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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.

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SEC

A Major Change in SEC Enforcement Settlements: SEC Rescinds 'No-Deny' Policy

By Wayne M. Aaron, Michael Diver, Christian Kemnitz, Susan Light, Michael Lohnes, Richard Marshall

On May 18, 2026, the Securities and Exchange Commission (SEC) announced that it had rescinded its longstanding "no-deny" (gag) settlement policy, codified in Rule 202.5(e) of its informal rules of procedure. For more than 50 years, the SEC would not settle an enforcement action involving a sanction unless the respondent agreed not to deny the Commission's allegations publicly. The SEC's action removes that condition and gives the Commission greater flexibility to resolve enforcement matters without requiring settling parties to remain silent about disputed allegations. *Read about what this means for broker-dealers and investment advisers.*

SEC's Second Podcast Spotlights a 'Spring Cleaning' of Corporate Disclosure

By Michael Didiuk, Carl Kennedy, Adam Bolter, Lori Jacobs, Alexa Warner

On May 12, the SEC released the second episode of its podcast, *Material Matters*, with Chairman Paul S. Atkins hosting Jim Moloney, Director of the Division of Corporation Finance. Director Moloney, who returned to the SEC after 26 years in private practice, described the current moment as "monumental," signaling that broad changes are imminent: "This is a time where the rules are going

to be updated, they're going to be changed, and the world is going to change as a result." *Read about changes on the horizon for the SEC.*

SEC Adopts Inflation-Based Adjustment to 'Qualified Client' Thresholds for Performance Fees

By Michael Didiuk, Adam Bolter, Alexa Warner

On April 28, 2026, the SEC issued a final order adjusting for inflation the dollar amount thresholds used to determine whether an investor qualifies as a "qualified client" in order to charge a performance fee in reliance on Rule 205-3 under the Investment Advisers Act of 1940 (the Final Order). The new thresholds take effect on June 29, 2026. *Read about implications for registered investment advisers, private fund sponsors and their investors.*

Navigating the Future of US Options Markets: Takeaways From the SEC Roundtable

By Zachary Schmitz, Peter Wilson, Jessica Gracik, Casey McClaren, Alexa Warner

The US options market is booming, but is its regulatory framework keeping pace? On April 16, the SEC brought together exchanges, market makers, broker-dealers, clearing firms, academics, and regulators to tackle exactly that question. What followed was a spirited day of debate: three substantive panels, insightful input from industry veterans, and remarks from SEC leadership. *Read about takeaways from the SEC Roundtable.*

Prediction Markets/Crypto

Federal Court Blocks Arizona From Enforcing Gambling Laws Against Prediction Markets

By Carl Kennedy, Matt Kluchenek, Alexander Kim, Alexa Warner

A federal court has blocked Arizona from enforcing its state gambling laws against prediction markets. In an order issued on May 5, 2026, the US District Court for the District of Arizona granted a preliminary injunction — a significant win for the Commodity Futures Trading Commission (CFTC) and the Department of Justice (DOJ) in their campaign to assert exclusive federal authority over event contracts traded on CFTC-registered designated contract markets (DCMs). *Read about the court's decision.*

Doubling Down: CFTC Sues New York and Files Amicus in Massachusetts in Support of Prediction Markets

By Carl Kennedy, Zachary Schmitz

The CFTC continues to defend its jurisdictional turf. The CFTC filed a federal lawsuit against the State of New York and submitted an *amicus* brief to the Massachusetts Supreme Judicial Court as part of the CFTC's broader campaign to prevent what it characterizes as unlawful state encroachment into federally regulated commodity derivatives markets and reasserting its exclusive federal authority over prediction markets. The April 24 filings left no doubt that the CFTC will continue to play an aggressive role in the litigation and policymaking unfolding nationwide regarding prediction markets. *Read about the CFTC's litigation strategy.*

Classified Intel, Crypto and a Special Forces Sergeant: The CFTC's First Insider Trading Case in Prediction Markets

By Daniel Davis, Carl Kennedy, Matt Kluchenek, Zachary Schmitz, Alexander Kim

After previous repeated warnings to market participants that it was monitoring prediction markets for insider trading and manipulation, the CFTC sent a clear message on April 23 that insider trading will not be tolerated in prediction markets. The Commission brought its first case charging insider trading in prediction markets. The CFTC charged active-duty US Army Special Forces Master Sergeant Gannon Ken Van Dyke on April 23, 2026, with fraud and manipulation, insider trading by a government employee, and theft and misappropriation of nonpublic government information. *Read about the charges.*

CFTC Framework for Technology Service Vendors (TSVs)

By Daniel Davis, Carl Kennedy

Published by *Thomson Reuters Practical Law Finance*, this Practice Note explains the 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. *Read Katten's Practice Note.*

Litigation/Enforcement

CME Group Clarifies Application of Rule 575 to Pro Rata Markets

By Christian Kemnitz, Matt Kluchenek, Zachary Schmitz, Peter Wilson

More than a decade after targeting disruptive trading practices by implementing Rule 575, CME Group (CME) continues to fine-tune its application to the unique mechanics of *pro rata* markets. On May 4, CME Market Regulation issued Advisory Notice RA2602-5 (MRAN). The latest MRAN clarifies the application of Rule 575 to *pro rata* markets and introduces a new Q&A 12 designed to resolve longstanding uncertainty around Q&A 11, which, until now, was the lone piece of regulatory guidance addressing conduct that Rule 575 could prohibit in this corner of the market. *Read about the Q&As.*

Texas Forum Bylaw Clauses — Delaware Chancery Court Provides Practical Takeaways for Corporations Moving to Texas

By Ted Huffman

Corporations reincorporating in Texas to take advantage of the Texas Business Court now have new case law support. The Delaware Court of Chancery recently held that a Texas forum bylaw adopted by a company moving to Texas governed the litigation of certain internal matters arising before reincorporation. The decision provides practical takeaways for migrating companies in similar situations. Such companies should promptly amend their bylaws' forum selection clauses upon reincorporation, follow the formalities for corporate approval carefully, and provide immediate notice to shareholders of the changes. *Read about takeaways from the case.*

EU/UK

FCA Policy Statement on Fund Tokenization: What You Need to Know

By Christopher Collins, Ryan Hansen, Thomas Laurer, Neil Robson, Edward Tran, Ciara Watson

On 30 April 2026, the Financial Conduct Authority (FCA) published a policy statement (PS26/7), setting out rules and guidance to support the adoption of fund tokenization in the UK. PS26/7 applies directly to UCITS management companies, UK Alternative Investment Fund Managers managing

authorized funds, and depositaries of authorized funds. The rules and guidance set out in PS26/7 came into force with immediate effect on April 30. *Read about fund tokenization regulation.*

Streamlining Senior Manager Accountability: The FCA's SM&CR Reforms

By Christopher Collins, Neil Robson, Brigitte Weaver, Ciara Watson

On April 22, 2026, the Financial Conduct Authority (FCA) published its policy statement PS26/6, confirming a package of reforms to the Senior Managers and Certification Regime (SM&CR). These changes form part of a broader, multi-phase effort by the FCA, Prudential Regulation Authority (PRA) and HM Treasury to reduce unnecessary regulatory burden while preserving the core principles of individual accountability that underpin the UK's financial services framework. *Read about Phase One and Phase Two reforms*.

FCA Publishes Final Rules on the UK's New Short Selling Regime

By Christopher Collins, Neil Robson, Ciara Watson

On April 16, 2026, the FCA published Policy Statement PS26/5, setting out its final rules and guidance for the UK's reformed short-selling regime. The new framework, which will take effect on 13 July 2026, replaces the existing regime based on assimilated EU law with bespoke rules in the FCA Handbook, the Short Selling Rules sourcebook (SSR). *Read about new short-selling rules*.

ICYMI

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

- "Regulators Hit Reverse: SEC and CFTC Move to Scale Back Form PF," April 30, 2026

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