

Tokenized Securities Readiness: What DTCC Participants Need to Know

Why it matters?

The Executive Brief — Five Insights, Four Decisions

 White paper



Editorial note: Scope and methodology

This paper has been prepared for DTC participant firms — custodians, broker-dealers, and asset managers — evaluating their operational readiness for DTC's announced tokenization service. It draws on publicly available regulatory documents, DTCC publications, industry research, and Zensar's consulting work with capital markets participants.

Readers should note the following qualifications:

- **Announced pilot.** The DTC tokenization service is an announced pilot. Implementation timelines, eligibility criteria, and technical specifications are subject to change. Readers should consult DTC directly for current program details.
- **Regulatory.** Regulatory obligations are evolving. The SEC No-Action Letter governing the pilot does not constitute rulemaking. Specific participant compliance obligations may differ from those discussed here and should be confirmed with legal counsel.
- **Not legal advice.** This paper does not constitute legal, regulatory, or compliance guidance. Readers should seek independent legal and regulatory counsel.
- **Not independent research.** This paper is not independent research. Zensar BFS Capital Markets is a consulting firm offering commercial services for tokenized securities operations. Readers should weigh this context accordingly.
- **Source governance.** Statements derived from external sources are distinguished as confirmed facts, publicly communicated roadmaps, analytical inferences, reasonable assumptions, or areas still evolving. Readers should independently evaluate source materials and monitor future regulatory and industry developments.

Series navigation: This is paper 1 of 3 — Why it Matters? For the full six-domain operational framework, domain-by-domain analysis, maturity model, implementation approaches, and risk considerations, see paper 2 (How to Prepare) — Operational Readiness Framework for Tokenized Securities. For pre-production validation, QA, and testing guidance, see paper 3 (How To Validate) — Validating Tokenized Securities Operations.

Executive Summary



What is changing?

DTC, the central securities depository underpinning US equity and fixed-income markets, has announced a tokenization pilot that would allow DTC participants to hold security entitlements on approved DLT networks (Canton is the first announced network, initially for U.S. Treasuries) alongside existing book-entry positions, under a December 2025 SEC No-Action Letter. If the pilot proceeds as communicated, participating firms would for the first time maintain security positions simultaneously across two record-keeping systems — their existing OMS/sub-ledger and DTC's LedgerScan token state record — operating at different update frequencies, using different identifiers, and updated by different authorities, including DTC itself through a root-wallet override mechanism. Operational frameworks built for a single-record environment require structural extension, not configuration, to address this reliably.



Why DTCC is Pursuing Tokenization?

DTCC's tokenization initiative is not primarily a technology modernization program. It is an attempt to create the foundational infrastructure for next-generation capital markets. The long-term industry objectives include improved collateral mobility, programmable securities workflows, expanded operating hours, reduced post-trade friction, and enhanced interoperability across digital and traditional ecosystems. The operational complexity described throughout this paper should therefore be viewed as a transitional challenge created by the pilot architecture rather than the intended long-term market state. DTCC's strategic direction remains focused on simplifying and modernizing market infrastructure over time.



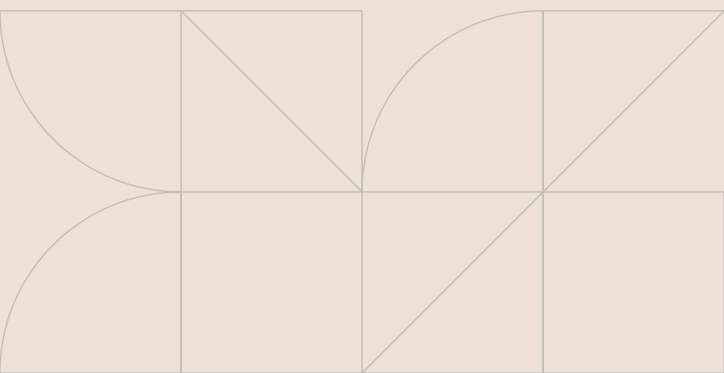
How this paper is organized

This executive brief distills the case for action into three parts. The 'key insights' section sets out five structural conclusions that should shape how a participant sequences its readiness program. The 'at a glance' table answers the five questions a COO is most often asked by their own leadership. The 'executive decision framework' converts those insights into four sequential decisions. The full paper — linked at the end — develops the supporting analysis: the structural shift, why timing matters, the six operational capability domains, where readiness varies by participant type, and where readiness programs most often fail in practice.



Implementation and validation

A participant may implement the correct architecture across all six domains and still encounter operational failures when first exposed to real production conditions. Pre-production validation — covering synthetic event testing, break injection, corporate action simulation, and root-wallet override testing — is a distinct workstream. Paper 3 of this series addresses this topic in full.



Key insights

Five structural conclusions follow from the facts and inferences developed across this paper. They are stated here up front because each has a direct bearing on how a participant should sequence their readiness program. The supporting analysis for each appears in the full paper.

Insight 1:

Tokenization increases reconciliation demands before realizing longer-term market structure benefits.

The common narrative around tokenization is disintermediation — fewer intermediate records, less reconciliation. The DTC pilot structure does the opposite for participants: it adds a second authoritative record that updates on a different clock, using a different identifier space, and can move without a participant-originated instruction. Reconciliation does not disappear; it becomes continuous and gains a counterparty — DTC itself — that traditional break models do not anticipate.

Implication: DTCC's strategic objective is not to increase reconciliation permanently, but to enable a transition toward more synchronized market infrastructure. The pilot phase introduces temporary operational complexity as firms adapt to a dual-record environment. Firms that frame their readiness program as "reducing reconciliation burden" are solving the wrong problem. The program should be framed as a redesign of reconciliation for continuous, multi-authority operation. See the full paper, Section 1.

Insight 2:

Authority over the position shifts partially from the participant to the infrastructure.

In traditional book-entry operations, every position change is traced to a participant instruction or a well-understood corporate action. The root-wallet mechanism breaks that invariant: DTC retains administrative authority to intervene in tokenized positions under the pilot framework through the root-wallet mechanism. While this capability introduces a new operational control requirement, it exists to preserve market integrity and operational resiliency rather than to create discretionary position management. Root-wallet use is exceptional and SEC-reported; the more routine source of instruction-less change is a peer-to-peer wallet transfer that settles on-chain without a DTC instruction. Both defeat a control model that assumes the participant always originates the change.

Implication: Control frameworks built on the assumption that the participant always knows why a position changed will systematically misclassify root-wallet events. Override detection (domain 5) is not optional instrumentation — it is a control gap unless explicitly addressed. See the full paper, Sections 1 and 3.

Insight 3:

Real-time data breaks the batch control model, not just the batch reconciliation model.

Most operating models treat real-time data as a reconciliation problem — records update at different rates, so comparison logic must run more frequently. That framing understates the issue. Controls, sign-offs, escalation paths, and supervisory review in most operations functions are built around the batch cycle: a discrete end-of-day point at which a position is considered settled and reviewed. A near-real-time external record removes that discrete checkpoint. The control question is not "how often do we compare" but "what does sign-off mean when the thing being signed off can change again before the signature is recorded."

Implication: This is a governance-and-controls design question before it is a technology-integration question. Firms that delegate this entirely to technology teams risk building a fast pipe into a control framework that was never designed to receive it. See the full paper, Exhibit 1.

Insight 4:

The build-vs-buy decision is being made on incomplete information by design, not by accident.

ComposerX API schemas, the CA processing framework, and SEC examination expectations are all still evolving. Firms often treat this incompleteness as a reason to delay the build-vs-buy decision entirely. That is a misread of the situation: the talent and integration lead times for internal build do not wait for DTCC's publication schedule, and vendor roadmap commitments take months to negotiate. The decision itself should be made early and explicitly revisited quarterly as specifications firm up—not deferred until the information gap closes.

Implication: "wait for clarity" and "decide now, revisit quarterly" produce materially different production-readiness dates for the same firm. See the full paper, Sections 2 and 7.

Insight 5:

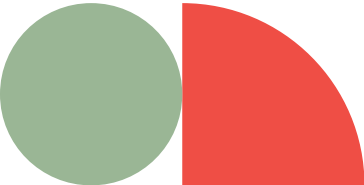
Readiness is not a single state; it is a function of the onboarding wave, and most firms do not yet know their wave.

The onboarding wave is the single most consequential input — but the more important observation is that most participant firms have not yet asked DTCC directly. Readiness investment decisions are being shaped by internal assumptions about urgency rather than confirmed onboarding sequencing. This is the single highest-leverage, lowest-cost action available to any participant this quarter.

Implication: Before any technology or staffing decision, confirm onboarding wave directly with DTCC. It is the cheapest readiness action in this paper, and the one most often skipped. See "Executive decision framework - Q1".

At a glance: Five questions an executive should be able to answer

Question	Short answer
What has changed?	DTC has announced a tokenization pilot that would require participants who elect tokenized recording to maintain security positions in two systems simultaneously — the traditional book-entry system and a new tokenized record on the Canton blockchain. These systems update at different frequencies and are governed by different authorities.
Why does this create new operational requirements?	The combination of near-real-time external updates, DTC's root-wallet authority to modify positions without participant instruction, and a new identifier space means that existing end-of-day reconciliation frameworks are unlikely to be sufficient without extension.
What should firms do now?	Assess current-state readiness across six operational capability domains. Confirm the expected production timeline with DTCC. Engage legal counsel on regulatory evidence obligations.
What remains genuinely uncertain?	ComposerX API specifications are not yet fully published. SEC examination expectations for participant controls have not been communicated. DTCC has not specified the CA processing architecture for dual-record positions. Vendor platform readiness is still being defined.
What is the single most important first action?	Confirm your firm's expected production onboarding timeline directly with DTCC. The appropriate urgency of readiness investment depends entirely on whether your firm is in the first production wave or a subsequent one.



Executive decision framework

Four questions determine the urgency and direction of your readiness program. Answer them in order. The analytical basis for each question is developed in the full paper.

Level	If the answer is yes	If the answer is no
Q1. Is your firm in the first production wave? <i>Confirm directly with DTCC. This is the single most consequential input to your readiness plan.</i>	Begin readiness assessment immediately. Limited production went live in July 2026 with real assets; the full-service launch is targeted for October 2026. Lead time for implementation is measured in months.	Begin stage 1 assessment now to understand exposure. Use the observation period to monitor API specifications and vendor roadmaps. Review quarterly.
Q2. Does your existing vendor have a confirmed roadmap for tokenized securities? <i>"Confirmed" means a committed delivery date with specific ComposerX API version support, not a press announcement.</i>	Evaluate the extension path. Integration complexity is lower; timeline risk shifts to the vendor. Require written commitments before planning around vendor delivery.	Assess alternatives: internal build (requires DLT capability), a specialist accelerator (faster to market), or a hybrid approach that combines both. See paper 2, section 6.
Q3. Does your firm have internal DLT/Canton capability? <i>DLT/Daml expertise (Canton where the firm's chosen network requires it) is limited in the market. Talent planning is a three- to six-month workstream if the internal build is chosen.</i>	Internal build remains a viable option. Begin talent planning in parallel with technical planning, not sequentially. Best suited for tier-1 participants with prior investment in Canton.	Prioritize either a vendor platform extension or a specialist accelerator. A full internal build without existing DLT capability is unlikely to meet early production timelines.
Q4. Have you confirmed regulatory evidence obligations with legal counsel? <i>SEC examination expectations for tokenized position controls have not been formally communicated. The risk of doing nothing is unknown but not zero.</i>	Proceed with readiness planning. Ensure counsel continues to monitor SEC developments and feeds updates into your program.	Engage legal and compliance counsel before committing to a technical path. Regulatory clarity may affect which domains require the most urgent attention and what evidence standards to design for.

Implementation guidance for the decisions generated by Q2 and Q3 appears in paper 2, section 6. Pre-production validation guidance appears in paper 3.

Executive Decision Tree — Four Questions, In Order

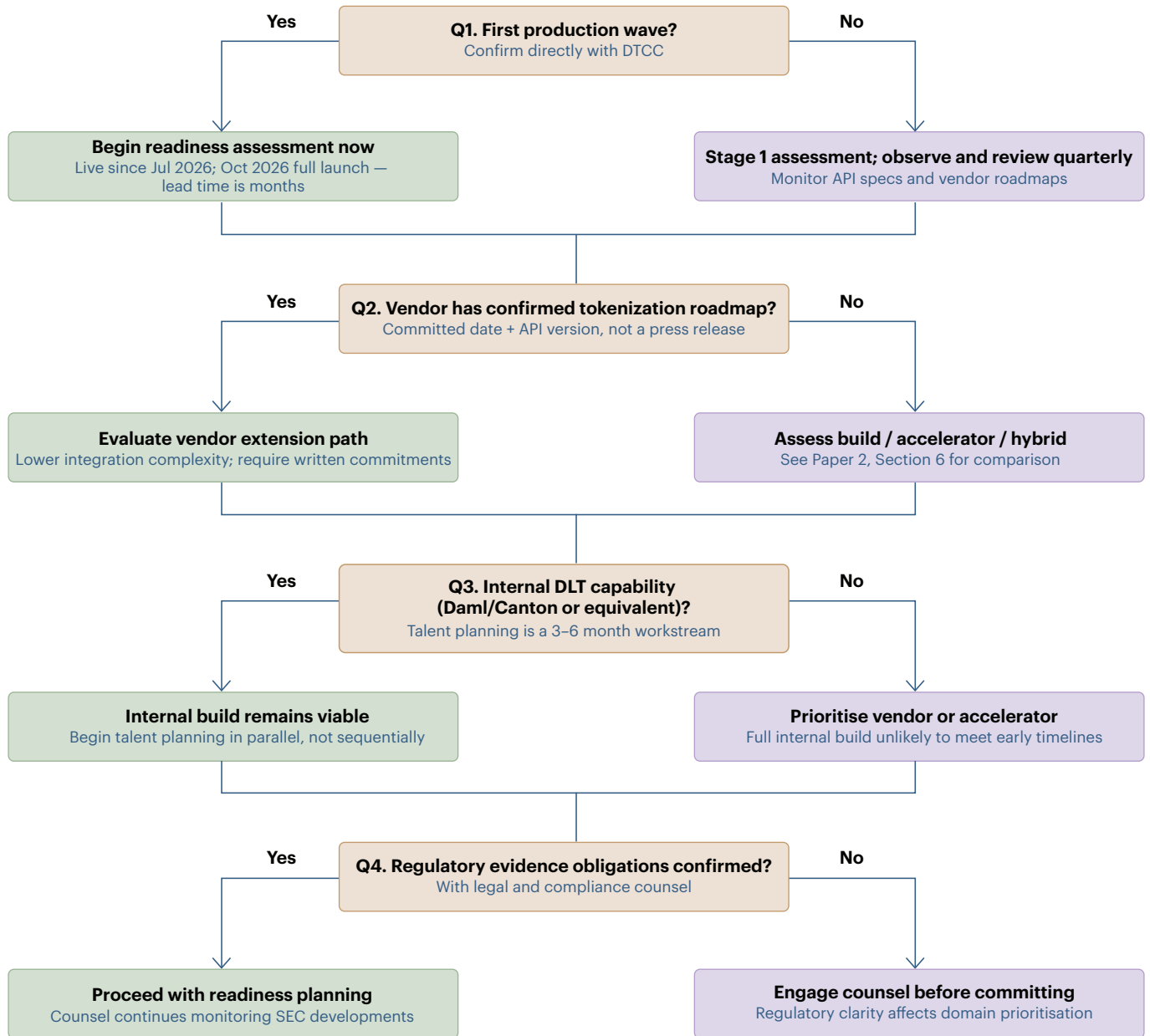


Figure 3. The four questions from the table above are shown as a sequential decision path. Each branch leads to the next question, not a terminal outcome, and all four should be answered.

Read the full paper -

Tokenized Securities Readiness: What DTCC Participants Need to Know | Why it matters?

It adds the six-domain operational framework, a participant-readiness heatmap, and the five ways readiness programs fail in practice — plus the confirmed-facts-vs-inference source governance behind every claim in this brief.

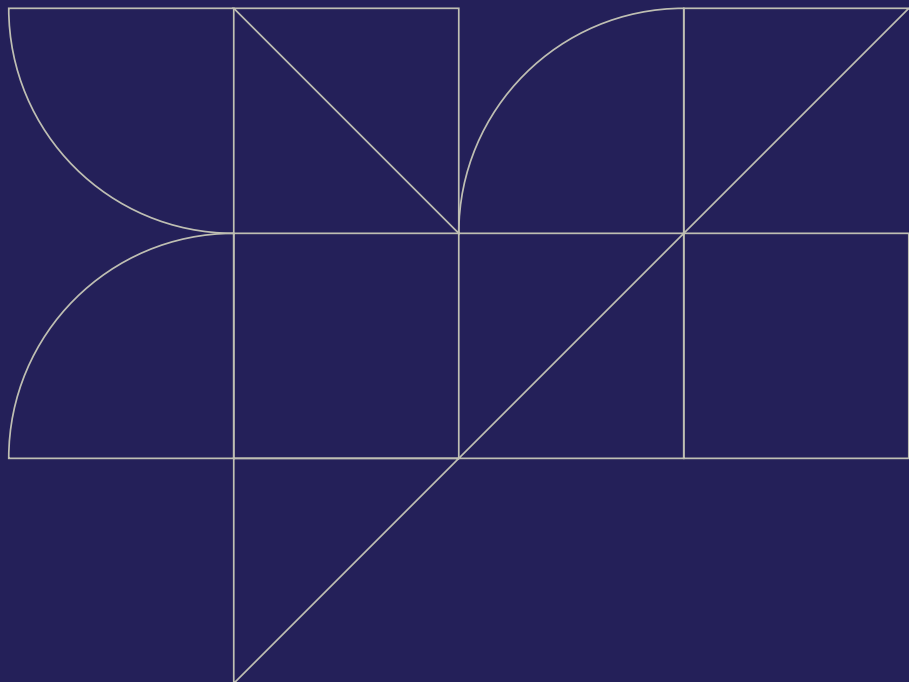
"To pressure-test your wave assumption and domain exposure, Zensar runs structured readiness workshops - see contact details on the final page"



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