70 Fed. Reg. 1,506 (Jan. 7, 2005).

- **Accelerate settlement timelines.** Traditional financial markets operate on delayed settlement cycles, which extend the time between trade execution and final settlement and require significant capital to support clearing and margin requirements. Blockchain-based systems can enable transactions to settle much more quickly, in near real time, improving capital efficiency and reducing friction.<sup>7</sup>
- **Reduce counterparty risk.** Tokenized systems can also reduce the exposure that arises between trade execution and settlement. In traditional markets, this risk is managed through layers of intermediaries, capital requirements, and clearing processes. By enabling assets and payments to move together, tokenized infrastructure reduces reliance on these mechanisms and lower overall counterparty exposure. The SEC has recognized that shortening settlement cycles reduces “credit, market, and liquidity risk exposure” within the financial system, illustrating the direct relationship between settlement speed and counterparty risk.<sup>8</sup>
- **Reduce operational costs:** Today’s capital markets rely on a complex network of intermediaries and duplicative recordkeeping systems to process, reconcile, and settle transactions, adding costs throughout the transaction lifecycle.<sup>9</sup> Tokenization streamlines these functions by using automated and deterministic rules to record and update ownership in a single system, reducing the need for manual reconciliation and redundant infrastructure. Over time, these efficiencies lower costs for issuers, intermediaries, and investors.<sup>10</sup> Additionally, preliminary evidence indicates that onchain tokenization may contribute to tighter bid-ask spreads by reducing intermediaries and enabling more continuous, transparent trading. These early signals point to potential gains in market efficiency and liquidity that could accelerate as the technology matures.<sup>11</sup>
- **Improve compliance and recordkeeping:** Transactions recorded on blockchain-based systems are typically time-stamped and auditable, creating a shared and verifiable record of ownership and transfers. This can reduce information asymmetries and improve the accuracy of recordkeeping among market participants. For regulators, this type of

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<sup>7</sup> Bank for Int’l Settlements, *Project Helvetia: Settling Tokenised Assets in Central Bank Money* 4–6 (2021) (demonstrating that distributed ledger systems can enable near real-time settlement and reduce reliance on batch processing cycles).

<sup>8</sup> Securities Transaction Settlement Cycle, Exchange Act Release No. 34-80295, 82 Fed. Reg. 15564, 15567 (Mar. 29, 2017) (“Shortening the settlement cycle... is expected to reduce credit, market, and liquidity risk exposure”); Bank for Int’l Settlements, *Delivery Versus Payment in Securities Settlement Systems* 1–3 (1992) (explaining that simultaneous exchange of assets and payment reduces principal and counterparty risk).

<sup>9</sup> World Economic Forum, *The Future of Financial Infrastructure* 17–19 (2016) (explaining that shared ledger systems can eliminate duplicative processes and reduce infrastructure costs across market participants).

<sup>10</sup> DTCC, *Embracing Digital Assets: From Strategy to Delivery* 6–8 (2023) (noting that distributed ledger technology can reduce post-trade reconciliation costs and streamline clearing and settlement processes).

<sup>11</sup> Lin William Cong, Wayne R. Landsman, Daniel Rabeti, Che Zhang & Wenqi Zhao, *Tokenized Stocks* (Dec. 2025), <https://ssrn.com/abstract=5937314>.

infrastructure may enhance visibility into market activity and support more effective oversight compared to systems that rely on fragmented or proprietary data sources.<sup>12</sup>

- **Expand access to financial markets:** By lowering barriers to entry and reducing friction which is passed along as costs to consumers, tokenization broadens access to the greatest wealth-generating tool in history: American capital markets. Tokenized assets can facilitate fractional ownership, lower transaction costs, and enable 24/7 market access. These developments will make capital markets more accessible while maintaining the protections that underpin investor confidence.<sup>13</sup>

For investors, these benefits are not abstract. Tokenization can make it easier to access and manage investments in familiar financial products—such as holding tokenized securities in retirement or brokerage accounts, receiving income from tokenized funds or bonds, and transferring assets more quickly and efficiently. For long-term savers, this could mean more flexible access to income-generating investments, simpler portfolio management, and the ability to transact outside of limited market hours. For businesses, tokenization can lower the cost of raising capital and broaden the pool of potential investors. These practical use cases illustrate how tokenization can support a wide range of Americans, from individual savers to institutional market participants.

The benefits of tokenization reflect broader changes in how capital markets operate. By modernizing how assets are recorded, transferred, and settled, tokenization can improve efficiency, reduce risk, and expand access to financial markets. Yet these same changes expose a core tension: many of our existing regulatory frameworks were designed for a system built around intermediaries and delayed settlement, not automated infrastructure and near-instant transactions.

The question is not whether tokenized markets should be regulated, but whether our regulatory approach is properly aligned with how these markets actually function. Getting this alignment right will be critical to ensuring that innovation develops within the United States, under U.S. investor protection frameworks, rather than moving offshore. The following section outlines key considerations for developing a regulatory framework that achieves this balance.

## **I. Key considerations for tokenized capital markets**

As we consider the development of tokenized capital markets, the central challenge for policymakers is ensuring that regulatory frameworks are appropriately aligned with how these markets function in practice. Tokenization of real world assets does not change the fundamental nature of those assets. Rather, it changes the infrastructure through which those assets are issued, recorded, transferred, and settled. The SEC has confirmed that “securities, however

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<sup>12</sup> Div. of Corp. Fin., Sec. & Exch. Comm’n, *Statement on Tokenized Securities* (Jan. 28, 2026) (recognizing that blockchain-based systems may be used to maintain ownership records for securities).

<sup>13</sup> World Bank, *Distributed Ledger Technology and Financial Inclusion 9–12* (2020) (explaining that tokenization and digital assets can reduce barriers to entry and enable broader participation in financial markets).

represented, remain securities,” and that tokenization represents a change in market infrastructure, not a change in legal classification.<sup>14</sup>

Against this backdrop, several key principles should guide the development of an appropriate regulatory framework:

### **Regulation should be technology-neutral and function-based**

U.S. securities laws have traditionally regulated functions and risks in capital markets rather than individual technology features or providers, an approach that has allowed regulatory frameworks to remain durable as market infrastructure evolves.<sup>15</sup> The SEC recently reaffirmed this principle in its January 2026 *Statement on Tokenized Securities*, emphasizing that the “format of issuance or method of recordkeeping . . . does not affect the application of the federal securities laws.”<sup>16</sup> Accordingly, regulation should continue to focus on core activities, such as custody, brokerage, and clearing, while recognizing that tokenized systems may perform these functions differently. Applying legacy rules designed for intermediary-based systems without accounting for these differences risks imposing requirements that ignore actual risks, while constraining innovation in the nascent tokenization space.

### **Regulation should distinguish between intermediaries and infrastructure**

Traditional capital markets rely on intermediaries, including broker-dealers, custodians, and clearing agencies, that control customer assets, execute transactions, and assume responsibilities that justify their regulatory treatment. Blockchain infrastructure, by contrast, relies on transparent distributed or shared architectures that perform certain functions automatically, such as recordkeeping, transfer, and settlement, through code rather than by relying on traditional intermediaries.

This distinction is important because regulatory frameworks are designed to address the risks associated with intermediated activity, particularly where entities exercise custody, discretion, or control over customer assets. Decentralized architectures function as “technical infrastructure rather than traditional financial intermediaries” where users retain control over assets and transactions, and no party performs core intermediary functions.<sup>17</sup>

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<sup>14</sup> Div. of Corp. Fin., Sec. & Exch. Comm’n, *Statement on Tokenized Securities* (Jan. 28, 2026).

<sup>15</sup> See Regulation of Exchanges and Alternative Trading Systems, Exchange Act Release No. 34-40760, 63 Fed. Reg. 70844, 70845–46 (Dec. 22, 1998) (adopting a functional regulatory framework for trading systems based on the activities performed rather than the specific technology used); see also Blockchain Association, *Response to Citadel Securities Letter re: Tokenized U.S. Equity Securities & DeFi Trading Protocols* at 3–5 (2026) (explaining that federal securities laws regulate “activities such as brokerage, custody, and trading functions,” and should not be extended based solely on the use of blockchain or other technological infrastructure).

<sup>16</sup> *Id.*

<sup>17</sup> DeFi Educ. Fund et al., *Letter to the SEC re: Tokenized U.S. Equity Securities & DeFi Trading Protocols* 1–2 (Dec. 12, 2025) (explaining that decentralized protocols may function as infrastructure rather than intermediaries where users retain control over assets and transactions).

Courts have recognized this distinction. In *SEC v. Coinbase, Inc.*, the court found that non-custodial wallet software did not constitute brokerage activity where it did not affect transactions, hold customer assets, or exercise control over trading activity.<sup>18</sup> This reflects a broader principle: regulatory obligations should focus on the functions performed and the risks presented, not the mere presence of software or technical infrastructure.

Decentralized finance (“DeFi”) provides one example of how these architectural differences may manifest in practice. DeFi protocols allow for trading, settlement, and liquidity provision through pre-defined, non-discretionary code rather than through centralized intermediaries. While not all markets for tokenized assets operate in this manner, these models demonstrate that certain market functions can be performed without the custodial and intermediary risks that existing regulatory frameworks were designed to address. Applying intermediary-based requirements in these contexts risks mischaracterizing the underlying activity and imposing obligations on infrastructure that is simply functioning as designed—not acting as an intermediary or exercising any of the discretion such obligations presuppose.

Accordingly, regulatory approaches should distinguish clearly between entities that perform intermediary functions and infrastructure that enables user-directed activity, ensuring that obligations are calibrated to the presence of custody, control, and discretion. This distinction will be critical to both protecting investors and supporting the continued development of market infrastructure for tokenized assets in the United States.

### **Regulation should reflect changes in settlement and risk**

Many existing regulatory frameworks were developed in an environment defined by delayed settlement cycles and intermediary-based risk management. These frameworks reflect the realities of T+2—and now T+1—settlement systems, where transactions remain exposed to counterparty risk between execution and settlement and require intermediaries to manage that exposure.<sup>19</sup>

Trading tokenized assets on blockchain infrastructure has the potential to change these dynamics by enabling faster, and in some cases near-instant, settlement. As the SEC has recognized, shortening settlement cycles reduces risk exposure within the financial system. This relationship underscores a core point: many existing requirements are designed to address risks that arise specifically from delayed settlement and reliance on intermediaries.

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<sup>18</sup> *SEC v. Coinbase, Inc.*, No. 1:23-cv-04738, slip op. at 83–84 (S.D.N.Y. Mar. 27, 2024) (finding allegations insufficient to show non-custodial wallet engaged in brokerage activity where it lacked custody and control).

<sup>19</sup> Shortening the Securities Transaction Settlement Cycle, Exchange Act Release No. 96930, 88 Fed. Reg. 13872, 13873–75 (Feb. 15, 2023) (describing risks associated with delayed settlement cycles, including counterparty exposure and liquidity demands).

As settlement processes evolve, regulatory frameworks should be evaluated in light of how these risks change in practice. Requirements designed to manage settlement delays, counterparty exposure, and reconciliation across multiple entities may not be necessary, or may need to be adapted, in environments where transactions settle almost instantly and with greater transparency. Blockchain-based settlement models, which link the transfer of assets and payment in a single transaction, illustrate how changes in infrastructure can reduce or eliminate certain forms of settlement risk.<sup>20</sup> Accordingly, regulation should remain calibrated to the risks that are actually present, rather than those associated with legacy market structure.

## II. Regulatory progress and remaining gaps in tokenized markets

Under Chairman Atkins, the SEC has already taken meaningful steps to engage with tokenized securities markets using its existing statutory authority, demonstrating that the current regulatory framework can accommodate innovation. As noted previously, the SEC has confirmed that a tokenized security is a security “regardless” of whether it is issued on a blockchain.<sup>21</sup> At the same time, the SEC has signaled a willingness to engage with new market structures through staff guidance, no-action relief, and public statements supporting iterative approaches to tokenized securities trading, including discussion of an “innovation exemption” to facilitate limited experimentation with new trading models.<sup>22</sup>

This approach is consistent with the SEC’s longstanding practice of addressing new technologies through incremental, market-informed engagement, rather than attempting to impose broad regulatory frameworks at the outset. The SEC has historically used no-action relief, targeted exemptions, and formal guidance to accommodate innovative market structures. For example, the SEC addressed the rise in electronic trading systems in the 1980s with individualized relief until that approach became untenable and gave way to the formal Regulation ATS in 1998.<sup>23</sup> The SEC will likely engage in a similar process for tokenized securities markets. With this approach, the SEC can study how to develop a fit-for-purpose regulatory framework while allowing early-stage innovation to flourish, later formalizing those approaches through rulemaking once market practices and risks are better understood.

Congress can play an important role in improving the competitiveness of the U.S. in digital asset markets and re-shoring innovative new financial technologies now being developed by entrepreneurs overseas by supporting the SEC’s continued use of its existing authorities to

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<sup>20</sup> Bank for Int’l Settlements, *Delivery Versus Payment in Securities Settlement Systems* 1–3 (1992) (explaining that simultaneous exchange of securities and payment reduces principal and counterparty risk); see also Bank for Int’l Settlements, *Project Helvetia: Settling Tokenised Assets in Central Bank Money* 4–6 (2021) (describing near real-time settlement capabilities of distributed ledger systems).

<sup>21</sup> Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets, Securities Act Release No. 33-11412, Exchange Act Release No. 34-105020 (2026).

<sup>22</sup> Paul S. Atkins & Hester M. Peirce, Remarks at ETHDenver (Feb. 18, 2026), <https://www.sec.gov/newsroom/speeches-statements/atkins-peirce-021826-number-go-down-other-schadenfreude>.

<sup>23</sup> Regulation of Exchanges and Alternative Trading Systems, Exchange Act Release No. 34-40760, 63 Fed. Reg. 70,844 (Dec. 22, 1998).

address tokenized markets through a timely, iterative, and investor-centric approach. The SEC has the institutional experience and statutory authority to tailor regulation to the technological nature of tokenized securities markets. Section 36 of the Securities Exchange Act of 1934 expressly establishes the SEC’s authority to provide tailored exemptive relief as capital market structures evolve.<sup>24</sup> If history is any guide, this iterative approach will produce a regulation that is better calibrated to new technology than written rules imposed before the market has had time to develop.

Recent bipartisan legislative efforts also reflect this approach. Provisions such as the tokenization study in Section 507 and the modernization of recordkeeping requirements in Section 305 of the House-passed CLARITY Act recognize the need to update market infrastructure while preserving the core principles of the federal securities laws. These provisions reinforce the importance of continued coordination between Congress and the SEC and accommodate a framework in which the SEC provides regulatory clarity using its existing authorities.

At the same time, important areas of uncertainty remain. Existing regulatory frameworks—particularly those governing broker-dealers, exchanges, and clearing agencies—were designed for centralized, intermediary-based systems and do not always align with models where core functions are performed through software rather than traditional intermediaries. As a result, it is not always clear how these requirements should apply in practice. This ambiguity spans a wide range of regulatory obligations, including Reg. NMS, CAT reporting, Reg. SCI, Reg. SHO, custody and clearing requirements, and regulatory capital standards, among others—each of which may require tailored exemptions, interpretive guidance, or SRO rule changes before compliant implementation is feasible. Even then, significant time will be required to test new or adapted broker-dealer systems.<sup>25</sup>

While the SEC has the authority to provide relief and guidance, the absence of predictable and transparent pathways for tokenized products and services can slow development and discourage investment in U.S.-based infrastructure. Greater clarity is therefore needed to ensure that regulatory obligations are tied to the functions actually performed, so that oversight remains effective without mischaracterizing or unnecessarily constraining innovative new tokenized securities products or more efficient market structures.

Taken together, the House-passed CLARITY Act and the SEC’s actions to date demonstrate both the capacity of existing law to accommodate tokenization and the importance of continued clarity, particularly with respect to distinguishing neutral infrastructure from regulated intermediaries. Ensuring that DeFi systems receive appropriately tailored equivalent consideration by the SEC, and are not inappropriately subjected to intermediary-based compliance regimes, will be critical

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<sup>24</sup> 15 U.S.C. § 78mm(a)(1).

<sup>25</sup> Blockchain Association Trading Firm Working Group, *Re: Proprietary Trading Firm Liquidity Provision Following Tokenized Equity DeFi Innovation Exemptions* (Jan. 20, 2026), <https://www.sec.gov/files/ctf-written-ba-trading-firm-wg-tokenized-securities-01-20-2026.pdf>.

to preserving their role as open, neutral infrastructure, while maintaining appropriate oversight of activities that present traditional financial risks.

### **III. Conclusion**

Tokenization represents the next phase in the evolution of U.S. capital markets. It modernizes how assets are issued, recorded, transferred, and settled, while preserving the investor protections that have long defined the strength of U.S. markets. These benefits—faster settlement, reduced risk, improved transparency, and expanded access—are already being realized globally. The question is whether the United States will lead this transition or allow it to develop elsewhere. As other jurisdictions move forward with clear frameworks, continued uncertainty risks shifting innovation, capital formation, and market infrastructure outside the United States and beyond the reach of U.S. oversight.

The United States has successfully led similar transitions before by adapting existing regulatory frameworks to new technologies while maintaining market integrity. The tools to do so already exist in U.S. law. The priority now is ensuring that regulatory approaches are aligned with how tokenized markets function in practice and that clear, consistent guidance is provided to support responsible development. Getting this right will help ensure that the next generation of capital markets is built in the United States, under U.S. investor protection frameworks, and in a way that reinforces the country's global leadership in financial innovation. Blockchain Association and its members stand ready to work with Congress, regulators, and other stakeholders to support this effort.