CAPITAL MARKETS TRIBUNAL · ANNUAL POLICY FORUM

Tokenization:
A Primer for Adjudicators

PANELISTS

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DEFINITIONS

What is Tokenization?

1 Tokenization

Tokenization is the process of creating a unique digital identifier (token) on a blockchain or other distributed ledger that represents or embodies an asset, right, obligation or other interest.

2 Tokenized asset

A **tokenized asset** is an asset, right, obligation, or other interest that is represented or embodied by a token recorded on a blockchain or other distributed ledger. The legal rights and interests associated with the token depend on its structure and the applicable contractual and legal arrangements.

3 Examples

Examples of tokenized assets may include tokenized versions of units of money market funds, bonds, equities, fractional interests in real estate etc.

KEY DISTINCTION **Crypto assets ≠ tokenized assets**

The plumbing barely holds

- **A long intermediated chain.** Shareholder communications pass through layers of nominees. NI 54-101 was built to manage these layers.
- **Record dates are reconstructed.** Ownership as of a record date is pieced together through nominees, not read directly.
- **Over-voting / double-voting.** Reconciliation gaps produce the recurring embarrassment that undermines confidence in shareholder democracy.
- **Issuers can't see who holds.** Beneficial ownership is opaque to the very company it belongs to.
- **Corporate actions are manual.** Votes, meetings and corporate actions are stitched together by hand.

What a single, authoritative register unlocks

- **Direct digital delivery.** Communications sent straight to wallets, compressing the intermediated chain.
- **Record-date precision.** Ownership read to the second, rather than reconstructed through nominees.
- **The end of double-voting.** A single authoritative on-chain register removes the reconciliation gaps that produce over- and double-voting.
- **Beneficial-ownership transparency.** Issuers can finally see who actually holds securities — which today they often cannot.

TOKENIZED SECURITIES / DERIVATIVES

Structures and Ownership Rights

Issuer-sponsored

REGISTERED SHAREHOLDER

- **Holder's Claim:**
  Direct claim on the issuer
- **Record of ownership:**
  Issuer's register
- **Shareholder rights:**
  Full voting, dividend and liquidation rights

Third-party custodial

INTERMEDIATED ENTITLEMENT

- **Holder's Claim:**
  Entitlement against the third-party/custodian
- **Record of ownership:**
  Custodian/third-party books
- **Shareholder rights:**
  Structure dependent – some rights may pass through

Third-party synthetic

NO OWNERSHIP

- **Holder's Claim:**
  Price exposure only; claim on third-party sponsor
- **Record of ownership:**
  Not on the issuer's register
- **Shareholder rights:**
  No ownership rights

CASE STUDY

Project Samara

- Consortium included RBC, TD, Export Development Canada and the Bank of Canada
- Experimental private-permissioned blockchain bond trading platform

Experiment involved:

1

Issuance and redemption by EDC of a $100M tokenized bond issued to RBC and TD treasury

2

Issuance of wholesale digital money (W-CAD) supported by the Bank of Canada to facilitate coupon payments and trading

3

“Atomic” secondary trading of bonds between RBC and TD using W-CAD on platform