A FIELD GUIDE

Five Phrases That Should Make You Walk Away

The language tokenization sellers use to dress up risk and dodge regulation.

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Every pitch has its own vocabulary. Tokenization is no different. These are the five phrases that, when you hear them, should end the conversation.

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FROM THE EDITOR

Watch the language.

Every category of finance has its tells. The phrases that show up in a pitch are not random. They are often the exact words a compliance team has approved to imply something the issuer cannot legally state outright.

Tokenization has its own vocabulary, and it is still being workshopped. Some terms are honest descriptions of a real product structure. Others are marketing language designed to make a risky offering sound like a safe one, or to make a restricted offering sound like an accessible one.

This is a short list of the five phrases I have learned to treat as immediate red flags when they appear in tokenization pitches. Each one has a specific technical or regulatory reason for being a warning. When you hear them, stop the conversation and ask for documentation. If the documentation does not support the language, you have your answer.

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THE PHRASES

Five phrases. Five reasons to walk.

Each entry below names the phrase, explains why it is a red flag with the technical or regulatory reasoning, and gives you the question to ask that will reveal whether the offering is what the language suggests.

PHRASE 01

"Guaranteed yield" or "fixed returns"

Why it is a red flag. No legitimate yield-bearing asset is guaranteed. Tokenized Treasuries yield whatever Treasuries yield (roughly 4 to 5% in 2026), and that rate moves with the Federal Reserve. Tokenized private credit carries default risk. Tokenized real estate depends on rental income that fluctuates. The word "guaranteed" applied to any of these is either a misuse of language or a sign that the yield is being paid from investor inflows rather than asset returns, which is the definition of a Ponzi structure.

What the SEC has said. The SEC has repeatedly charged firms offering "guaranteed" or "fixed-yield" crypto products with unregistered securities violations. Gemini Earn (2023), BlockFi, and BarnBridge DAO are all cases where the agency took action against products marketing fixed crypto yields without proper registration. In April 2025, the SEC charged the founder of PGI Global with running a $198 million Ponzi-like scheme marketed as "guaranteed" returns from crypto trading.

THE QUESTION TO ASK

"If the underlying asset stops producing this yield, who pays me, and out of what funds?" If the answer involves new investor deposits or platform reserves rather than the asset itself, walk.

PHRASE 02

"You own a piece of the [iconic asset]"

Why it is a red flag. Fractional ownership pitches frequently use trophy assets as the hook: a Picasso painting, a luxury Manhattan apartment, a stake in a famous racehorse, a vintage Ferrari. The marketing image suggests you literally own a fraction of that thing. Almost always, what you actually own is a token issued by an LLC that holds a contract that references the asset, with fees layered into every level of the structure and liquidity that exists only in theory.

The structural problem. Tokenizing real-world assets requires a Special Purpose Vehicle (SPV) to legally hold the asset. Token holders own a claim against the SPV, not the asset itself. If the SPV is poorly structured, the asset is damaged, the platform shuts down, or the legal documentation has gaps, your "ownership" may be unenforceable. Property law has not caught up with tokenization in most jurisdictions, and proving ownership of a token does not automatically confer enforceable rights to the physical asset.

THE QUESTION TO ASK

"If I want to redeem this token for my share of the underlying asset, what is the exact legal process, what fees apply, and how long does it take?" If you cannot get a clear answer, you do not actually own what the marketing implies.

PHRASE 03

"No accredited investor requirement"

Why it is a red flag. Most legitimate tokenized securities in the U.S. are issued under Regulation D, which restricts sales to accredited investors. BlackRock's BUIDL fund requires a $5 million minimum. Franklin Templeton's BENJI is more accessible but still operates under regulatory frameworks designed for sophisticated participants. A tokenized offering that proudly advertises "no accreditation required" is either using Regulation A+ (which has strict investor protections including investment caps at 10% of income or net worth), operating offshore to dodge U.S. securities law, or simply violating the law.

The regulatory reality. Per Regulation D Rule 506(c), general solicitation of unaccredited investors for unregistered securities is prohibited. The SEC has brought enforcement actions against firms that marketed Regulation D offerings to unaccredited investors. "No accreditation needed" combined with "this is a security-like investment" is the regulatory equivalent of advertising a controlled substance with no prescription required.

THE QUESTION TO ASK

"Under which SEC exemption is this offering being made, and where is your Form D filed on EDGAR?" Legitimate U.S. offerings have a clear, citable answer. If the response is "we're offshore" or "this is a utility token, not a security," verify that classification independently before investing.

PHRASE 04

"Backed by [country]'s [real estate / commodity / etc.]"

Why it is a red flag. Tokenization pitches frequently invoke foreign jurisdictions for the underlying asset because doing so adds an exotic, hard-to-verify quality to the offering. "Backed by Dubai real estate." "Backed by Brazilian farmland." "Backed by Singapore commercial property." The structural problem is not the asset class. The structural problem is that as a U.S. investor, your ability to enforce your claim against foreign real assets depends entirely on the local legal system, the quality of local courts, the integrity of local title registries, and whether your token contract is recognized by local law at all.

Why this matters. U.S. property law assumes that a recorded deed and title insurance provide enforceable rights. In many emerging markets, title registries are unreliable, subject to political interference, or simply non-functional. In some jurisdictions, foreign ownership of land is restricted or prohibited outright. The FBI has warned of rising "quit-claim deed fraud" affecting even U.S. real estate; the risk in less-regulated jurisdictions is significantly higher.

THE QUESTION TO ASK

"If the local government seizes this asset, the title is disputed, or the SPV operating company fails, what specific legal recourse do I have, and in which court?" If the answer is vague, or if the recourse exists only in a jurisdiction you cannot reasonably litigate in, you do not have meaningful protection.

PHRASE 05

"Just like owning [the asset] directly"

Why it is a red flag. This is the single most misleading phrase in tokenization marketing. Tokens are almost never equivalent to owning the underlying asset directly. They are contractual claims, often layered through multiple intermediary entities, with fees, restrictions, and risks the direct owner would not have. A tokenized share of an S&P; 500 ETF is not the same as owning that ETF in a brokerage

account. A tokenized real estate position is not the same as owning the deed. The differences are not academic; they show up in fees, voting rights, tax treatment, redemption mechanics, and what happens in disputes.

The SEC has been explicit. In its January 28, 2026 guidance on tokenized securities, the SEC distinguished between tokens issued directly by the security issuer (where the token IS the security) and tokens issued by third parties (where the token represents an indirect claim, often via a custodial arrangement or a synthetic structure). These two categories have radically different risk profiles, and the marketing language frequently obscures which one is being offered.

THE QUESTION TO ASK

"Am I buying the security itself in tokenized form, or am I buying a token issued by a third party that gives me an indirect claim against a custodian who holds the security?" These are very different products. The first is a security; the second is a derivative of one, with additional counterparty risk.

A FINAL WORD

Language is data. Listen to it.

The phrases above are not the only ones to watch for, but they are the five that show up most consistently across predatory or poorly-structured tokenization offerings. The pattern they share is that each one substitutes a comforting phrase for a hard regulatory or structural reality. The comfort is the product. The reality is what you actually buy.

Legitimate tokenized offerings will not use this language, because they don't need to. BlackRock does not market BUIDL as "guaranteed yield." Franklin Templeton does not say BENJI is "just like owning a money market fund directly." They describe what their products actually are, in

regulator-compliant language, with the actual structure documented in offering materials. When something in your inbox sounds too clean to be real, the language itself is the tell.

> "When the marketing has to do the legal work, you are looking at the wrong offering."

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