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## Crypto Policy Tracker

# SEC Issues Crypto Asset Interpretation, CFTC Issues No-Action Relief, SEC Addresses Tokenized Securities, Arizona Criminally Charges Prediction Markets Platform

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The SEC issued a landmark interpretive release clarifying how federal securities laws apply to certain crypto assets and related transactions, with the CFTC joining the SEC's interpretation. At the D.C. Blockchain Summit, SEC Chairman Paul Atkins announced that the Commission expects to release a proposed rulemaking in the coming weeks on crypto safe harbors and capital-raising exemptions.

On market structure negotiations, Senate Banking Committee Chairman Tim Scott (R-SC) signaled that new stablecoin yield compromise language for the CLARITY Act is expected to circulate imminently. Sen. Cynthia Lummis (R-WY) told attendees at the D.C. Blockchain Summit that she expects a markup of crypto market structure legislation in mid-April.

The CFTC issued a no-action letter to a developer of self-custodial crypto asset wallet software, covering the introducing broker and associated person registration provisions under the Commodity Exchange Act. On the prediction markets front, the Arizona Attorney General filed criminal charges against a prediction markets platform, alleging the company operated an unlicensed gambling business, directly clashing with the CFTC's assertion of exclusive federal jurisdiction over event contracts. Lawmakers also introduced multiple pieces of federal legislation targeting prediction markets.

## Regulatory Updates

### SEC Issues Interpretation Applying Securities Laws to Crypto Assets

- On March 17, the SEC [issued](#) an [interpretation](#) clarifying how federal securities laws apply to certain crypto assets and transactions involving crypto assets, with the CFTC joining the SEC's interpretation.
- The interpretation [establishes four categories of crypto assets](#) that are not deemed securities: digital commodities, digital collectibles, digital tools and payment stablecoins under the GENIUS Act. With these categories in place, the interpretation clarifies that a tokenized security remains a security.

- The interpretation also addresses how a “non-security crypto asset” could become subject to an investment contract and when an investment contract could terminate, and it additionally clarifies how federal securities laws apply to protocol mining, protocol staking and airdrops.

### **SEC Chairman Atkins Announces Crypto Safe Harbor Proposal**

- On March 17, SEC Chairman Paul Atkins [spoke at the D.C. Blockchain Summit](#) in Washington, D.C., where he outlined his proposal for a safe harbor, describing it as providing crypto innovators “bespoke pathways” to raise capital in the U.S. while providing appropriate investor protections.
- Chairman Atkins described three components under consideration:
  - A “startup exemption” that would allow entrepreneurs to raise up to a defined amount (potentially \$5 million) during a time-limited registration exemption (potentially four years) for offerings of investment contracts involving certain crypto assets.
  - A “fundraising exemption” for investment contracts involving certain crypto assets that would allow issuers to raise up to a defined amount (potentially \$75 million) in any 12-month period under a principles-based disclosure regime.
  - An “investment contract safe harbor” from the definition of “security” for certain crypto assets that could apply once an issuer has permanently ceased all essential managerial efforts it had promised that it would undertake.
- Atkins stated that the agency anticipates releasing a proposal on crypto safe harbors for public comment in the coming weeks.

### **CFTC Issues No-Action Relief for Non-Custodial Wallet Provider**

- On March 17, the CFTC’s Market Participants Division [issued CFTC Staff Letter 26-09](#), stating it will not take enforcement action against a software developer and distributor of self-custodial crypto asset wallet software for failing to register as an introducing broker or against its personnel for failing to register as associated persons under the Commodity Exchange Act.
- The letter allows the developer’s software interface to “passively enable Users to transact in Commission-regulated derivatives products” where the user has established a pre-existing relationship with a designated contract market, futures commission merchant or introducing broker. The conditions center on the developer’s non-custodial role: The firm cannot hold customer assets, “generate express buy or sell signals, or exercise any discretion with respect to routing or execution of user orders.” Instead, the developer should act only as a software interface routing users directly to CFTC-registered entities.

### **OCC Comptroller Gould Encourages Public Comments on OCC GENIUS Act Rulemaking and Signals Forthcoming Joint OCC-Treasury BSA/AML Rulemaking for Stablecoin Issuers**

- On March 17, at the D.C. Blockchain Summit, Comptroller of the Currency Jonathan Gould [requested the public](#) to submit substantive comments on the [OCC’s proposed rule](#) implementing the GENIUS Act, describing the rulemaking as iterative and noting that a number of issues in the proposal are first drafts that may be reshaped as a result of public comments.
- Comptroller Gould also announced that the OCC soon will be releasing a separate notice of proposed rulemaking jointly with the U.S. Department of the Treasury addressing BSA/AML requirements applicable to stablecoin issuers.

### CFTC Staff Issues FAQs Relating to Crypto Assets and Blockchain Technologies

- On March 20, the CFTC Market Participants Division and Division of Clearing and Risk [published FAQs](#) to respond to questions raised about, and provide further advice regarding previously issued CFTC Staff Letters, which addressed tokenized collateral and use of digital assets as margin collateral.
- The FAQs state that the CFTC Staff, in developing these FAQs, “were informed by the [Securities and Exchange Commission’s Division of Trading and Markets: Frequently Asked Questions Relating to Crypto Asset Activities and Distributed Ledger Technology.](#)”

### Congressional Updates

#### Senators Describe Market Structure Negotiations as Advancing

- On March 17, Senate Banking Committee Chairman Tim Scott (R-SC) [told attendees](#) at the D.C. Blockchain Summit that lawmakers may see new stablecoin yield compromise language as soon as this week.
- On March 18, Sens. Cynthia Lummis (R-WY) and Bernie Moreno (R-OH) addressed attendees at the same event, and Sen. Lummis stated that she expects a markup of crypto market structure legislation in mid-April. Sen. Moreno told attendees that Sens. Thom Tillis (R-NC) and Angela Alsobrooks (D-MD) “are in the final stages of negotiations” with the White House and both the banking and crypto industries over the yield issue.
- On March 20, [Politico reported](#) that Sens. Alsobrooks and Tillis (R-NC) reached a tentative agreement with the White House that is aimed at resolving a clash between banks and digital asset firms over stablecoin yield. It is unclear what is included in the agreement, and it remains to be seen whether the proposal will win support from both the banking and crypto industries.

#### Lawmakers Introduce Multiple Bills Targeting Prediction Markets

- On March 17, Sen. Chris Murphy (D-CT) and Rep. Greg Casar (D-TX) [introduced](#) the [Banning Event Trading on Sensitive Operations and Federal Functions Act \(BETS OFF Act\)](#), which would ban CFTC-regulated prediction markets from allowing users to trade on future outcomes related to government actions, terrorism, war, assassination and events “where an individual knows or controls the outcome.”
- Reps. Blake Moore (R-UT) and Salud Carbajal (D-CA) introduced the [Event Contract Enforcement Act \(H.R. 7840\)](#), which would require the CFTC to prohibit event contracts tied to terrorism, assassinations, war, gaming, elections and government activities, while allowing states to permit or deny access to event contracts on sporting events within their respective jurisdictions.
- Sens. Jeff Merkley (D-OR) and Amy Klobuchar (D-MN) [introduced](#) the [End Prediction Market Corruption Act](#), which would ban the president, vice president and members of Congress from trading event contracts.

### Additional Updates

#### SEC Approves Nasdaq’s Rule Change Enabling Trading of Tokenized Securities

- On March 18, the SEC [approved Nasdaq’s rule change](#) facilitating the trading of securities on Nasdaq in tokenized form during the [Depository Trust Company’s \(DTC’s\) tokenization pilot program](#). Pursuant to the rule change, eligible market participants will be able to trade tokenized versions of eligible securities on Nasdaq. These participants must be eligible to participate in the DTC pilot program and the securities covered are those eligible for tokenization under the program.

### Arizona Files Criminal Charges Against Prediction Markets Platform; CFTC and MLB Reach MOU on Prediction Markets

- On March 17, Arizona Attorney General Kris Mayes [filed criminal charges](#) against a prediction markets platform, accusing the company of running an illegal gambling operation. The 20-count complaint alleges the company accepted bets on professional and college sports, individual player performance bets, and Arizona and federal election outcomes without state authorization.
- The prediction markets platform [preemptively sued Arizona](#) on March 12 in a bid to stop state enforcement as part of a broader litigation strategy. The company argued that the event contracts it offers are regulated derivatives under the Commodity Exchange Act, and that federal authority supersedes state gambling law.
- The charges come as the CFTC is moving toward a more supportive federal framework for prediction markets, [asserting exclusive jurisdiction](#) over event contracts, setting up a clash with state regulators. CFTC Chairman Michael Selig [characterized Arizona's charges](#) as a “jurisdictional dispute” that is “entirely inappropriate as a criminal prosecution.”
- Separately, the [CFTC announced](#) a “groundbreaking Memorandum of Understanding” with Major League Baseball, which “establishes a framework for the CFTC and MLB to discuss, cooperate, and exchange information concerning issues of common interest including protecting the integrity of professional baseball and the relating prediction markets.”

### 10th Circuit Denies Bank Rehearing, Ending 5-Year Master Account Fight

- On March 13, the U.S. Court of Appeals for the 10th Circuit [denied a rehearing en banc](#) of the court's prior ruling that regional Federal Reserve Banks have the authority to decide whether financial institutions receive a master account. The decision leaves intact the [October 2025 panel ruling](#) and effectively ends a five-year legal effort to compel the Federal Reserve Bank of Kansas City to grant a master account to an applicant.
- The ruling was issued in the same month as the Federal Reserve Bank of Kansas City's [approval of the first](#) limited-purpose “skinny” master account, underscoring the divergent paths available to crypto firms seeking Fed payment system access even as the broader statutory question is now settled at the circuit level.

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