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CFTC Framework for Technology Service Vendors (TSVs)

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A Practice Note explaining the Commodity Futures Trading Commission (CFTC) framework for oversight of technology service vendors (TSVs). This Note highlights the implications of CFTC Staff Letter 26-09, explaining how the letter provides a pathway for TSVs, such as self-custodial wallet providers, to facilitate user access to CFTC-regulated derivatives markets without registering as an introducing broker (IB). It describes how Letter 26-09 expands the established regulatory framework for TSVs and analyzes the conditions required to obtain relief for TSVs. This Note also discusses the broader impact of this development on the fintech, digital asset, and decentralized finance (DeFi) ecosystems and highlights transformative potential for prediction markets, which may now leverage more flexible and commercially viable business models under this evolved CFTC TSV framework.

The Commodity Futures Trading Commission (CFTC) first began issuing interpretive letters to technology service vendors (TSVs) in 2002, exempting certain passive technology providers from registration with the CFTC as introducing brokers (IBs) (see, for example, CFTC Letter No. 02-91). Since 2002, the nature of TSVs has changed dramatically, as many now provide blockchain-based or digital asset-related services. In March 2026, the staff of the CFTC's Market Participants Division (MPD) issued No-Action Letter 26-09 (Letter 26-09), providing regulatory relief to a crypto-asset wallet TSV seeking to expand its services into CFTC-regulated derivatives markets. Letter 26-09 has impact beyond crypto-asset custody. It may be particularly meaningful for the prediction markets space, where some companies have structured themselves as TSVs. The letter also represents a notable development for the blockchain and digital asset industry because it creates a pathway for self-custodial wallet TSVs to provide users access to derivatives markets, including event contracts and perpetual contracts, without registering as IBs or requiring their personnel to register as associated persons (APs). For information on the regulatory framework for event contracts, see Practice Note, Federal Regulation of Event Contracts in the US.

This Note discusses the CFTC framework for TSVs, including the implications of Letter 26-09 not only for TSVs, but for the entire DeFi ecosystem, including DeFi applications and front-end interface TSVs looking to offer access to derivatives and other CFTC-regulated financial products.

Established CFTC TSV Framework

Letter 26-09 builds on a well-established body of CFTC guidance regarding TSVs and their regulatory status under the Commodity Exchange Act (CEA). Understanding this regulatory history is essential to appreciating the significance of the new relief.

Beginning in 2002, MPD's predecessor division, the Division of Clearing and Intermediary Oversight (DCIO), issued a series of interpretive letters (the DCIO Letters) establishing a framework for determining whether TSVs facilitating access to the futures commission merchant (FCM) order entry systems must register as introducing brokers. In general, these letters established six key factors (Six Factors) that, when satisfied, indicate that a TSV need not register as an IB:

- Customers must have pre-existing relationships with FCMs or IBs independent of their relationship with the TSV.
- TSVs must not recommend, propose, or encourage customers to use any specific FCM or IB, even on request.
- The TSV's platform must not produce express buy or sell signals.
- The TSV must not solicit or accept orders for any commodity interest transactions.
- Fees charged by the TSV must not be related to fees charged by the FCM or IB for executing orders.
- The TSV must not receive compensation from any FCM or IB serving its customers, nor maintain a membership with trading privileges on any designated contract market (DCM).

The CFTC has emphasized that the most important consideration is whether the TSV's activities constitute soliciting or accepting orders. The regulatory focus has been functional rather than structural, examining what the TSV does in practice rather than how it labels its business.

Relief Under Letter 26-09

The company requesting relief, Phantom Technologies, Inc., is a TSV that develops and distributes self-custodial crypto-asset wallet software applications for use on several major blockchains, including Bitcoin, Ethereum, and Solana. The company does not provide custody services for crypto assets. Rather, akin to a password manager, its software enables users to generate and manage cryptographic credentials for viewing, storing, and conducting self-directed crypto-asset transactions.

The company also provides a user interface (UI) for customers to transmit transaction instructions to crypto-asset trading protocols and other decentralized applications.

The company sought to act as a TSV to CFTC-registered DCMs, FCMs, and IBs, allowing users to access trading in CFTC-regulated derivatives through the company's front-end UI software. It proposed to engage in activities that include development and distribution of software directly to market participants for use in:

- Reviewing market data.
- Viewing product information.
- Submitting orders for derivatives products.

These derivatives products included event contracts, perpetual contracts, and other CFTC-regulated derivatives. At no point would the company generate express buy or sell signals or exercise discretion with respect to the routing or execution of user orders.

The company's proposed business model involved:

- Contracting with collaborators (which could be DCMs, FCMs, or IBs) that may agree to share a portion of their relevant revenues with the company.
- Charging transaction-based fees directly to users.

The company proposed that it and its personnel would market its services and relationships with collaborators, including:

- Promoting the availability of derivatives contracts.
- Introducing users to specific collaborators.

Users must face no contractual or operational restriction from accessing those collaborators directly.

Letter 26-09: Conditions to Relief

MPD granted the requested relief because staff found that the company's involvement would:

- Be limited to passively providing software that enables users to transmit orders directly to collaborators.
- Not include any affirmative engagement with particular orders.

The relief granted in Letter 26-09 is subject to the following conditions:

- The company and its principals must not be subject to statutory disqualification and must notify MPD if any become disqualified.
- The company must disclose to users its relationship with collaborators, including potential conflicts of interest and fees, and users must acknowledge receipt of the disclosure.
- The company must provide risk disclosures consistent with CFTC Rule 1.55(b) (17 C.F.R. § 1.55(b)), unless a collaborator already provides them.
- Users must be:
  - onboarded directly by the applicable DCM, FCM, or IB; and
  - able to access that collaborator without the company's involvement.
- The company must adopt policies to comply with CFTC and National Futures Association (NFA) rules on public communications and marketing, as if it were a registered IB.
- The company must not engage in advertising that would require NFA pre-approval under NFA Compliance Rule 2-29.
- The company and each collaborator must:
  - agree in writing to joint and several liability for any violations of CEA or CFTC regulations; and
  - consent to the CFTC's enforcement jurisdiction.
- The company must maintain compliance and business records consistent with CFTC Regulation 1.31 (17 C.F.R. § 1.31).
- The company must notify MPD if it becomes insolvent or enters bankruptcy.
- The company must file a notice agreeing to these conditions and consenting to the CFTC's enforcement jurisdiction.

Collectively, these conditions reflect a "registration-lite" framework characteristic of certain CFTC exemptive relief categories. Rather than imposing the full array of registration and ongoing compliance obligations, the CFTC framework is designed to:

- Provide the CFTC with sufficient information to maintain regulatory awareness of an entity's activities (for example, filing notice with the CFTC, notifying staff upon insolvency or bankruptcy, and holding records consistent with CFTC requirements).
- Avoid the administrative burdens of comprehensive registration and oversight.

The relief in Letter 26-09 does not have a fixed expiration date. Rather, MPD states in the letter that the no-action position will remain in effect until the effective date of a CFTC rulemaking or guidance addressing the application of the IB registration requirement to TSVs. MPD also retains authority to

further condition, modify, suspend, terminate, or otherwise restrict the terms of the relief at its discretion. It is anticipated that the CFTC will ultimately adopt a formal rulemaking proposal to codify the relief in Letter 26-09.

How Letter 26-09 Expands the Six-Factor Framework

Letter 26-09 represents an important evolution of the CFTC's TSV framework. The company acknowledged that its proposed activities fall outside the Six Factors. The most notable deviation is the company's proposal that the collaborator and user need not have a pre-existing relationship (see Established CFTC TSV Framework and Relief Under Letter 26-09).

Rather than requiring the company to restructure its business model to fit within the Six Factors, MPD crafted a new set of conditions that preserve regulatory protections while accommodating the company's business model and permitting this arrangement.

Key departures from the traditional Six Factors also include permitting the TSV to:

- Market its services and relationships with collaborators.
- Introduce users to specific collaborators.
- Charge transaction-based fees directly to users.
- Receiving revenue-sharing from collaborators.

These features would have disqualified a TSV from relief under the original DCIO Letters but are now permitted, subject to the conditions outlined in Letter 26-09.

Implications for Fintech, Digital Assets, and DeFi

Letter 26-09 reflects the willingness of the CFTC under Chairman Michael S. Selig to accommodate technology-driven business models that do not fit neatly into traditional categories. MPD's position suggests that passive software provision, where the provider does not exercise discretion over order routing or execution and does not generate trading signals, can be distinguished from broker activities requiring registration, even where the provider engages in marketing and receives transaction-linked compensation.

Letter 26-09 has significant implications for the broader fintech and digital asset ecosystem. By recognizing that passive TSVs performing limited functions can operate without full broker registration, the letter provides a template for technology companies seeking to build bridges between emerging digital asset infrastructure and traditional regulated markets. For the blockchain and digital asset sectors, specifically, the letter:

- Provides important guidance on how wallet providers and similar software developers can expand their offerings to include regulated financial products.
- Addresses key concerns within the blockchain and DeFi communities regarding how self-custody should be treated under existing regulatory frameworks.
- Allows front-end interface providers to navigate regulatory requirements by maintaining a passive role that does not involve discretion over order routing or execution.
- Validates a business model in which self-custodial wallet software, operating on major blockchains like Bitcoin, Ethereum, and Solana, can serve as a front-end interface for accessing derivatives markets while allowing the user to maintain direct control over its assets.
- Provides relief consistent with relief granted under the SEC Division of Trading and Markets staff statement issued April 13, 2026, providing relief from broker-dealer registration UI providers that create, offer, or operate a UI to facilitate crypto-asset securities transactions, subject to certain conditions (see Practice Note, Deregulation of Crypto and Digital Assets Under Second Trump Administration: Broker-Dealer Registration of Certain User Interface Providers for Crypto-Asset Securities Transactions).

However, market participants should note some important limitations of the letter. Letter 26-09 represents the views of MPD only and is not binding on the full commission. It is based on the specific facts and circumstances presented in the letter, and different or changed facts could render the position void. Additionally, the relief in Letter 26-09 is limited to IB and AP registration requirements and does not address other potential regulatory considerations, such as DCM or swap execution facility (SEF) registration, anti-fraud provisions, or other applicable requirements under the CEA.

Letter 26-09 represents a meaningful step toward regulatory accommodation of innovative fintech business models in the digital asset space. Combined with the broader SEC-CFTC harmonization efforts and the CFTC's commitment to innovation-friendly approaches under Chairman Selig, Letter 26-09 suggests an evolving regulatory landscape that is increasingly receptive to technology-driven financial services businesses. For information on the SEC and CFTC crypto harmonization initiative, see Practice Note, Deregulation of Crypto and Digital Assets Under Second Trump Administration.

Implications for Prediction Markets

Some entities seeking to enter the prediction markets industry have chosen the TSV structure rather than registering as an IB that connects to a DCM. While this approach allows these companies to focus on entering the space quickly and operate without CFTC registration, it has historically been accompanied by meaningful constraints under the traditional Six-Factor framework established in the DCIO Letters (see Established CFTC TSV Framework).

By permitting TSVs to market their services and relationships with collaborators, introduce users to specific collaborators, charge transaction-based fees directly to users, and receive revenue sharing from collaborators, Letter 26-09 removes key barriers that previously constrained prediction market front-end providers operating under the TSV model.

Prediction markets operators structured as TSVs may now adopt more flexible, commercially viable business arrangements, including compensation tied to trading volume, without requiring IB registration, provided they satisfy the conditions set out in Letter 26-09. This flexibility represents a potentially transformative development for the prediction markets sector, enabling greater alignment between the economic interests of front-end providers and the platforms they serve.

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