

OTCM Protocol Achieves SEC Category 1 Tokenized Securities Framework

Becomes First Micro-Cap Focused Platform to Meet All Requirements of Category 1 for Tokenization of Securities Under SEC's January 2026 Joint Staff Statement

FAIRFIELD, NJ, UNITED STATES, February 3, 2026 /EINPresswire.com/ -- Groovy Company, Inc. dba OTCM Protocol "[Over The Counter Microcap Protocol](#)" (OTC:GROO), today announced that its layer-2 platform to tokenize securities fully complies with the Securities and Exchange Commission's Category 1 (Issuer-Sponsored) framework as defined in the Joint Staff Statement on [Tokenized Securities](#) issued January 28, 2026.



The SEC's Joint Staff Statement, issued by the Division of Corporation Finance, Division of Trading and Markets, and Division of Investment Management, <https://www.sec.gov/newsroom/speeches-statements/corp-fin-statement-tokenized-securities-012826-statement-tokenized-securities> established two categories for tokenized securities. Category 1 applies to issuer-sponsored tokenization where the issuer authorizes the creation of tokenized representations of its own securities. Category 2 applies to third-party tokenization without direct issuer involvement.

"From day one, we built OTCM Protocol with the expectation that clear regulatory guidance would eventually arrive," said Frank Yglesias, Chief Information Officer of OTCM Protocol. "The SEC's January 2026 statement validates our architecture. We didn't need to pivot or retrofit — we were already there."

"The distinction between Category 1 and Category 2 is critical for investor protection," said Jeff Turner, Chief Legal Officer of OTCM Protocol and founder of JDT Legal. "Category 2 tokenization

creates counterparty risk — if the tokenizer fails, investors may become general creditors. Under Category 1, token holders have a direct ownership claim to real securities held by an SEC-registered transfer agent. There is no intermediary risk."

Model A: Direct Integration

OTCM Protocol operates under Model A (Direct Integration) of the SEC's Category 1 framework, where the distributed ledger technology serves as the official book-entry system for securities ownership. This approach eliminates reconciliation requirements between on-chain and off-chain records and provides real-time transparency through the Company's Reserve Oracle system.

"Our technical architecture was designed for this moment," said Frank Yglesias, Chief Information Officer of OTCM Protocol. "Every ST22 Security Token is backed 1:1 by Series M Preferred shares physically held by Empire Stock Transfer. Our 42 Transfer Hook security controls ensure compliance at the protocol level — not through policy, but through code."

OTCM Protocol's Category 1 compliant infrastructure addresses a critical market failure affecting more than 8,000 OTC companies and their shareholders. When trading volume falls below approximately \$5,000 per day, market makers withdraw coverage, leaving companies and shareholders without access to liquidity or capital markets.

"Traditional finance abandoned these companies," said Patrick Mokros, Chief Operating Officer of OTCM Protocol and President of Empire Stock Transfer. "At Empire, we serve over 500 publicly traded companies. We've watched hundreds lose market maker coverage through no fault of their own. OTCM Protocol gives them a path forward that's fully compliant with SEC guidance."

ABOUT OTCM PROTOCOL

<https://otcm.io> Groovy Company dba OTCM Protocol "Over The Counter Microcap Protocol" is an SEC Category 1 compliant blockchain platform that tokenizes micro-cap equity securities. By providing capital formation for the 11,000+ OTC companies abandoned by traditional finance, OTCM Protocol enables issuers to restore value to approximately \$50 billion in trapped common shareholder equity. The platform utilizes Solana's Token-2022 standard with shares held in custody by Empire Stock Transfer

FORWARD-LOOKING STATEMENT

This document contains certain forward-looking statements within the meaning of the U.S. federal securities laws with respect to Groovy Company dba OTCM Protocol "Over The Counter Microcap Protocol" ("OTCM Protocol" or the "Company"), including expectations, hopes, beliefs, intentions, plans, prospects, financial results or strategies regarding OTCM Protocol and the OTCM Protocol platform, including expectations regarding the SEC's Category 1 (Issuer-Sponsored) framework for tokenized securities, the anticipated benefits and timing of platform development and issuer onboarding, the ST22 Security Token infrastructure, the assets held by the Company, the macro and political conditions surrounding digital assets and tokenized

securities, the planned business strategy, plans and use of proceeds, objectives of management for future operations, the upside potential and opportunity for investors, the Company's plan for value creation and strategic advantages, market size and growth opportunities, investor benefits, regulatory conditions, competitive position, technological and market trends, future financial condition and performance, and the Company's expectations, intentions, strategies, assumptions or beliefs about future events, results of operations or performance or that do not solely relate to historical or current facts.

These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "potential," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements are predictions, projections and other statements about future events or conditions that are based on current expectations and assumptions and, as a result, are subject to risks and uncertainties.

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