
A Change of State: Will the SEC’s “Innovation Exemption” for Tokenized Stock Trading Usher in a New Era for Global Capital Markets?

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On September 17, 2026, the Securities and Exchange Commission (“SEC”) issued two conditional exemptions to facilitate permissioned trading of tokenized national market system (“NMS”) stocks, known as the “Innovation Exemption.” Qualifying Tokenized Securities Venues (“TSVs”) are exempt from the definition of “exchange,” and certain liquidity providers are exempt from the definition of “dealer.” The relief took effect immediately and is scheduled to expire on September 17, 2031.

The “Innovation Exemption” brings decentralized finance trading methods, including automated market makers, onto the “main stage” of the U.S. equities markets, while the TSV remains responsible for permissioning and compliance. Together with the SEC’s broader market structure initiatives, the exemption influences not only how U.S. equities trade domestically, but also how investors and intermediaries outside the United States access, price and connect with those markets.

Cahill’s client alert examines the SEC’s exemptive relief, the business models it could support, the questions it leaves unresolved, and the practical choices facing firms considering participation.

Read the full alert below.

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