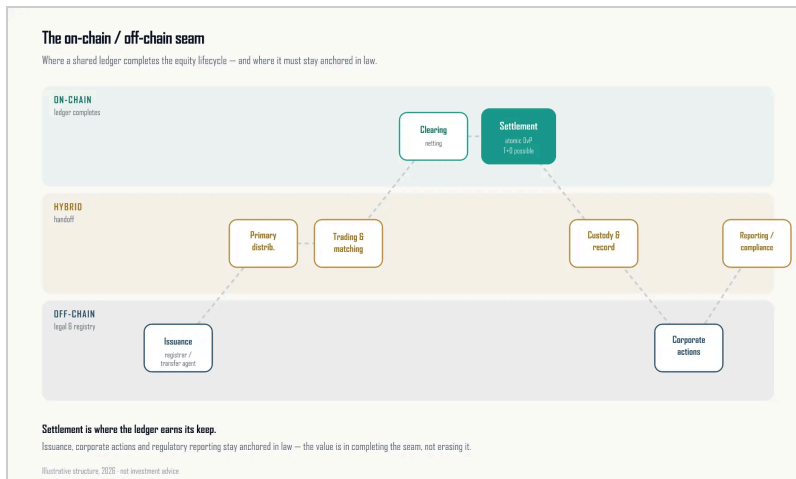


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MARKET STRUCTURE • TOKENIZATION

Where Tokenization Actually Completes the Equity Ecosystem

Cutting through the hype on tokenized equities.

By **Sapinover Intelligence** · Sapinover · June2026 · [Download PDF \(/insights/equity-tokenization/equity-tokenization-primer.pdf\)](#)

Every few months, “tokenized equities” gets rediscovered as the thing that ends Wall Street as we know it. Twenty-four-hour trading, fractional everything, the death of the intermediary. It is a great story. It is mostly wrong, and being precise about why matters, because there is a real opportunity underneath the noise.

This is a field map, not a forecast. The goal is to mark, end to end, where a shared ledger genuinely completes the equity ecosystem and where it does not, and to dispel the hype by being specific rather than breathless.

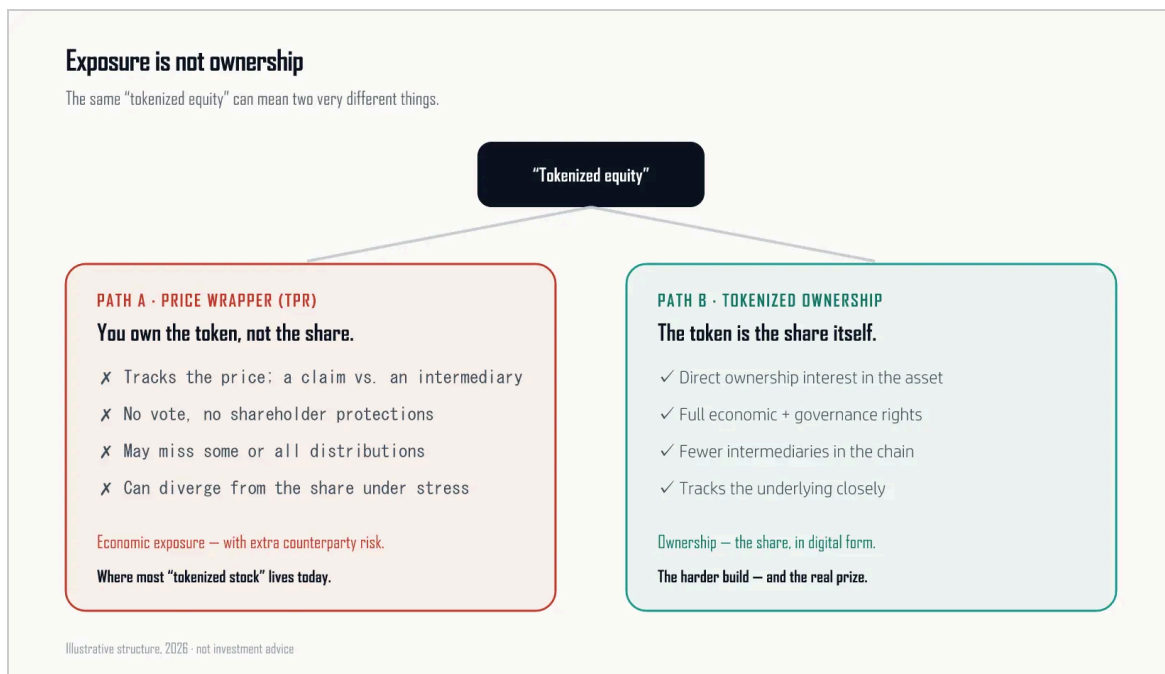
01 Most “tokenized stock” isn’t a share

The hype collapses two very different things into one word. A token can give you the **price behavior** of a stock, or it can give you the **stock**. Today, most “tokenized equities” are the former: a wrapper that tracks the price while you

hold a contractual claim against an intermediary, with no vote, no shareholder protections, and a price that can drift from the underlying. That is **exposure**. It is not **ownership**.

The difference shows up exactly when it matters: in your rights, your recourse, and how the thing behaves under stress.

BlackRock recently made the same distinction explicit in its own investor education (exposure versus ownership), which is a useful sign that the serious institutions are now drawing the line clearly. If you do not know which one you are holding, you do not know what you own.



Two paths the same phrase can take. Most tokenized stock on the market today is the left one.

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Left column reflects how most tokenized equity products work today. The right column reflects the legal and technical model the industry is working toward — direct ownership is not yet widely deployed for equities at scale.



Shareholder vote



Market stress



Issuer event

WRAPPER**Holder may not receive dividend**

When issuer decides whether to pass dividends to holders. Many wrapper structures explicitly exclude token holders from dividend rights. You hold a contractual claim against the intermediary, not the share — the intermediary is the counterparty for any distribution.

Intermediary discretion**DIRECT OWNERSHIP (TARGET MODEL)****Dividend flows to token holder**

In a direct ownership model, dividends would flow directly to the token holder as they do to any registered shareholder — automatically, under corporate law. This requires the on-chain record to be legally recognized as the authoritative ownership register, which is the regulatory destination the industry is working toward.

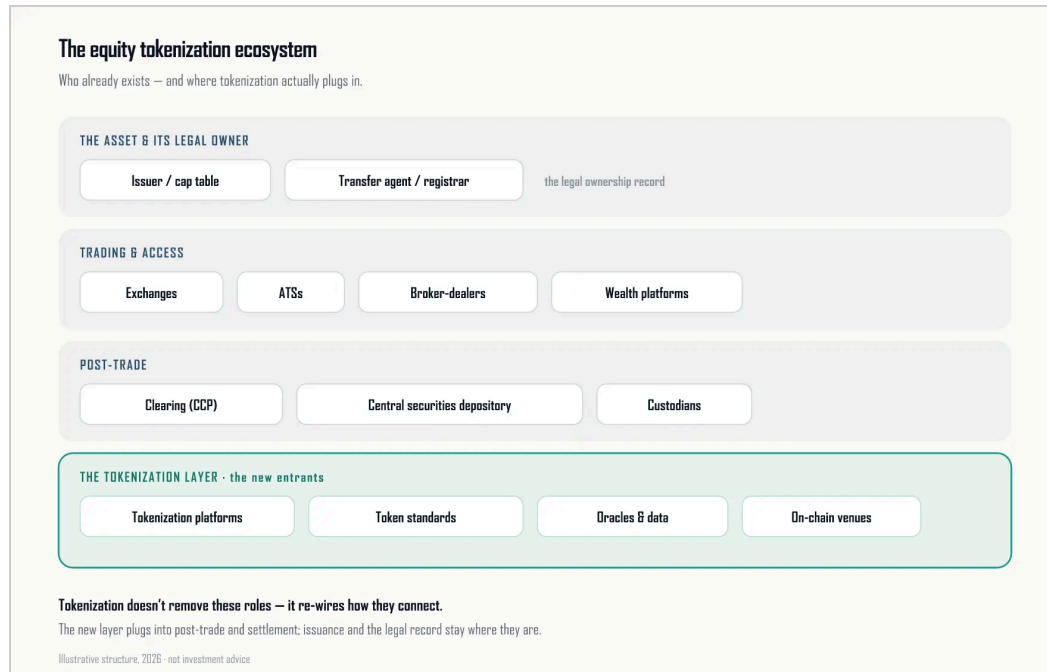
Shareholder right (when fully implemented)

Key insight: When you hold a price wrapper, your economic counterparty is the intermediary, not the company whose shares are referenced. The practical difference surfaces in dividends, proxy votes, and stress events. Most tokenized equity products on the market today are price wrappers.

02 The ecosystem doesn't disappear

Equities are embedded in decades of legal and operational machinery: issuers and cap tables, transfer agents and registrars who hold the authoritative ownership record, exchanges and broker-dealers, clearing, the central securities depository, custodians. A token does not repeal corporate law or make the registrar vanish. Anyone selling “everything on-chain” is selling the wrapper and calling it the rails.

What the tokenization layer actually does is **plug into** that structure, most usefully at the post-trade and settlement end, and change how the pieces connect.



The existing equity stack, plus the new tokenization layer. The new entrants connect the old roles; they don't delete them.

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03 Where on-chain completes it

This was never “on-chain versus off-chain.” It is a map. Walk the equity lifecycle end to end and ask, at each stage, whether a shared ledger genuinely improves it, whether it must stay anchored in the legal and registry world, or whether it is a handoff between the two.

Do that honestly and a pattern appears. **Settlement is the primary target.** Atomic delivery-versus-payment, deterministic finality, and collateral mobility are the outcomes the industry is working toward. SIX Digital Exchange (SDX) has operated tokenized securities settlement in a regulated environment since 2021. DTCC, Chainlink, and major financial institutions have tested DLT-based workflows for fund data, tokenization, and capital-markets interoperability;

broad equity-market atomic DvP deployment remains an open problem rather than a solved one. Clearing is close behind. Issuance, corporate actions, and regulatory reporting stay anchored in law. Most of the lifecycle in between is a hybrid handoff.

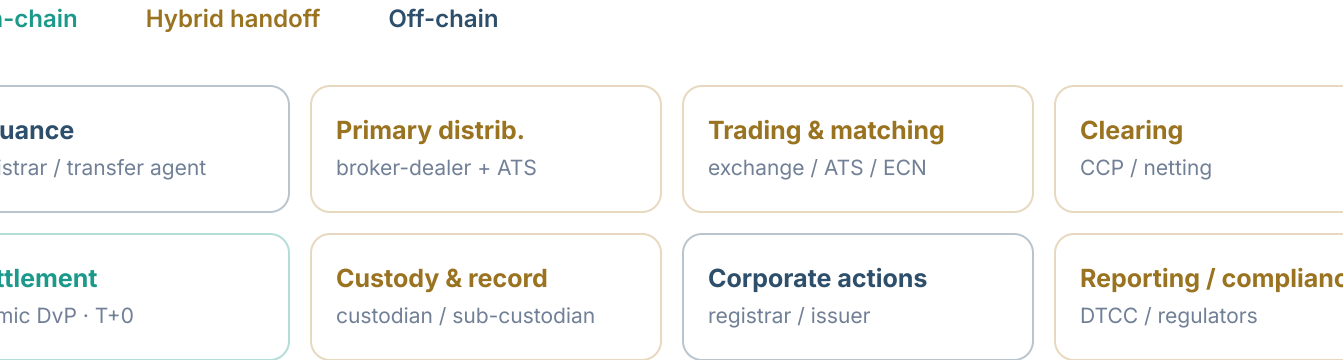
The value isn't in putting everything on-chain. It's in completing the seam: optimizing the few stages a ledger truly improves, and leaving the rest where the law already works.

The seam map at the top of this piece is the whole argument in one picture: the dotted line is the lifecycle weaving between worlds, and the shape of that weave (not a slogan) is what an honest tokenization strategy has to respect.

RACTIVE

e on-chain / off-chain seam

any stage to see where it sits and why.



Select a stage above to see where it lives in the ecosystem.

ative structure, 2026. Not investment advice.

What the map shows clearly: settlement and clearing are where a shared ledger creates measurable improvement in finality and risk. Issuance, corporate actions, and regulatory reporting stay anchored in legal and registry frameworks regardless of what rails sit underneath. The productive question is not whether a seam exists; it is where it belongs and how to design the handoffs precisely.

ERACTIVE

equities moved to T+1 in May 2024. The industry question now is whether DvP-enabled on-chain settlement can go further — and what regulatory and operational environment that requires. This illustrates the concept; broad deployment for equities is yet in place.

TODAY (T+1 US / T+2 INTL)

- 1

Trade agreed

Broker confirms match
- 2

Trade reported

DTCC / CCP submission
- 3

Netting & obligation

Central counterparty nets positions
- 4

Settlement instruction

DTC instruction sent to custodians
- 5

Securities transferred

T+1 (US, 2024) · T+2 most intl markets

ON-CHAIN DVP (TARGET MODEL)

- 1

Trade agreed

Settlement instruction submitted on-chain
- 2

Positions verified

On-chain record confirms token holdings
- 3

DvP executed

Securities and cash legs settle simultaneously

The US moved to T+1 in May 2024, compressing the cycle while preserving its sequential structure. The next step, T+0 via atomic delivery-versus-payment, has been demonstrated in regulated pilots. The remaining work is standardization: settlement finality rules, custodian integration, and messaging interfaces that span on-chain and traditional counterparties.

04 Settlement is not one thing

There is a trap hidden in the sentence “settlement is the primary target.” It treats settlement as a single thing with a single best answer: faster, atomic, instant. Walk into any wholesale trading operation and that assumption falls apart. Settlement has two dimensions that legacy rails force you to trade against each other: how much counterparty risk you carry, and how much capital you tie up.

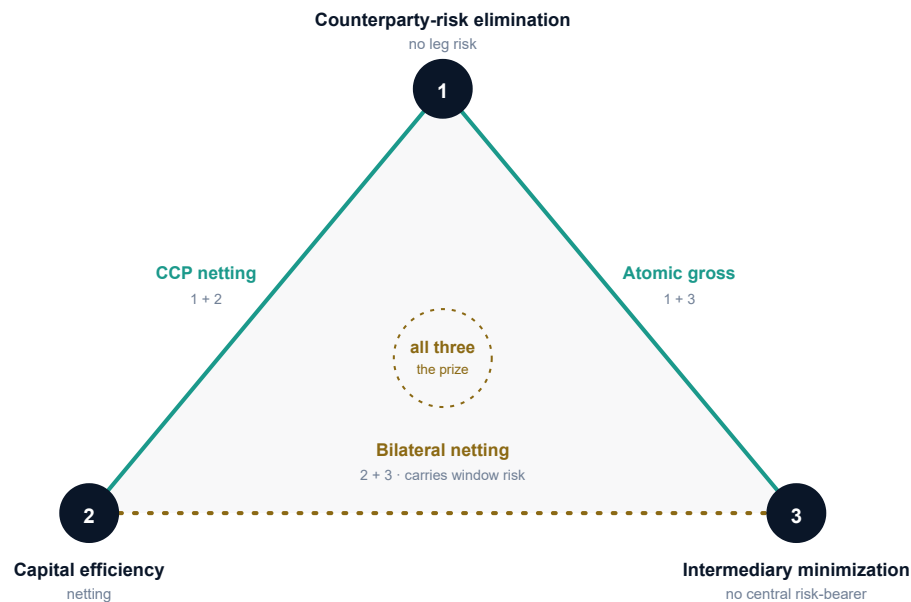
Almost no one in institutional markets actually wants gross, trade-by-trade finality, and they never did. Netting exists precisely because institutions value capital and liquidity efficiency. In the US, the NSCC’s continuous net settlement compresses the obligations that actually have to move by roughly 98 percent before anything settles. Pure atomic settlement throws that away. It removes leg risk by forcing every leg to be pre-funded and delivered in full, in real time. That is a return to a pre-netting world, which is the irony buried in “24/7 instant settlement”: wholesale markets spent decades moving away from gross settlement on purpose.

The retail / institutional split: Retail flow and pure risk-elimination use cases want atomic finality. Institutional flow wants netting, leverage, and capital efficiency.

“Does everyone want atomic settlement?” is the wrong question. Different

participants sit at different points on the same curve, and a settlement design that ignores that will be rejected by exactly the institutions it needs.

The honest frame is not gross versus netted. It is a trilemma between three properties every market would like at once: **counterparty-risk elimination** (no leg risk), **capital efficiency** (netting), and **intermediary minimization** (no central risk-bearer). Today you can hold any two. Holding all three is the unsolved problem.



The settlement trilemma. Each edge is a system that achieves two corners and gives up the third: CCP netting (1+2) needs a central counterparty; atomic gross settlement (1+3) sacrifices capital efficiency; bilateral netting (2+3) carries counterparty risk through the window. Reaching the center, all three at once, is what programmable settlement is chasing, and no one has done it yet.

What a shared ledger actually changes is not “settlement becomes instant.” It is that a programmable ledger can **decouple settlement cadence from settlement finality**. Net over whatever window you choose, continuous, hourly, or end-of-day, and settle the net position atomically at the boundary. Atomicity stops meaning “every trade, immediately” and starts meaning “the net is final and indivisible.” The netting cycle becomes a parameter rather than a fixed property of the infrastructure.

The question is not how fast settlement can be. It is whether the cadence can be a dial, and who holds the risk while it turns.

That reframes the hard problem rather than removing it. Netting is inseparable from someone bearing the risk during the window. Compress the window to zero and you are back to atomic gross, capital cost and all. Keep the window, and you either fully collateralize it, which brings the capital cost back, or something novates and mutualizes it, at which point you have rebuilt the central counterparty, possibly in code, with all of its margin, default-management, and governance questions intact. Which of those the market chooses, asset class by asset class, is one of the defining design decisions of the next decade. And because that cadence has to be communicated between systems on both sides of the seam, it is also a standards problem.

05 Designing the hybrid is a standards problem

If the answer is a hybrid (and it is), the hard work is defining it precisely: which functions move, what the handoffs are, and who carries risk where. That is a **standards and interoperability** question, exactly the kind of work the FIX Trading Community is built to map. None of it is solved by shouting “on-chain” louder.

Designing the hybrid

Not a prescription — the questions the ecosystem (and FIX) has to answer together.

01

The seam

Which lifecycle functions move on-chain, and which stay in the legal/registry world?

02

The legal model

An entitlement, or a direct record? This is what decides ownership vs. exposure. (Ask counsel.)

03

The record of truth

Who holds the authoritative ownership record — and is the on-chain record legally cognizable?

04

Corporate actions

How do dividends, splits, proxy voting and tax lots flow across the seam?

05

The handoffs - the FIX question

What are the standard messages between on-chain and off-chain systems? Interoperability, not religion.

06

Finality & risk

Who bears settlement finality and counterparty risk at each step of the hybrid?

Illustrative framework, 2026 - not investment advice

The open questions the ecosystem has to answer together: a framework, not a prescription.

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The shape of the hybrid will be decided by how the industry answers six core questions:

Which functions actually move on-chain, and which remain anchored in existing legal and operational systems? Not all stages benefit equally: settlement and collateral mobility have the clearest on-chain improvement case, while issuance and regulatory reporting stay anchored in law regardless of the underlying rail.

Is the tokenized claim a direct legal record of ownership, or merely an entitlement against an intermediary? **(This single distinction determines whether you have true ownership or synthetic exposure.)** The answer determines your rights in a stress event, your ability to vote, and whether corporate actions flow through automatically: it is a legal architecture question, not a marketing one.

Who holds the authoritative record, and is the on-chain representation legally cognizable under current or evolving frameworks (e.g., UCC Article 12)? If the

on-chain record mirrors an off-chain register rather than *being* the register, the settlement finality benefits of an on-chain system do not fully materialize.

How do corporate actions, dividends, voting, and proxy mechanics flow across the on-chain / off-chain seam? These are the moments when the seam is most visible to end investors and where automation promises are hardest to deliver without a clear legal handoff protocol.

What standard messages and data models will be used for handoffs between on-chain and off-chain systems? Without a common instruction format (the equivalent of FIX for traditional equity trades), each bilateral integration becomes a custom engineering project that does not scale across the market.

Who bears settlement finality and counterparty risk at each step of the lifecycle? In a hybrid system, risk does not disappear; it migrates to the seam. Clarity on who holds risk at each handoff is what makes the system insurable and operationally sound.

The hype asks what we can put on-chain. The better question is what completes the system end to end, and how the two halves talk.

That is the map worth building together. The winners will not be the firms that tokenize the most things. The winners will be the firms that make tokenized ownership, settlement finality, corporate actions, and regulatory records work together without breaking the existing market contract.

Sapinover Intelligence covers market structure, settlement, and the plumbing of tokenized markets. If you are working on the equity off-chain / on-chain seam, reach us at sapinover.com.

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