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SEC-CFTC Harmonization and Digital Asset Regulation: What Stakeholders Need to Know

The regulatory landscape for digital assets has long frustrated market participants, particularly financial services firms attempting to plan product development, compliance infrastructure, and capital deployment amid overlapping and often unclear regulatory regimes. As trading, custody, and risk management for cryptocurrencies and digital assets increasingly transcend market lines, the traditional division between securities and commodities regulation has proven ill-suited to assets that often exhibit characteristics of both.

That dynamic is now evolving. In late 2025, the U.S. Securities and Exchange Commission (SEC) and the U.S. Commodity Futures Trading Commission (CFTC) announced a joint harmonization initiative, aimed at reducing regulatory fragmentation in digital asset markets. The effort—encompassing the SEC’s “Project Crypto” and the CFTC’s “Crypto Sprint”—involves coordinated rulemaking, joint statements, and development of an interagency memorandum of understanding.

On January 29, 2026, SEC Chair Paul Atkins and CFTC Chair Michael Selig announced that Project Crypto would proceed as a unified initiative. Their joint statement outlined four general commitments:

shared definitions for key categories of digital assets;

streamlined processes for firms operating in both securities and derivatives markets;

protocols for sharing surveillance data and enforcement information; and

a formal memorandum of understanding designed to institutionalize cooperation beyond the current leadership.

For firms subject to SEC oversight, the emphasis on shared definitions is particularly significant, as classification questions have been a persistent source of regulatory risk and enforcement uncertainty.

This builds on earlier coordination. In September 2025, joint staff guidance clarified that registered exchanges could facilitate trading in certain cryptocurrency products, clearing organizations could collaborate with third-party custodians to hold customer crypto assets, and both agencies would work expeditiously with firms seeking to launch new products.

The current phase tackles harder structural questions—most notably, where does SEC jurisdiction end and CFTC jurisdiction begin? The traditional distinction breaks down quickly in crypto. A token may launch as an investment contract (a security) but evolve into a utility instrument or payment mechanism (potentially a commodity). For financial services firms, the absence of clear transition points has created uncertainty around registration, disclosure, and ongoing compliance obligations.

Separate from jurisdictional overlap, certain novel instruments fall squarely within either agencies' jurisdiction but lack comprehensive rules governing their operation. For example, the CFTC has not promulgated rules addressing perpetual swaps, which function like futures contracts but have no expiration date, or event contracts, which allow speculation on real-world outcomes. Therefore, such categories do not require agency coordination but rather additional CFTC rulemaking. Decentralized finance protocols, which enable trading without traditional intermediaries, present similar issues. Both agencies emphasized the need to address these rule gaps and assess whether existing statutory authority applies to emerging structures or whether gaps require congressional action. This determination directly affects product viability and regulatory exposure for market participants.

Current regulations assume separate markets with distinct trading venues and clearing systems. Crypto challenges that assumption. A single platform may offer spot trading, margined trading, and derivatives—activities that would traditionally require separate registrations, separate compliance programs, and separate regulatory relationships. The harmonization initiative aims to reduce this friction without compromising investor protection. For firms subject to SEC oversight, this has complicated compliance planning, as traditional registration categories do not always map cleanly onto hybrid platform models.

Both chairs were candid about the limits of administrative action: rules adopted today can be reversed tomorrow. Only congressional legislation can provide the durable statutory framework the industry needs. The agencies are proceeding within existing authority while urging Congress to act, with several bills now under consideration—including the House-passed CLARITY Act and the Senate Agriculture Committee's digital commodities legislation. For firms making long-term investments in

technology, infrastructure, and new product lines, regulatory durability is a core business consideration.

What this means for you

For market participants, the practical implications are significant: reduced duplicative compliance requirements, better regulatory coordination, and clearer pathways for new products. Both agencies have established dedicated contact points and are actively soliciting industry input. Firms with questions about how the harmonization effort affects their operations should engage early in the process. Those operating across securities and derivatives markets should also consider how evolving interagency alignment may affect registration strategies, disclosure frameworks, and engagement with regulators earlier in the product lifecycle.

The SEC-CFTC harmonization initiative represents a meaningful shift in regulatory posture. Whether it delivers lasting change will depend on sustained agency cooperation, congressional follow-through, and constructive industry engagement. In the interim, stakeholders should closely monitor developments and assess how guidance from both agencies may shape business strategy, risk management, and regulatory engagement going forward.

Contact us

If you have questions regarding SEC-CFTC regulation of digital assets or how regulatory action could impact your business please contact Sarah Razaq Sallis, Jeff Le Riche, Matti Mortimore, or Bhargavi Kalaga.