BLOG

DTCC Partners with Digital Asset to Tokenize DTC-Custodied U.S. Treasury Securities

DECEMBER 23, 2025

On December 17, 2025, the Depository Trust & Clearing Corporation (DTCC) announced a partnership with Digital Asset Holdings (Digital Asset), a developer of distributed ledger technology, to tokenize a subset of U.S. Treasury securities custodied at its subsidiary, the Depository Trust Company (DTC), using Digital Asset's Canton Network. This announcement follows DTC's receipt of a No-Action Letter from the U.S. Securities and Exchange Commission (SEC) on December 11, 2025, providing no-action relief allowing DTC to offer a pilot tokenization service for certain highly liquid assets.

KEY DETAILS OF THE PARTNERSHIP AND TOKENIZATION INITIATIVE

DTCC's collaboration with Digital Asset leverages the Canton Network, a blockchain platform designed for tokenized real-world assets, emphasizing privacy, interoperability, and compliance. DTCC will serve as a co-chair of the Canton Foundation—the independent non-profit organization responsible for the decentralized governance and development of the Canton Network—alongside Euroclear, positioning it to influence industry standards.

The tokenization process will begin with minting U.S. Treasury securities on the Canton Network in a controlled production environment. A minimum viable product is targeted for the first half of 2026, with potential expansion based on client demand. Tokenized assets will maintain the same entitlements, investor protections, ownership rights, and safeguards as traditional securities, a move designed to achieve integration between traditional finance and decentralized finance ecosystems.

According to DTCC's press release, the initiative aims to enhance liquidity, operational efficiency, and market transparency. Frank La Salla, DTCC's President and CEO, stated: "DTCC's partnership with Digital Asset and the Canton Network is a strategic step forward as we collaborate across the industry to build a digital infrastructure that seamlessly bridges the traditional and digital financial ecosystems and provides unmatched scalability and safety." Yuval Rooz, Co-Founder and CEO of Digital Asset, added: "This partnership reflects the collective ambition of leading market participants to create future-proof, interoperable financial ecosystems."

SEC NO-ACTION RELIEF AND REGULATORY FRAMEWORK

The SEC's no-action letter, issued by the Division of Trading and Markets (Division), provides relief under (a) Regulation Systems Compliance and Integrity (Reg SCI), (b) Section 19(b) of the Securities Exchange Act of 1934

(Exchange Act) and Rule 19b-4 thereunder, and (c) Exchange Act Rules 17Ad-22(e) and 17Ad-25(i) and (j), allowing DTC to operate a pilot version of its tokenization service for three years from launch without enforcement action. This pilot is limited to voluntary participation by DTC Participants (excluding those for which DTC has U.S. tax withholding or reporting obligations, or a Treasury International Capital reporting obligation, a U.S. Treasury-administered system that collects data on cross-border flows and holdings) and applies to eligible securities, including:

- Securities in the Russell 1000 Index at launch (and any additions thereafter, regardless of subsequent removals);
- U.S. Treasury bills, bonds, and notes; and
- Exchange-traded funds tracking major indices (e.g., S&P 500, Nasdaq-100).

Key conditions include:

- Tokenized entitlements carry no collateral or settlement value for DTC's risk management processes;
- Use of token standards to restrict transfers to registered wallets and enable transaction reversals;
- Blockchains must meet DTC's prescribed standards for reliability, resilience, and security, with DTC retaining override capabilities via a "root wallet" to address errors or malfeasance;
- Quarterly reporting to the Division's staff on metrics such as participation, tokenized values, transfers, and system outages; and
- Prompt notification of significant systems events to the Division's staff.

The relief is conditioned on there being no material changes to the described operations and emphasizes that tokenized securities remain registered to DTC's nominee, Cede & Co., preserving investor protections under Article 8 of the Uniform Commercial Code. The service uses "Tier 2" internal systems with a four-hour recovery objective, avoiding heightened Reg SCI requirements for core functions (i.e., the stricter resiliency standards, such as a two-hour recovery goal following wide-scale disruptions, that apply to "critical SCI systems" under Reg SCI).

IMPLICATIONS

This development signals accelerating institutional adoption of blockchain for traditional assets, potentially unlocking around-the-clock access, programmable features, and improved collateral mobility. The initiative could foster a unified liquidity pool across traditional finance and decentralized finance ecosystems, reducing operational risks and costs for market participants. However, the pilot's limitations highlight ongoing regulatory caution—as expansions beyond the initial scope or eligible assets would require further SEC engagement—aligning with broader SEC efforts to integrate digital assets into existing frameworks while mitigating risks.

Winston's Capital Markets and Securities Law Watch will continue to monitor developments and will provide our readers with additional updates as they become available. For more information, or if you have any questions, please contact the authors of this blog post or your regular Winston contacts.

3 Min Read

Authors

Michael J. Blankenship

Ben D. Smolij

Jacob Botros

Related Topics

Blockchain | Digital Assets | No-Action | Securities and Exchange Commission (SEC)

Related Capabilities

Capital Markets | Public Companies | Corporate Governance

Cryptocurrencies, Digital Assets & Blockchain Technology

Related Professionals

Michael J. Blankenship

Ben D. Smolij

Jacob Botros

This entry has been created for information and planning purposes. It is not intended to be, nor should it be substituted for, legal advice, which turns on specific facts.

