

SEC Expected to Propose Trading in Tokenized, Phantom Public Company Common Stock

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The SEC is reported to be planning to issue rule proposals creating a regulatory framework for trading of tokenized, digital securities of publicly-traded companies that are issued by third parties unaffiliated with the issuer. The tokens would be similar to “phantom stock,” representing digital representations of the securities, but would have no equity or voting or other interests in the underlying public company. In effect, the platforms for trading in the tokenized interests could provide a forum that reflects sentiment or speculation about the direction of the price of the company’s publicly-traded common stock. The major stock exchanges are reportedly developing the ability to trade digital, blockchain-based representations of common stock, but in those cases the digital representations would likely be equivalent to units of traditional common stock.

The SEC’s proposals are expected imminently, and we will follow with more details after they are issued.

[Related Professionals](#)

- **Frank Zarb**
Partner
- **Louis Rambo**
Partner