Crypto Policy Tracker

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White House Reportedly Plans Crypto and Prediction Markets Gathering, SEC Postpones Regulation Crypto Vote, SEC Staff Issues No-Action Letter on Tokenized Fund Custody, and CFTC Invokes Emergency Authority

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The White House is reportedly planning a gathering of crypto and prediction market executives for Aug. 19, one day before the CFTC's new Innovation Advisory Committee holds its first meeting. The SEC reportedly canceled a vote scheduled for Aug. 14 on whether to propose Regulation Crypto, new rules that would create a tailored offering regime for certain investment contracts involving crypto assets. The staff of the SEC's Division of Investment Management issued a no-action letter permitting registered funds to custody shares of an affiliated tokenized government money market fund with the fund complex's affiliated transfer agent, extending a 1992 book-entry precedent to blockchain-based recordkeeping.

The CFTC exercised its emergency authority under the Commodity Exchange Act, ordering a prediction market exchange to continue operating in accordance with the Act's core principles after the exchange notified the Commission of a market emergency arising from New York's enforcement action against it. The Commission separately issued staff guidance on self-certification of incentive programs for designated contract markets, and staff of two CFTC divisions issued a letter warning against displaying event contract prices in bookmaker-style odds.

In the courts, a Connecticut federal judge denied requests by a prediction market exchange and a crypto exchange to block state gaming regulators from enforcement action against their sports event contract offerings, and a New York federal judge declined to enter a temporary restraining order against New York officials in a suit brought by a newly registered sports prediction market operator. The New York City Council opened an investigation into advertising practices at four prediction market platforms.

Regulatory Updates

White House Reportedly Planning Gathering of Crypto and Prediction Market Executives

- On Aug. 13, it was reported that the White House is planning to host a gathering of officials from the crypto and prediction market industries on Aug. 19. The reported gathering would take place one day before the first meeting of the CFTC's new Innovation Advisory Committee, a panel that includes executives from crypto, finance and prediction market firms.

SEC Postpones Vote on Proposed Regulation Crypto Assets

- The SEC scheduled an open meeting for Aug. 14 to consider whether to issue a release proposing new rules to create a tailored offering regime for certain investment contracts involving crypto assets, called Regulation Crypto. On Aug. 13, the open meeting was cancelled. An agency spokesperson attributed the postponement to a scheduling issue and stated that the item would be moved to a later date.

- The proposal would likely build on the crypto safe harbor proposal Chairman Paul Atkins outlined in March 2026 and is expected to address capital raising for crypto projects without full securities registration.

SEC Staff Grants No-Action Relief for Fund Custody of Tokenized Money Market Fund Shares

- On Aug. 12, staff of the SEC's Division of Investment Management issued a no-action letter permitting registered funds within a global asset manager's complex to invest in an affiliated tokenized government money market fund, whose share ownership records are maintained on a system integrating book-entry records with public blockchain records, while custodying those shares with the complex's affiliated transfer agent without complying with the physical custody requirements of paragraphs (b), (e) and (f) of Rule 17f-2 under the Investment Company Act, subject to certain safeguards.

- The staff position extends a 1992 no-action letter issued to the global asset manager involving affiliated book-entry custody to blockchain-based recordkeeping. The no-action letter is limited to the facts and circumstances made in the incoming letter, which emphasizes that the transfer agent would create and control a separate blockchain wallet, and hold the associated private key, for each investing fund and would retain unilateral control over the official record of share ownership, including administrative controls to correct errors, freeze or migrate wallet records and restore the official record, so a compromised wallet private key would not by itself alter the official ownership record.

CFTC Invokes Emergency Authority in Response to New York Enforcement Action Against Event Contracts Exchange

- On Aug. 11, the CFTC exercised its emergency authority in response to a prediction market exchange's notification of a market emergency and ordered the exchange to continue operating in accordance with the Commodity Exchange Act's core principles. The exchange notified the Commission after the New York Attorney General filed suit against it on July 31 seeking a temporary restraining order that would prohibit the exchange from offering all event contracts nationwide, together with more than $36 billion in damages.

- On Aug. 12, the exchange filed a letter with the 2nd Circuit in its pending appeal of the denial of a preliminary injunction against New York officials, arguing that the order places it under a federal directive not to comply with any state court order and demonstrates the need for an injunction pending appeal.

CFTC Staff Warn Against Bookmaker-Style Pricing Displays for Event Contracts

- Staff of the CFTC's Division of Market Oversight and Market Participants Division issued a letter to CFTC-regulated entities and affiliates, as reported on Aug. 7, addressing misleading or deceptive practices in the listing, solicitation and acceptance of event contracts. The letter states that staff are concerned by reports that some CFTC-regulated products are being marketed in the "American odds" format used by bookmakers rather than in nominal or percentage terms that reflect market pricing.

- The divisions request that regulated entities which list, solicit or accept orders for event contract products review their pricing displays, marketing materials and the practices of their partners and affiliates, and confirm receipt of the letter by Aug. 31.

CFTC Staff Issue Advisory on Self-Certification of Incentive Programs

- On Aug. 12, the CFTC's Division of Market Oversight issued an advisory reminding designated contract markets of their obligations when submitting self-certifications for market-maker, liquidity, trading or incentive programs under Regulations 40.5 and 40.6. The advisory responds to an increasing number of incentive program rule filings, particularly for event contract products, that staff found procedurally or substantively deficient.

Additional Updates

Prediction Markets Updates

- On Aug. 10, a Connecticut federal judge denied preliminary relief to a prediction market exchange and, in a companion order, to a crypto exchange that operates a secondary market for the sports event contracts listed on the prediction market exchange, concluding that neither had established a likelihood of success on its arguments that the contracts are swaps under the Commodity Exchange Act and that Connecticut's gambling laws are preempted as applied to them.

- On Aug. 11, a New York federal judge declined to enter a temporary restraining order in the preemption suit a newly registered sports prediction market operator filed against New York state officials, covered in last week's edition, describing the suit as virtually identical to the pending action brought by another exchange in the same district and stating the court would not grant emergency relief without full briefing.

- On Aug. 12, the New York City Council announced an investigation into four prediction market platforms concerning potentially false, deceptive or abusive advertising practices, with a focus on marketing directed toward young people. The Council's letters request information on business operations, marketing practices, influencer and content creator campaigns, and whether the platforms targeted consumers under 21.

SEC and CFTC File Parallel Fraud Actions Over Crypto Ponzi Scheme

- On Aug. 11, the CFTC filed a complaint in the U.S. District Court for the Middle District of Florida against a crypto investment firm and its chief executive, alleging that the defendants engaged in a Ponzi scheme by fraudulently soliciting and accepting funds from the public for crypto asset trading, including in bitcoin and ether. The SEC filed a parallel action the same day.

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If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:

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