Katten

NEWSLETTER



Financial Markets and Funds *Quick Take* | Issue 54

September 2026

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.

Broker-Dealer

Susan Light on FINRA's Push for Stronger Due Process and Transparency

The *Hedge Fund Law Report* spoke with Partner and Broker-Dealer Regulation Co-Chair Susan Light about a new Financial Industry Regulatory Authority (FINRA) report, released on June 30, 2026, as part of the agency's ongoing FINRA Forward project. Prepared by two unaffiliated enforcement experts, the report offers 24 recommendations to make FINRA's enforcement function more effective, transparent, and fair to respondent firms, including proposals to create a forum to challenge Rule 8210 information requests, expand the Wells process, and adopt a statute of limitations for enforcement actions. *Read about Sue's comments.*

Prediction Markets/Crypto

Don't Mention It… The CFTC Places New Guardrails on Mention Markets

By Daniel Davis, Alexander Kim, Alex San Martin

Prediction markets have steadily expanded the universe of event contracts in which market participants can take positions, the newest frontier being contracts on the conduct of named individuals. Staff of the Commodity Futures Trading Commission's (CFTC) Division of Market Oversight (DMO) have signaled that this particular category of event contract, known as “Mention

Markets," will face a materially higher bar before it can be listed and traded on a designated contract market (DCM). *Read about the heightened scrutiny for Mention Markets.*

Sports Bets or Swaps? Ninth Circuit's Controversial Kalshi Ruling Deepens the Divide

By Alexander Kim, Alex San Martin

Does federal derivatives law preempt state gaming regulations when a prediction market lists sports-related contracts as swaps? In *KalshiEX, LLC v. Assad*, the Ninth Circuit said no, at least for now, ruling that Kalshi had not shown that the Commodity Exchange Act (CEA) likely preempts Nevada's gaming laws. *Read about the circuit split.*

Derivatives

Derivatives 2026 – Global Overview

By Daniel Davis, Stephen Morris, Matthew Kluchenek, Alexander Kim, Nicholas Gervasi

Derivatives have become an integral part of the global financial landscape, with transaction volumes growing dramatically over the years. These powerful, capital-efficient financial instruments, whose value is derived from the value of underlying assets such as stocks, bonds, commodities, currencies, interest rates and market indexes, play a crucial role in risk management and speculative opportunities worldwide. *Read Katten's Chambers and Partners overview.*

Derivatives 2026: Law and Practice | Trends and Developments – England and Wales

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

The United Kingdom's regulatory framework over the derivatives markets and products is currently comprised of a mixture of UK-domestic and EU-derived rules and regulations. The rise of prediction markets has been one of the most striking developments in the global financial landscape in the last one to two years. *Read Katten's Chambers and Partners guide.*

Tax-Efficient Investing

The ID-SMA Is No Longer a Concept — It Is a Robust Structure

By Henry Bregstein

For a few years, the insurance-dedicated separately managed account (ID-SMA) was a structure that many advisors had heard about, but few had utilized. The compliance infrastructure was nascent, the advisor universe was thin, and the operational requirements of running a discretionary, insurance-dedicated separately managed account within a private placement life insurance (PPLI) or private placement variable annuity (PPVA) contract were not trivial. *Read about the ID-SMA inflection point.*

WSJ PPLI Commentary — The Journal Got a Few Things Right

By Henry Bregstein

This week's *Wall Street Journal* piece on private placement life insurance, "'A Roth IRA on Steroids': Wealthy Americans Find Another Tax-Free Way to Invest" (Aug. 29, 2026), got a lot of attention, and it deserves credit for one thing: the core mechanic is accurately described. Investments within a properly structured PPLI policy grow without current income tax or capital gains tax, and the proceeds pass to beneficiaries income-tax-free at death. *Read about what the headline left out.*

Artificial Intelligence

The AI Apocalypse: 'I'm Sorry, Dave. I'm Afraid I Can't Do That'

By Henry Bregstein

Dave Bowman won. It is worth remembering, amid the current genre of reporting in which artificial intelligence (AI) is revealed to be harboring gremlins, that the most famous machine betrayal in the canon ends with a man in a spacesuit, an emergency airlock and a screwdriver. *Read about the case for published AI principles.*

Charlotte Hill Discusses FCA Findings on Young Investors, AI and the Limits of Regulatory Protection

Financial Markets and Funds Partner Charlotte Hill offered commentary on newly published FCA research examining how young UK investors use and understand AI when making investment decisions. In a survey of 666 UK investors aged 18 to 40, the FCA found that 56 percent trust AI tools for investment help, ahead of television and radio (47 percent), the press (46 percent) and social media influencers (29 percent). *Read about Charlotte's comments.*

EU/UK

FCA Finalizes Cryptoasset Perimeter Guidance Ahead of the New UK Regime

By Christopher Collins, Charlotte Hill, Carolyn Jackson, Nathaniel Lalone, Neil Robson, Sara Portillo, Ciara Watson

The Financial Conduct Authority (FCA) has published a policy statement (PS26/18) on the finalized perimeter guidance for the UK's new regulated cryptoasset activities regime. PS26/18 sets out the FCA's response to feedback on consultation CP26/13 and inserts Chapter 18 into the FCA's Perimeter Guidance Manual (PERG). *Read about the new regulated cryptoasset activities.*

New FCA Rules on Reporting Material Outsourcings

By Neil Robson

Published by *Grip*, this article analyzes the FCA's new unified reporting regime for Material Third-Party Arrangements (MTPAs), introduced under FCA policy statement PS26/2 and the revised FCA guidance, which takes effect on March 18, 2027. From that date, the FCA, alongside the Prudential Regulation Authority (PRA) and the Bank of England, will replace legacy outsourcing frameworks with a single reporting regime, requiring regulated entities to deliver real-time notifications when they enter or significantly modify an MTPA and to submit a comprehensive annual register via the FCA's online Connect platform. *Read Katten's article.*

Neil Robson Discusses FCA Non-Financial Misconduct Regime With *Law360*

Law360 recently spoke with Financial Markets and Funds Partner Neil Robson regarding the FCA's new rules on non-financial misconduct, which take effect this week and will hold some 37,000 non-

banking finance businesses, including asset managers and insurers, to the same conduct standards already in place for banks, targeting bullying, harassment, and violence at work. Lawyers have warned that the regime could unfairly jeopardize careers, as firms face both wider enforcement risk and a temptation toward excessive caution in hiring decisions and regulatory references. *Read about Neil's comments.*

Broader FCA Regulatory Reference Rules Leave Newer Market Entrants 'Highly Vulnerable'

Law360 recently spoke with Financial Markets and Funds Partner Neil Robson regarding the FCA's extension of non-financial misconduct rules to 37,000 non-bank firms, which, since September 1, have been required to provide more detail about non-financial misconduct in regulatory references. Neil cautions that many businesses struggle to integrate their human resources, legal and compliance functions when making decisions about regulatory references. "They assume that because it is a compliance issue, legal or HR don't need to be fully involved," he warned. "This disconnect creates operational friction and heightens regulatory exposure." *Read about Neil's warning for newer market entrants.*

ICYMI

Read this important Katten client advisory on key industry developments.

- BlueCrest in the Supreme Court: Applying Condition B of the Salaried Members Rules in Practice, September 9, 2026

CONTACTS

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



Susan Light
+1.212.940.8599
susan.light@katten.com



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



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



Alex San Martin
+1.212.940.6682
alex.sanmartin@katten.com



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



Matthew F. Kluchenek
+1.312.902.5500
matt.kluchenek@katten.com



Nicholas Gervasi
+1.212.940.8562
nicholas.gervasi@katten.com



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



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



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



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



Henry Bregstein
+1.212.940.6615
henry.bregstein@katten.com



Charlotte Hill
+44 (0) 20 7776 7635
charlotte.hill@katten.co.uk



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



Sara Portillo
+44 (0) 20 7770 5244
sara.portillo@katten.co.uk



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



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



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



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



Jonah Roth
+1.312.902.5409
jonah.roth@katten.com

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