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Before the House Financial Services Committee

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

March 25, 2026

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

Thank you for the opportunity to testify today on behalf of Nasdaq on tokenization and the modernization of U.S. capital markets. This is an important area of incredibly fast change and industry developments; we commend you for holding this timely hearing.

My name is John Zecca, and I serve as Executive Vice President and Global Chief Legal, Risk and Regulatory Officer at Nasdaq. For more than fifty years, Nasdaq has operated at the intersection of capital markets and technology. We were the world’s first electronic stock market, pioneering the transition from paper shares to electronic ownership, from floor-based trading to automated execution, and from domestic markets to globally connected financial infrastructure.

Throughout that history, Nasdaq has deployed technology with several priorities always in focus: protecting investors; ensuring that issuers retain a clear and meaningful voice in the public markets; and safeguarding the integrity of U.S. equity markets, which are the most liquid and efficient in the world. That liquidity is fundamental to capital formation—research shows that companies that go public in deep, competitive markets experience nearly 40 percent higher capital investment and materially higher employment growth in the years following an IPO—underscoring why market integrity and trust are essential to long-term economic growth.

And because we play such a central role in the capital markets, we take our responsibility to protect market integrity very seriously. We enhance liquidity by providing critical technology and solutions that support deep, resilient markets. We ensure transparency by connecting issuers and investors with high-quality data and analytics that support informed decision making. And we protect market integrity through robust market surveillance and compliance tools that help detect misconduct, manage risk, and ensure that innovation does not fragment trading, degrade price discovery, or raise the cost of capital for U.S. companies.

These principles have steered Nasdaq through every significant technological transition in modern market history, and they continue to shape our approach to tokenization today.

We believe that integrating tokenization into capital markets presents an opportunity to modernize the issuance, recording, and trading of securities in a manner that is consistent with those principles. Like the transition from paper certificates to electronic book-entries decades ago, tokenization—done right—can enhance efficiency, transparency, and engagement across the lifecycle of a security, without weakening the regulatory framework or the rights that investors and public companies expect and rely on.

Tokenization should be understood in the context of a broader modernization underway in global capital markets. Investors, information, and risk already move continuously across time zones, but critical parts of market infrastructure have not kept pace—settlement still requires a day to complete, data is reconciled manually across intermediaries, and capital is moved early or held in excess to manage operational constraints.

Always-On Markets intend to close that gap. This is more than extending trading hours; it is about ensuring infrastructure can operate continuously across trading, clearing, settlement, risk, and collateral—and for issuers, transforming how corporate actions are announced and executed. Tokenization can support this shift at the asset level by embedding standardized data and automation directly into the security—reducing reconciliation, streamlining settlement and corporate actions, and increasing the utility of assets as they move through the financial system.

At Nasdaq we believe that this evolution is driven by the same technology vectors that are increasingly reshaping the markets—cloud, AI, and blockchain—and we are ready for the next steps in tokenizing equities.

Congressional Leadership and the CLARITY Act

Nasdaq also believes that clear statutory guidance from Congress is essential to supporting responsible innovation while protecting investors.

For that reason, Nasdaq supports this Committee’s bipartisan approach in the Digital Asset Market Clarity (CLARITY) Act, which, as you know, seeks to establish clear rules of the road for these markets and provide greater regulatory certainty for market participants.

Clear, functional definitions and jurisdictional boundaries are critical to investor protection, market integrity, and issuer confidence. We appreciate the Committee’s leadership on this issue and hope the Senate is able to move forward as well, so that the United States can continue to lead in financial innovation while maintaining the strong regulatory standards that underpin our capital markets.

A Stock by Any Other Name Is Still a Stock

Last April, Nasdaq submitted a comment letter to the Securities and Exchange Commission, titled [*“A Stock by Any Other Name.”*](#) In the piece, we presented our perspective, that when an equity security is tokenized – meaning it is converted into a digital version recorded on a blockchain -- it still remains an equity security. Merely changing the technology that underpins these securities does not alter their fundamental nature or regulatory status. A tokenized share is still a share, carrying the same ownership interest, economic rights, and legal obligations—because changing how ownership is recorded does not change what is being owned..

We believe that our position has been reinforced by the SEC Staff’s [*Statement on Tokenized Securities*](#) which draws a critical distinction between issuer-sponsored tokenized securities and securities tokenized by unaffiliated third parties or the creation of synthetic derivatives that are new instruments and convey rights that differ from actual shares. Nothing about these distinctions suggests that any product is outside the federal securities laws; the applicable legal framework

depends on the facts and circumstances, including the rights conveyed and the structure of the instrument.

In the issuer-sponsored model, the issuer—or its agent—integrates distributed ledger technology into its recordkeeping systems so that transfers of a tokenized share correspond directly to changes in official ownership records. The technology changes, but the rights, obligations, and legal status of the security do not. This evolution mirrors the earlier transition from paper certificates to electronic shares: different technology, the same share, and the same regulatory obligations. Preserving that legal equivalence matters because investor confidence in public equity markets directly affects a company’s cost of capital and its ability to invest and grow after going public.

Nasdaq’s approach to tokenization is intentionally aligned with this model because it preserves what is essential to an issuer — their central role in the governance, disclosure, and shareholder engagement of their shares. We strongly believe that issuers can and should maintain their rights as we embrace this new technology. Tokenization should strengthen the issuer-investor relationship, not fragment it.

From Principle to Practice: Nasdaq’s Tokenization Framework

Guided by these principles, Nasdaq has taken concrete steps to bring tokenization into the regulated market framework in a way that protects investors and keeps issuers at the center of the equity ecosystem.

On March 18, 2026, the SEC approved Nasdaq’s proposal to enable securities to trade on our markets in either current electronic or tokenized form. The rule change applies existing exchange rules to securities represented in tokenized form, provided those securities are fungible with their counterparts, share the same CUSIP, and convey the same material rights.

Importantly, the rule change enables tokenization to occur largely within existing market structure, including established market utilities such as the Depository Trust Company. This approach preserves investor protections and market integrity by applying the same trading, transparency, and surveillance rules investors rely on today. Well-functioning markets with deep liquidity, strong surveillance, and reliable price discovery reduce financing costs for issuers and support higher levels of investment over time.

Building on its tokenization framework and the recently approved rule change, Nasdaq announced on March 9, 2026 its intention to launch an equity token design that puts public companies at the center of tokenized equity markets.

Nasdaq’s equity token design is intended to support the tokenization of equities within existing market structure and regulatory frameworks. Our approach preserves issuer control over the form and governance of their securities—including how corporate actions, voting, and shareholder engagement are administered—while continuing to operate within the national market system and existing trading rules.

The design will benefit issuers by simplifying the processes for effecting corporate actions and conducting shareholder votes, while protecting investors by ensuring they receive the same underlying rights and privileges associated with equity securities on today’s U.S. equity markets.

Rather than treating tokenization as a standalone trading innovation, this approach uses tokenization to modernize the full lifecycle of equity ownership.

A central feature of the design is programmable investor engagement, which allows issuers to modernize how they communicate with shareholders and administer governance-related processes—such as proxy voting, corporate actions, and shareholder communications—while maintaining the transparency, accountability, and compliance standards required in public markets.

Equity Tokenization as Integration with the Existing Market System

What Nasdaq’s equity token design reflects is not a departure from the U.S. capital markets framework, but an effort to integrate tokenization into the system that already underpins liquidity, price discovery, and investor protection. For equities, success comes from ensuring that new technology works seamlessly with the institutions, rules, and market utilities that investors and issuers rely on today. Tokenization at scale must improve capital markets to be viable. When liquidity fragments or capital migrates into synthetic products that do not support issuers directly, it can weaken competition for capital and reduce investment in the real economy.

For that reason, Nasdaq has approached equity tokenization as an exercise in integration and coordination across the market ecosystem—including issuers, exchanges, transfer agents, clearing and settlement infrastructure, and regulators.

A key reason integration matters is that different environments offer different strengths. Regulated equity markets provide the foundations that investors and issuers depend on—deep liquidity, reliable price discovery, transparency, surveillance, and operational resilience. At the same time, blockchain-based networks can offer programmability, faster and more automated workflows, and new ways to move and use assets. Nasdaq’s goal is to combine the strengths of both: preserve the protections and integrity of the U.S. market system while responsibly enabling new functionality—so innovation enhances markets rather than pulling activity into fragmented parallel rails with weaker price discovery and uneven safeguards.

This integrated approach also preserves the role of transfer agents in maintaining the issuer’s official, consolidated master securities file—ensuring that tokenization enhances, rather than fragments, how ownership records are maintained and reconciled across the market system.

The focus is on ensuring that any tokenized equity functionality remains anchored to the legal equivalence of the share and the protections of regulated markets, while exploring how new networks can broaden access and modernize workflows without compromising investor protection or issuer rights.

By approaching tokenization as a shared market challenge—rather than a standalone technical exercise—Nasdaq’s equity token design is intended to support a coherent path forward for the industry: one that modernizes market processes, expands access responsibly, and reinforces the foundational principles of U.S. capital markets.

Conclusion

Tokenization should be viewed as part of a broader modernization of capital markets—toward a more continuous, more automated, and more interconnected financial system. History shows that when companies are able to access deep, competitive public markets, they invest more, expand faster, and create more jobs—underscoring why market structure decisions have real consequences for economic growth. Nasdaq’s leadership has described 23/5 trading as an initial step toward an always-on market infrastructure for the future, and tokenization as a complementary capability that can modernize how securities move through the lifecycle—from trading and settlement workflows to issuer-investor engagement.

Getting this transition right is fundamental. Market infrastructure is only as strong as its protections: deep liquidity, reliable price discovery, transparency, surveillance, and operational resilience. Nasdaq believes the goal should not be parallel markets with fragmented liquidity and uneven safeguards, but integration—bringing new technology into the existing market system so that innovation expands access and efficiency while preserving investor protection and the rights and voice of issuers. In an always-on world, those guardrails become even more important, and Nasdaq’s approach is designed to provide industrial-grade protections as markets evolve.

This integrated approach can deliver meaningful benefits. For investors and financial institutions, tokenization can enable more automated workflows and, over time, greater mobility and utility of assets—supporting more efficient collateral and settlement processes. For issuers, tokenization may help some companies expand access to new pools of capital and modernize engagement with shareholders, including reducing friction in processes like corporate actions and proxy voting—while preserving the legal equivalence of the share and the integrity of the U.S. market structure. Not every issuer will choose to adopt tokenized formats, but those that do should be able to do so within a regulated framework that supports capital formation and keeps the benefits of innovation anchored in U.S. markets.

Nasdaq stands ready to work with Congress, the SEC, and market participants to ensure that tokenization strengthens U.S. capital markets—enhancing investor protection, reinforcing issuer rights, and modernizing market infrastructure in a way that preserves the trust that makes our markets the global standard.

Thank you, and I look forward to your questions.