Katten

NEWSLETTER



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Katten's Financial Markets and Funds *Quick Take* is a monthly newsletter highlighting key noteworthy developments potentially affecting financial markets and funds.

To read more issues of Katten's Financial Markets and Funds *Quick Take*, please click here.

Chairman Selig and the CFTC Make the Case for Federal Jurisdiction Over Prediction Markets

By Daniel Davis, Carl Kennedy, Alexander Kim

The Commodity Futures Trading Commission (CFTC) is not waiting for the courts to sort out who regulates prediction markets. In the span of a couple days, CFTC Chairman Michael S. Selig published an op-ed in *The Wall Street Journal* making the affirmative case for federal oversight of event contracts, and the Commission filed an *amicus* brief in *North American Derivatives Exchange, Inc. v. The State of Nevada* in the Ninth Circuit arguing that state gambling laws are preempted by the CFTC's exclusive jurisdiction over swaps and futures traded on designated contract markets (DCMs).https://quickreads.ext.katten.com/post/102mirp/chairman-selig-and-the-cftc-make-the-case-for-federal-jurisdiction-over-predictio*Read about Chairman Selig's principal arguments*.

SDNY US Attorney Clayton Cautions Enforcement Activity Could Be Coming to Prediction Markets

By Carl Kennedy

Prediction markets have drawn increased attention from both market participants and regulatory bodies, as trading volumes on these platforms have reached new highs. One regulator recently made statements about these markets, prompting some to pay close attention to possible enforcement activity in this space. *Read US Attorney Jay Clayton's comments.*

Touchdown or Tax Down? – How Will the IRS View Sports Contract Gains and Losses

By Carl Kennedy, Loren Lembo

If you watched the Super Bowl this year, you might have noticed a surge of advertisements for prediction market contracts on the big game. These markets have rapidly emerged as a focal point for retail traders, regulators (both federal, state, and Indian tribal authorities), and the public at large, while their tax treatment remains a gray area. The explosive growth of these markets has created a host of unresolved tax questions, with significant implications for traders, exchanges, and the broader financial system. *Read about tax considerations.*

Digital Asset Exchanges, 24/7 Trading and Collateral Tokenisation: Key Takeaways from the TOK26 Summit

By Christopher Collins

On 29 January 2026, Katten sponsored the London Tokenisation Summit (TOK26) in London, bringing together leading voices in digital assets and tokenization. Chris Collins, a partner in our London Financial Markets and Regulatory team, moderated a panel discussion titled "Digital Asset Exchanges, Next-Generation Settlement and Trade Automation, 24/7 Trading, Collateral Tokenisation." *Read about key takeaways from the panel discussion.*

SEC and CFTC Announce Joint 'Project Crypto' Initiative at Historic Harmonization Event

By Daniel Davis, Michael Didiuk, Carl Kennedy, Nicholas Gervasi, Alexander Kim, Caron Song

After years of regulatory turf wars and jurisdictional uncertainty, the Securities and Exchange Commission (SEC) and CFTC are signaling a new chapter in their relationship. SEC Chairman Paul Atkins and CFTC Chairman Michael Selig convened a joint roundtable on January 29, relaunching "Project Crypto," as an inter-agency effort to coordinate federal oversight of crypto asset markets. *Read about the new synergies between agencies.*

Michael Didiuk Explains What the SEC's Crypto Custody No-Action Letter Means for Funds and Investment Advisers

Financial Markets and Funds Partner Michael Didiuk spoke with *Hedge Fund Law Report* about the SEC No-Action that allows registered investment advisers and funds to treat a state trust company as a bank for purposes of holding and maintaining crypto assets and related cash and cash equivalents. *Read about Mike's comments.*

Marketing Rule Relief for Investment Advisers: SEC Staff Clarifies Flexibility on Model Fees and SRO Disqualifying Events

By Adam Bolter, Michael Didiuk

On January 15, Staff from the Securities and Exchange Commission (SEC) published two new frequently asked questions (FAQs) related to the Marketing Rule under Investment Advisers Act Rule 206(4)-1. The new FAQs underscore the SEC Staff's continued focus on the Marketing Rule, including during examinations. Prior Katten publications have discussed other SEC Staff Marketing Rule FAQs and Marketing Rule concerns identified in SEC examinations. *Read about the key takeaways.*

EU/UK

Nathaniel Lalone Discusses EBA Third-Party Risk Management Guidelines With *FinOps Report*

Financial Markets and Funds Partner Nathaniel Lalone spoke with *FinOps Report* regarding the European Banking Authority's (EBA) proposals to update its outsourcing guidelines, and the implications for EU financial firms. Nate provides insights into the EBA's proposed framework, which would align the outsourcing guidelines with the requirements set out in the EU Digital Operational Resilience Act (DORA), in effect creating a unified operational resilience compliance framework for all service providers to EU financial firms. *Read about Nate's comments.*

FCA Publishes Further Consultation on Application of the FCA Handbook to Cryptoasset Activities

By Christopher Collins, Carolyn Jackson, Nathaniel Lalone, Neil Robson, Ciara Watson

The UK Financial Conduct Authority (FCA) has published a consultation on proposed rules and guidance for firms conducting regulated cryptoasset activities, together with a guidance consultation on the application of the Consumer Duty to cryptoasset firms. This is the second part of an earlier consultation on the application of the FCA's rules to cryptoasset activities and reflects related consultation feedback. *Read about the FCA's crypto roadmap.*

ESAs and UK Regulators Sign Memorandum of Understanding on Cross Border Oversight of Critical ICT Providers under DORA

By Nathaniel Lalone, Ciara Watson

The European Supervisory Authorities (ESAs) and the UK's Bank of England, Prudential Regulation Authority and FCA (together, the UK Regulators) have signed a Memorandum of Understanding to coordinate the cross-border oversight of critical information communication and technology (ICT) third-party service providers (under the EU regime, CTPPs, and under the UK regime, CTPs) serving EU and UK financial entities. *Read about cross-border DORA oversight.*

ICYMI

Here's a look back at recent client advisories from Katten.

- "SEC Issues Guidance on Tokenized Securities," January 29, 2026

CONTACTS

For questions about developments in the Financial Markets and Funds industry, please contact any of the following Katten attorneys.



Cathleen A. Booth
+1.312.902.5336
cathleen.booth@katten.com



Daniel J. Davis
+1.202.625.3644
daniel.davis@katten.com



Christopher T. Shannon
+1.312.902.5322
chris.shannon@katten.com



Lance A. Zinman
+1.312.902.5212
lance.zinman@katten.com



Michael S. Didiuk
+1.212.940.6677
michael.didiuk@katten.com



Alexander C. Kim
+1.212.940.6535
alexander.kim@katten.com



Nicholas Gervasi
+1.212.940.8562
nicholas.gervasi@katten.com



Wendy E. Cohen
+1.212.940.3846
wendy.cohen@katten.com



Carolyn H. Jackson
+44 (0) 20 7776 7625
carolyn.jackson@katten.co.uk



Christopher Collins
+44 (0) 20 7776 7662
christopher.collins@katten.co.uk



Nathaniel Lalone
+44 (0) 20 7776 7629
nathaniel.lalone@katten.co.uk



Neil Robson
+44 (0) 20 7776 7666
neil.robson@katten.co.uk



Loren R. Lembo
+1.212.940.6554
loren.lembo@katten.com



Ciara Watson (née McBrien)
+44 (0) 20 7770 5231
ciara.watson@katten.co.uk



Stephen R. Morris
+1.212.940.6654
stephen.morris@katten.com



Jonah Roth
+1.312.902.5409
jonah.roth@katten.com



Adam Bolter
+1.312.902.5204
adam.bolter@katten.com

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