

**Written Testimony of Christian Sabella  
Managing Director, Deputy General Counsel of DTCC**

*Before the*  
United States House Committee on Financial Services

*Hearing Entitled: “Tokenization and the Future of Securities: Modernizing  
Our Capital Markets”*  
March 25, 2026

Chairman Hill, Ranking Member Waters, and members of the Committee, my name is Christian Sabella, and I am Deputy General Counsel and a Managing Director of the Depository Trust and Clearing Corporation, DTCC. It is my privilege to submit this written statement describing DTCC’s ongoing development of digital securities and tokenization solutions, which represents just the latest instance of DTCC performing its role as a pivotal driver of innovation and interoperability across U.S. and global financial markets. On behalf of DTCC, I thank you for the opportunity to participate in this important discussion.

For over 50 years, DTCC has served as the premier post-trade market infrastructure for the global financial services industry. With 20 locations around the world, DTCC, through its subsidiaries, automates and standardizes the processing and risk management of financial transactions across some of the most important markets in the global financial system. In performing these services, DTCC mitigates risk, increases transparency, enhances performance, and drives efficiency for thousands of broker-dealers, custodian banks, asset managers, and investors. Throughout its existence, DTCC has worked tirelessly to simplify, for a range of asset classes, the complexities of clearing, settlement, asset servicing, transaction processing, trade reporting, and data services, with the goal of bringing increased security, resilience, safety, and soundness to financial markets.

DTCC owns and operates three important financial market infrastructures – National Securities Clearing Corporation (NSCC), Fixed Income Clearing Corporation (FICC), and The Depository Trust Company (DTC). Each of these subsidiaries is registered with the U.S. Securities and Exchange Commission (Commission) as a clearing agency subject to the Commission’s covered clearing agency standards (CCAS). Additionally, each clearing agency has been designated as a systemically important financial market utility (SIFMU) and, thus, is subject to heightened risk management standards and oversight by U.S. regulatory authorities. In 2024, the SIFMUs collectively processed \$3.7 quadrillion total value in securities transactions.

DTCC’s subsidiaries are also regulated by more than 20 different supervisory bodies globally. This regulatory footprint includes DTCC’s data repository business, which in the U.S. is regulated by both the Commission and the Commodity Futures Trading Commission (CFTC). For the SIFMUs, in the U.S. alone regulation and supervision are applied concurrently by the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, the New York State Department of Financial Services, and the Commission.

As a user-owned business, DTCC’s core purpose is to serve as a strategic partner to its members and their clients in devising and implementing innovations that promote efficiency, resilience, and interoperability across some of the most important financial markets. In 2024, DTCC played a pivotal role in facilitating the transition of the U.S. equities market to a T+1 standard settlement cycle and starting in 2025 through today the firm has spearheaded implementation of expanded central clearing in the U.S. Treasury market. It is this purposeful innovation and deep expertise that also led the firm to begin developing digital assets solutions starting in 2016. Those efforts accelerated in 2024 with the acquisition

of DTCC Digital Assets (DDA), formerly Securrency, which today operates as DTCC's newest subsidiary. DDA's purpose is to provide institutional-grade infrastructure and products that facilitate end-to-end lifecycle processing for tokenized traditional financial assets, including those assets serviced by the SIFMUs. Following this acquisition, DTCC's tokenization efforts have intensified, as evidenced by a no-action letter request that DTC submitted to the Commission's Division of Trading and Markets last year requesting limited and targeted relief that would enable the launch by DTC of a preliminary base tokenization service using DDA tokenization technology. In December 2025, that no-action request was granted, positioning DTC to launch this voluntary service sometime in the second half of 2026. More broadly, this development will also accelerate DTCC's efforts to deliver to its users and their clients a new technology that could ultimately underpin the evolution of an open-access and interoperable digital asset infrastructure for financial markets, thus bridging DTCC's existing technology and services with the benefits of transacting in real-world assets on digital ledger technology (DLT). If successful, this bridging of the traditional and the new offers market participants the potential to optimize asset mobility and liquidity, with increased efficiencies and interoperability across clearing, settlement, and other financial market infrastructures.

Unlocking the potential benefits of tokenization for critical markets like the U.S. public equities markets and the U.S. Treasury securities markets, which today measure at collectively over \$85 trillion in capitalization, is a tremendous opportunity equal to, if not greater than, the opportunities presented by the transition to T+1 and the expansion of central clearing for U.S. Treasuries. However, as in those past endeavors, with great opportunity comes great responsibility.

In pursuing the great opportunity of tokenization, DTCC believes that financial entities and policymakers should ensure that a responsible regulatory approach, one based upon and derived from the historical approach used for traditional assets, is applied. In practice, this means resisting calls to upend the prevailing legal and regulatory framework – after all, properly tokenized assets still must constitute the same bundle of rights and privileges that holders of traditional assets enjoy today, and DTCC's perspective is that the existing legal and regulatory approach in the United States has been largely effective in achieving this outcome. At the same time, tokenization does raise the potential for asset holders to expand upon or experience their existing rights and privileges in ways that are more efficient and flexible, with reduced intermediation and greater transparency. In DTCC's experience, the advisable approach is a surgical, principles-based one that promotes competition and choice for market participants and their customers, including investors. This is the approach that informed our December 2025 no-action request and will continue to inform our innovation and deployment we plan to unveil in the months and years to come.

## **Transforming the Existing Market Structure**

Today's global financial markets are underpinned by a heterogeneous network of internal systems and service providers that support the post-trade processing of hundreds of millions of financial transactions each day. This amalgamation of internal and external systems may appear complex but, thanks to painstaking efforts over decades, there exists within our markets a high degree of interoperability that enables the effective and efficient flow of assets, information, and data across the globe. A salient feature of this interoperability is the role and presence of financial market infrastructures like DTCC, who promote standardized and interoperable solutions that help ensure the current system is stable, reliable, and transparent enough so that financial markets can be competitive, efficient, liquid, and serve the needs of the real economy. However, the efforts by DTCC and the broader marketplace to maintain and enhance these outcomes are not static. In the recent past as much as today, new and disruptive technologies present the opportunity for market structure and market intermediaries to reinvent themselves and devise new and better ways of promoting financial market integrity and functioning. Tokenization of real-world assets may be the latest opportunity.

DTCC believes that tokenization has the potential to address certain limitations of the current post-trade process by further modernizing, streamlining, and simplifying financial industry infrastructure via a shared fabric of common information. Based on our explorations with this technology since 2016, we believe there are several key features that make this technology an attractive option. These features include, but

are not limited to, standardizing rules for financial transaction validation and replication, and immutable transaction history.

At the same time, the transformational potential of this technology remains limited until the market can replicate the success it has found in leveraging prior technological advancements to deepen and improve interoperability. For example, to date, industry engagement in deploying various tokenized solutions has been uncoordinated. Years of smaller-scale deployments have, in part, resulted in sub-scale, isolated pools of instrument liquidity on proprietary DLTs, which now form obstacles to further industry growth. With a small number of DLT protocols today consolidating digital trading volumes, the fragmentation of digital liquidity and immobility of tokenized value could stagnate and give rise to permanent barriers that make tokenized asset transactions more costly, and overall, less liquid relative to traditional assets. To mitigate this potential outcome, financial markets would be well-served to look to collaborative initiatives of the past and leverage coordinated industry-wide efforts that promote open source and interoperable digital liquidity based upon common standards and processes. There is also value in promoting public-private industry cooperation regarding the establishment of transition milestones and timelines.

Like the prior T+1 transition and Treasury clearing exercises, a wholesale move to tokenized financial services would be a massive undertaking. Indeed, our experience at DTCC tells us that while the T+1 transition was a painstaking and intricate engagement for the financial markets, it would be a relatively minor shift in comparison to fully transitioning financial markets to a broadly tokenized financial system. That observation should not be taken as a discouragement of exploring the opportunities ahead but instead serves as a clear-eyed responsible perspective on how to conduct exploration while preserving the public good that is the U.S. financial markets. To bring that public good to even greater heights, there will need to be coordination and rationalization of efforts and market participants. While this coordination and rationalization will happen at multiple levels across financial markets, nowhere is it more natural or fundamental than at the financial market infrastructure level.

As an industry-owned and governed financial market infrastructure with more than 50 years of experience mitigating risk and driving operations and cost efficiencies, DTCC's role and responsibility continue to be to support and coordinate the evolution and standardization of our financial markets. As it has before, DTCC's role in the tokenization space is to embody the best interests of the financial markets in a manner responsive to the needs of the industry, policymakers, and the broader investing public.

## **Revisiting Fundamentals**

One of the useful explorations that tokenization invites is a revisitation of old concepts around how issuers may issue financial assets, and how intermediaries and investors may hold such assets. In practice, this means a reconsideration of the merits of the direct and indirect holding models used in today's markets, as well as the question of where so-called native issuances of digital financial assets fit within this historical dichotomy. It is possible that tokenization and DLT-native issuance may change current market preferences and practices around how securities are distributed, held, and used by financial market participants. At DTCC, we believe that such considerations, while motivated by novel technology, still must serve the same bedrock policy outcomes that financial markets have always been designed to serve: (i) capital formation; (ii) fair, efficient, orderly, and liquid markets; and (iii) investor protection. In other words, if tokenization is to become a prominent feature of our financial markets, it must not be an end in and of itself but instead should provoke, like any meaningful technological innovation, a U.S. financial market evolution that leads to more resilient and dynamic global markets.

### ***Direct and Indirect Holding Models***

For over half a century, the foundation that has underpinned the current U.S. equity market system has been a mix of what is referred to as the direct and indirect holding models. I will briefly explain where these models came from and how they are present in our current market structure.

The choice between these two models arose out of what is commonly referred to as the "Paperwork Crisis" of the late 1960s, a period when the sheer volume of physical stock certificates nearly paralyzed Wall Street.

One of the solutions to that crisis and the challenge of paper-based technology was immobilization and the development of the “securities entitlement” structure, which is also sometimes referred to as the “indirect holding” model. Under this approach, paper stock certificates literally stopped moving, and instead those certificates were consolidated into master certificates held in an immobilized state at a central securities depository, the Depository Trust Company (DTC). The nominal holder of these master certificates is an entity called Cede & Co., which effectively interoperates with DTC under existing commercial and securities laws to maintain a tiered and indirect system of ownership record where the DTC maintains the central electronic book-entry ledger for its participants, who in turn maintain sub ledgers of holdings for their clients. As financial transactions move ownership positions among market participants, the chain of electronic book-entry ledgers maintained among DTC and its participants is updated. Since the Paperwork Crisis, the practice of issuing paper certificates has largely given way to electronic book-entry issuance, and DTC has evolved its services accordingly. Today, DTC brings efficiency to the securities industry by retaining custody of more than 1.4 million active securities issues valued at US\$99 trillion, including securities issued in the US and more than 150 countries and territories.

Parallel to the indirect holding model is the direct holding model, which is based upon but has also significantly evolved from the securities holding structure that preceded the Paperwork Crisis. Under this approach, the primary intermediary is an entity called a transfer agent, which acts as agent to the issuer for purposes of maintaining a master security holder file that reflects direct ownership positions and transfers of such positions by the issuer’s investors. Under this approach, holdings remain in the name of the individual investor and market activity and, importantly, interoperability, depend upon the ability of the direct investors, the issuer, and the transfer agent to interact with each other.

In today’s markets, the direct and indirect holding models do not entirely operate in isolation to, or more importantly in stark competition with, each other. This is another good example of how financial market infrastructures can step in and help facilitate interoperability among different market preferences and practices. In the 1990s, DTCC and the broader industry worked together to establish the DTC Direct Registration System (DRS). This system functions to give investors greater flexibility in choosing between the direct and indirect models by establishing an interoperational link between the two. Under this system, investors may hold securities in “book-entry” form directly on the records of the issuer’s transfer agent, rather than in “street name” through a broker. This provides an alternative for buy and hold investors who desire direct legal title without the burden of physical certificates. Additionally, DTC also established and operates the Fast Automated Securities Transfer (FAST) program, which supplements DRS by allowing transfer agents to act as custodians for portions of issuer inventory held at DTC, creating a more fluid – but still bifurcated – system of ledgers between DTC and transfer agents.

In the modern context, the market is beginning to see a hybrid evolution of the direct and indirect holding models. While these efforts are largely uncoordinated and fragmented, as mentioned earlier, many firms are now exploring tokenized issuances via the direct holding model. At the same time, under the December 2025 no-action letter DTCC is preparing to deploy a tokenized version of its indirect holding model. An important question is whether these various efforts will be able to converge and interoperate with each other in a manner that both preserves and advances the strength of U.S. markets.

### ***Preserving Choice and Competition***

Some observers have framed the current policy dialogue as one where tokenization is giving rise to new paradigms in how market participants can hold and use their assets, and that there must ultimately be a single “winning model” for the next step in market structure evolution to occur. At DTCC, we view the debate as a more nuanced one, where market participants are essentially revisiting the merits of the direct and indirect holding models available today, and contemplating how tokenization can enhance these models. Overall, we view this debate as a sign of a healthy, evolving ecosystem so long as the guiding principles remain preserving choice and deepening competition in our markets. History shows that where those concepts are front and center, then markets will, as they have reliably done in the past, determine which models and approaches best serve outcomes tied to security, liquidity, and cost.

Two immediate challenges that both public and private actors must consider are the roles of netting and interoperability. One of the great innovations arising from the Paperwork Crisis was how the indirect

holding model enabled multilateral netting via the interoperability between DTC and its affiliate National Securities Corporation (NSCC). Under this interoperability, NSCC daily nets billions of dollars of trades down to a single payment obligation for its participants, which is then settled and recorded via DTC's central ledger based upon immobilized, fungible securities held via the indirect holding model. Multilateral netting facilitated by resilient technology and backed by rigorous financial risk management is an important and fundamental market benefit that should not be overlooked or discarded in the progression to tokenized markets. Such netting drastically reduces the amount of capital and liquidity required to settle trades, lowering systemic risk and costs for the entire investing public.

The challenge of interoperability also requires purposeful consideration when thinking about how to best facilitate a broad and beneficial introduction of tokenization into current financial markets. Tokenization should not result in traditional assets moving out of the existing pools of liquidity that make the U.S. markets preeminent into walled gardens that are unable to interoperate with each other. Even today, when assets move out of the nettable pool at DTC and into individual holdings across various transfer agents, the market loses the efficiency of centralizing liquidity and clearing. While DLT can automate the discrete procedural step of a "handshake" between a transfer agent and a broker on a tokenized transaction, it must still solve for liquidity gaps created when assets are held outside a fungible, central pool.

Overall, as in traditional markets, DTCC does not anticipate a "big bang" moment where one holding model in tokenization unequivocally prevails over another. Instead, assuming that policy approaches to tokenization support choice and competition, we foresee market participants optimizing their decisions around how to calibrate interoperability, liquidity, transparency, and efficiency. For instance, it is possible to imagine tokenized high-volume equities remaining largely within the indirect holding system, while long-tail assets like private equity, real estate, or complex debt move toward a direct holding native issuance model that captures the benefits of more transparency and automation while also promoting wider investor access.

Additionally, we could see a future with greater settlement optionality, where the specific characteristics of a tokenized transaction – such as asset class, liquidity requirements, and counterparty risk – determine the optimal settlement cycle. That said, this is not a radical departure from today, but rather an acceleration of a trend already present in our markets. Currently, while the standard for equities settlement has moved to T+1, the markets already utilize T+0 or "same day" settlement for certain U.S. Treasury transactions and money market instruments where immediate liquidity is paramount. Conversely, complex private placements or physical commodity trades may naturally settle on longer horizons due to the intensive manual verification required. By integrating innovative technology alongside legacy systems, we may allow for "tiered" infrastructure where retail trades could benefit from more atomic settlement optionality while institutional trades continue to benefit from multilateral netting as we see in today's market.

Lastly, to date we have seen various regulatory announcements to provide more legal clarity in relation to tokenization technology, which could allow for greater experimentation and optionality. In addition to our no-action letter, recent examples include guidance issued by the CFTC about the use of tokenized collateral<sup>1</sup> and FAQs issued by the federal banking regulators regarding the capital treatment of tokenized

---

<sup>1</sup> [25-39 | CFTC](#)

securities<sup>2</sup>. DTCC believes these kinds of considered and surgical policy reactions are useful and should be expanded upon by the various expert U.S regulatory bodies in a more systematic manner that prioritizes industry collaboration and consultation. For any policy initiative, a key principle should be that a tokenized asset's value proposition depends upon ensuring the continuation and expansion of a holder's economic and legal rights under existing U.S. law.

## **What We Are Doing**

### ***DTCC Tokenization Service***

As referenced earlier in my testimony, DTCC's imminent plans around how to evolve existing services via tokenization rests in large part on the regulatory certainty set forth in our December 2025 no-action letter from the SEC. While the letter and the details around DTCC's tokenization are publicly available, I will briefly summarize the theory and practice of our tokenization approach here.

The preliminary base version tokenization service will allow DTC participants, and/or their agents and designees, to instruct DTC to record and manage their security positions held at DTC using DLT in addition to the traditional DTC centralized ledger. In doing so, the program aims to give DTC participants the ability to utilize the benefits of DLT and tokenization technology, including mobility, decentralization, and programmability, without foregoing the protection and accountability that a central securities depository and registered clearing agency such as DTC provides.

DTCC has developed this initial launch of its tokenization service based upon consultation with a broad cross-section of the global financial services industry, including its participants, end-users, financial market infrastructures, and client advisory councils. Those consultations have intensified and become more focused now that the no-action letter approval is behind us and we look ahead to deployment later in 2026. Indeed, the scope of these consultations has expanded not just in terms of the number of interested firms involved but also in terms of the various levels within a particular organization that are now engaged in exploring how to leverage the DTCC Tokenization Service for their own businesses. Tokenization is no longer primarily a topic for the front office digital asset functions— it is now an active area of exploration across the execution, middle, and back offices of market participants, as well as the technology, legal, and risk departments.

DTC has designed the initial version of the DTCC Tokenization Service in a controlled production environment, under conditions designed to allow adjustment and refinement, limit risk of loss and systemic disruption, and provide broader insights as to the technical and regulatory features necessary to facilitate tokenization at scale. Under the terms of the no-action letter, once the preliminary base version of the service launches later this year, DTCC will have three years to pursue these efforts and provide feedback to public and private stakeholders. Our interest during this period will be to focus on evolving our solutions to maximize the themes already highlighted above: expanding market choice and competition, promoting interoperability across innovation and implementation, and ensuring that resilient and enforceable standards apply that maintain the preeminent position of U.S. markets in the world today.

More specifically, the DTCC Tokenization Service will emphasize the following themes upon its initial launch:

---

<sup>2</sup> [Federal Reserve Board - Agencies clarify the capital treatment of tokenized securities](#)

**Participation is Voluntary.** A DTC participant may elect to participate in the Preliminary Base Version of the DTCC Tokenization Services. Additionally, any DTC participant wishing to use the DTCC Tokenization Services would need to register with DTC one or more addresses on an approved DLT (each, a “Registered Wallet”) for the purpose of holding tokens corresponding to Tokenized Entitlements.

**Participant choice, interoperability, and market integrity are prioritized.** DTCC will not prescribe a particular DLT on which registered wallets must be maintained or a particular tokenization protocol (i.e., suite of governing smart contracts) to which each tokenized position must be subject. DTC will, however, prescribe objective, neutral, and publicly available outcomes-based requirements for both DLTs and tokenization protocols aimed at ensuring that the tokens are only transferrable among pre-approved wallets, and that DTC can take steps to address any erroneous entries, lost tokens, or malfeasance. In addition, DTC will gravitate towards DLTs that are dependable, resilient, secure, and subject to robust compliance, consensus, and governance mechanisms. This approach is intended to support the broadest range of investor choice and interoperability, without compromising the safeguarding of securities and market integrity.

**The initial scope of eligible securities will be liquid but limited and DTC will serve as the bridge between traditional and tokenized markets.** The eligible securities are a subset of financial instruments and limited to (i) securities in the Russell 1000 Index (ii) U.S. Treasury securities (i.e., bills, bonds, and notes), and (iii) ETFs that track major indices, such as the S&P 500 index and Nasdaq-100 index. Participating firms will be able to convert their DTC holdings in these securities back and forth between existing and new market structures, and DTC will function as the bridge that facilitates and ensures the integrity of such conversions.

## **Conclusion**

While DTCC may be one of the less visible components of the U.S. and global markets, the benefits it and other financial market infrastructures provide to investors, issuers, and the real economy are clear and significant. In addition, perpetuating the role of the United States as the home of the most liquid, efficient, and cost-effective financial markets in the world is a collaborative effort, and DTCC will always appreciate the privilege of being a key part of that effort.

At DTCC, we believe tokenization offers an exciting potential to carry that effort further by pushing financial markets toward a more streamlined and resilient ecosystem where DLT networks and traditional industry rails seamlessly integrate. That said, any new tokenized service of the financial future needs to ensure that it can protect and promote the same goals our traditional markets deliver today: choice, competition, interoperability, and the most liquid and dynamic financial markets in the world.

DTCC is honored to have been asked to contribute to this discussion and applauds this Committee for taking a leadership role on this issue. We look forward to continuing to work with Congress as they explore these important issues, and I look forward to answering your questions today.