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Crypto Policy Tracker

White House Hosts Third Meeting Between Banking and Crypto Stakeholders, SEC Discusses Innovation Exemption and Stablecoins, and CFTC Files Prediction Markets Amicus Brief

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The White House Crypto Policy Council convened a third meeting with executives and representatives from the crypto industry and traditional finance to continue discussions on digital asset market structure legislation. Participants said progress had been made, but no agreement had been reached.

SEC Chairman Paul Atkins stated that he expects the Commission and staff to consider in the coming weeks and months a framework for crypto-assets that are subject to an investment contract and an innovation exemption to facilitate limited trading of certain tokenized securities. Additionally, the SEC staff of the Division of Trading and Markets issued an FAQ relating to the treatment of payment stablecoins under the broker-dealer net capital rule.

The CFTC filed an amicus brief in the U.S. Court of Appeals for the Ninth Circuit asserting that event contracts trading on CFTC-regulated markets is subject to the CFTC's exclusive jurisdiction. CFTC Chairman Michael Seling issued a statement that under the plain language of the Commodity Exchange Act, event contracts are "swaps."

White House and Regulatory Updates

White House Hosts Third Meeting Between Banking and Crypto Stakeholders on Stablecoin Yield

- On Feb. 19, the White House Crypto Policy Council convened a third meeting with executives and trade associations representing the [crypto industry](#) and traditional finance to continue discussions on digital asset market structure legislation. Participants said progress had been made, but no agreement had been reached.

SEC Discusses Tokenization

- On Feb. 18, SEC Chairman Paul Atkins and Commissioner Hester Peirce spoke at the [ETHDenver conference](#). Atkins stated that he expects the Commission and staff to consider in the coming weeks and months a framework for crypto-assets that are subject to an investment

contract; an innovation exemption to facilitate limited trading of certain tokenized securities; a rulemaking proposal to raise capital in connection with the sale of crypto-assets; rulemaking on custody of non-security crypto-assets; transfer agent modernization rulemaking; and no-action letters and exemptive orders.

- Regarding an innovation exemption, the SEC would like to “consider how issuers that want to tokenize their securities could work with a transfer agent or other tokenization agent to tokenize their securities so that they can be traded on chain in AMMs or other trading systems, environments or platforms that offer decentralized liquidity,” Atkins stated. He continued: “Buyers and sellers of the tokenized securities would go through a white-listing process. The exemption would be temporary but would last long enough for us to consider developing new rules and amending existing rules to allow such trading to continue under appropriate conditions in the future and to enable any parties that need to do so to register.”
- Also on tokenization, Atkins stated: “Tokenization could transform the financial system as we know it by, for example, shortening settlement cycles, facilitating the movement of collateral and dividends, facilitating proxy voting or making it easier for people to construct and manage bespoke, diversified portfolios of investments. We stand ready to work with entrepreneurs who are building for a better future.”
- Commissioner Peirce stated: “I would like to get to a place in which project developers would not fear to create tokens that carry some claim on revenue streams and thus are securities.”

CFTC Files Amicus Brief Asserting Control Over Prediction Markets

- On Feb. 17, the CFTC filed an [amicus brief](#) in the U.S. Court of Appeals for the Ninth Circuit asserting that event contracts trading on CFTC-regulated markets is subject to the CFTC’s exclusive jurisdiction.
- CFTC Chairman Michael Selig [issued a statement](#) remarking that under the plain language of the Commodity Exchange Act, event contracts are “swaps.” Selig continued, “[t]hey are derivative instruments that allow two parties to speculate on future market conditions without owning the underlying asset. In the wake of the 2008 financial crisis, Congress expressly granted the CFTC comprehensive authority over any such contract based on a commodity. The statutory definition of ‘commodity’ is extraordinarily broad and includes practically all goods, articles, services, rights and interests except for onions (due to a history of market manipulation) and movie box-office receipts (because of Hollywood lobbying).”
- On Feb. 13, Senate Democrats sent [a letter to Chairman Selig](#) urging the agency to “abstain from intervening in pending litigation involving contracts tied to sports, war, or other prohibited events,” and arguing that any rulemaking on event contracts should “reiterate that contracts involving gaming (including sports), war, terrorism, assassination, or other enumerated activities are barred and may not be listed, traded, or cleared under the Commodity Exchange Act.”

SEC Issues Statement on the Treatment of Stablecoins

- On Feb. 19, the staff of the Division of Trading and Markets [issued an FAQ](#) relating to the treatment of payment stablecoins under the broker-dealer net capital rule (Exchange Act Rule 15c3-1). The FAQ provides that the staff would not object if a broker-dealer were to apply a 2% haircut on proprietary positions in a payment stablecoin when calculating its net capital.
- In response, [Commissioner Hester Peirce](#) stated: “Stablecoins are essential to transacting on blockchain rails. Using stablecoins will make it feasible for broker-dealers to engage in a broader range of business activities relating to tokenized securities and other crypto assets.”

Treasury Department Announces Cybersecurity and AI Risk Management Initiative

- On Feb. 18, the Treasury Department's Artificial Intelligence Executive Oversight Group (AIEOG) [announced a public-private initiative](#) to strengthen cybersecurity and AI risk management in the U.S. financial services sector, including plans to release six resources during February to help financial institutions manage AI-specific cybersecurity risks that address the foundations of AI, governance, data practices, transparency, fraud and digital identity.

Additional Updates

CME Group to Launch 24/7 Cryptocurrency Futures and Options Trading on May 29

- On Feb. 19, the Chicago Mercantile Exchange Group, a derivatives marketplace, [announced that](#) its regulated cryptocurrency futures and options will be available for trading 24 hours a day, seven days a week beginning on May 29, pending regulatory review.

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