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.]

SEC

Carl Kennedy and Michael Didiuk Quoted in the *Hedge Fund Law Report* on the First-Ever SEC-NFA MOU

The *Hedge Fund Law Report* featured Carl Kennedy, Partner and Financial Markets and Regulation Co-Chair, and Michael Didiuk, Financial Markets and Funds Partner, in an article examining the first-ever Memorandum of Understanding (MOU) between the Securities and Exchange Commission (SEC) and the National Futures Association (NFA), entered into on May 21, 2026. The MOU is designed to enhance information sharing between the two regulators and to reduce duplicative oversight of the financial services firms and markets within their common regulatory interest. *Read about Carl and Mike's comments*.

Prediction Markets/Crypto

The SEC's Long-Awaited Crypto Proposal

By Dan Davis, Michael Didiuk, Carl Kennedy, Matt Kluchenek, Sam Bevenour, Alex Kim, Alex San Martin

After years of applying decades-old securities rules to digital assets, the SEC has proposed a purpose-built framework for raising capital with crypto assets and, under specified conditions, allowing those assets to cease being subject to an investment contract under the federal securities laws. Although the SEC continues to coordinate with the Commodity Futures Trading Commission (CFTC) and has acknowledged the importance of market structure legislation, Chairman Paul Atkins has made clear that the SEC is prepared to move forward under its existing authority even if Congress does not act. *Read about Reg CA.*

Tax-Efficient Investing

The Sunset Is Gone. Income Tax Remains: The PPLI – PPVA Solution.

By Henry Bregstein

For the better part of a decade, every estate planning conversation my colleagues had with a high-net-worth family started with the same clock: the 2017 Tax Cuts and Jobs Act exemption was set to sunset at the end of 2025, and attorneys, advisors and trustees were racing to get gift programs, spousal lifetime access trusts (SLATs) and irrevocable trusts funded before it reverted to pre-2017 levels. The race is over, at least for now. *Read about tax-efficient investment solutions.*

IRS Fixes the '1035 Exchange Trap': What Life Settlement Funds and PPLI Users Need to Know Now

By Henry Bregstein

The US Department of the Treasury (Treasury) and the Internal Revenue Service (IRS) have just finalized regulations fixing a problem that has quietly complicated life insurance exchanges since 2019. On July 8, the IRS issued final regulations under T.D. 10052, effective July 9, adopting (with modifications) the proposed regulations (REG-108054-21) that Treasury floated back in May 2023. Under Section 101(a)(2), if a life insurance contract is transferred for valuable consideration, the death benefit exclusion is capped at the consideration paid plus subsequent premiums, unless an exception applies. *Read about what these changes mean for reportable policy sales.*

EU/UK

FCA Finalizes Overhaul of UK Transaction Reporting

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

On August 3, the Financial Conduct Authority (FCA) published Policy Statement PS26/15, setting out final transaction reporting rules that will replace and restate assimilated EU law derived from the Markets in Financial Instruments Regulation (UK MiFIR). The policy statement follows HM Treasury's decision to repeal the existing UK MiFIR transaction reporting legislation, enabling the FCA to deliver a purpose-built domestic framework. *Read about the key changes.*

ESMA Publishes Preliminary Findings on the Active Account Requirement

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

On 6 July 2026, the European Securities and Markets Authority (ESMA) published two important documents on recent developments concerning central clearing in the European Union (EU): the Interim Report on the effectiveness of the Active Account Requirement (AAR) and the first Annual Report of the Joint Monitoring Mechanism (JMM). Together, these publications offer the first substantive read on how the AAR is reshaping the EU clearing landscape. *Read about ESMA's key findings.*

ICYMI

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

- "The OCC's "Wise" Decision: How the Denial of a Bank Charter Application Provides a Clearer Road Map for Stablecoin Issuers," August 6, 2026
- "Fifth NSI Act Annual Report: More Notifications, Fewer Interventions," August 5, 2026

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