Inaugural issue

US capital market structure digest

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Center *for*
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US

Table of contents

Introduction

Federal market regulators are permitting market activities and contemplating regulatory changes that aim to modernize market structure across equities, fixed income, and derivatives. In parallel, Congress continues to consider its own market structure legislation to address jurisdictional boundaries across the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC). This is a pivotal time in the US capital markets as the primary regulators seek to modernize inefficiencies while preserving the pillars that make the US capital markets a global envy. This quarterly digest tracks developments related to market structure issues across traditional asset classes—including equities, fixed income, and derivatives—from 24/7 trading to same-day settlement.

Equities: Remaking equity market structure is an evergreen SEC priority. Chair Atkins has signaled that allowing T0 settlement and eliminating the trade through rule are two of his market structure priorities. However, the SEC is also designing an innovation exemption (and relying on no-action relief) to consider or accelerate a range of proposals that challenge prevailing norms in equity market structure.

Fixed Income: Led by the US Treasury market, the US fixed income markets are substantially larger than the US equity market despite generally garnering less attention in the press and collective imagination. Given their size and overall significance, changes to these markets' operations are as significant as changes to the equity market. Modernizing Treasury market structure was a key goal of the last SEC Chair and that initiative continues to be implemented. For further reforms, we anticipate that the SEC will use tools akin to those it is employing in other markets—namely exemptions and no-action relief—to the extent they are relevant.

Derivatives: Derivatives offerings are evolving as are the rulebooks of their federal regulators. Current SEC and CFTC leaders are driving enhanced collaboration across the agencies while Congress contemplates legislation to clarify the remit of the agencies, particularly for cryptocurrencies.

Intermediaries: Intermediaries can serve as a critical bridge between the regulators' aspirations for modernizing market structure and reality. The current leadership of the SEC and CFTC have indicated that they are willing to go "as fast as industry will take them" to make things like accelerated settlement and tokenization possible. This complicates the competitive dynamics between heavily regulated incumbents and newer entrants, and it remains to be seen how far the regulators ultimately push the envelope.

Equities

SEC staff issue joint statement on tokenized securities and federal securities law

On January 28, 2026, the SEC issued a joint staff statement establishing a taxonomy of tokenized securities offerings. The statement distinguishes between issuer-sponsored and third-party-sponsored tokenized securities, noting that the latter may introduce additional investor risks if the token does not convey the same rights as the underlying security or exposes holders to the third party's insolvency or operational failures. Within the taxonomy of third-party-sponsored tokenized offerings, the statement distinguishes between custodial and security-based swap models.

SEC staff issue no-action letter to DTC on tokenization pilot

On December 11, 2025, the SEC Division of Trading and Markets issued a no-action letter to The Depository Trust Company (DTC) addressing its DTCC Tokenization Services pilot. Subject to specified conditions, staff stated it would not recommend enforcement action as DTC tests using distributed ledger technology (DLT) to represent and transfer participants' security entitlements alongside its traditional book-entry framework, including through a Digital Omnibus Account, participant-registered wallets on approved blockchains, and processes to tokenize and de-tokenize eligible positions. The relief is non-binding, time-limited, and generally expected to expire three years after program launch.

SEC Trading and Markets Director highlights 24/7 trading roadmap

On January 28, 2026, Jamie Selway, Director of the SEC Division of Trading and Markets, delivered remarks at a Securities Industry and Financial Markets Association (SIFMA) roundtable on "Building the Roadmap to 24/7 Trading." He expressed support for industry initiatives to expand equity market trading hours, while emphasizing that operational readiness and shared market infrastructure, such as consolidated data feeds, clearing, and processes for corporate actions, must be addressed to manage risks and enable a smooth transition.

SEC hosts roundtable on the trade-through prohibition

On August 27, 2025, the SEC hosted a roundtable on the trade-through prohibition. The roundtable featured broad industry representation and included discussion of possible elimination of the trade-through rule.

Key considerations

Set a strategy for the evolving marketplace

- As new offerings come to market, determine the firm's role in the market evolution, be it participating in tokenized solutions, trading, arbitrage or developing new offerings.
- Monitor market offerings and developments. Understand the features and opportunities various solutions provide and assess for new revenue opportunities as well as potential impacts to existing businesses.
- Assess risks in token structures, including operational resilience, cybersecurity, and dispute resolution. Confirm that offering, disclosure, custody, recordkeeping, and transfer processes satisfy firm standards and applicable securities laws.

Operational readiness for extended trading and new rails

- Validate end-to-end readiness, including consolidated market data, clearing and settlement, corporate actions processing, and surveillance controls, before expanding trading hours or leveraging instant settlement products
- Assess liquidity and price formation, particularly during lower participation hours when spreads can widen and volatility can increase.

Fixed Income

Uyeda gives remarks on progress toward Treasury central clearing

On March 7, 2026, SEC Commissioner Mark Uyeda spoke to a group of international bankers on the topic of central clearing and SEC reforms for foreign issuers. For the Treasury clearing initiative, Uyeda identified two outstanding policy issues that the SEC is working to resolve as the first compliance deadline approaches: (1) extraterritorial impacts (or transactions between non-US entities), and (2) inter-affiliate transactions.

SEC considers no-action exemption for non-US Treasury market transactions

On March 6, 2026, the SEC issued a request for comment (RFC) related to a no-action letter the agency received requesting relief from the requirements of the Treasury central clearing mandate for transactions between non-US entities, including those that are members of US central clearing agencies. The RFC includes a 30-day comment period.

Uyeda remarks highlight technology-neutral approach to tokenization

On February 9, 2026, Commissioner Uyeda delivered remarks at the Asset Management Derivatives Forum emphasizing that the tokenization of securities should be viewed as a natural evolution in modernizing markets, rather than a development requiring a separate regulatory rulebook. Uyeda also noted that, if implemented with appropriate guardrails, tokenization could enhance transparency and ownership visibility and support faster settlement, while urging regulators to avoid unnecessary obstacles that could impede market-driven adoption.

Deadlines were extended by one year to give firms more time to build connectivity, workflows, and controls: cash Treasury clearing compliance by Dec 31, 2026, and repo compliance by June 30, 2027, for direct participants – paired with a clear message that firms should plan to meet these dates (i.e., no expectation of further extensions)

WisdomTree receives SEC no action relief

On February 23, 2026 the SEC granted exemptive relief to WisdomTree Treasury Money Market Digital Fund (WTGXX). The registered tokenized mutual fund shares will trade and settle instantly 24/7 in a dealer-principal liquidity model.

Key considerations

Proceed with Treasury clearing implementations

- Implementation success hinges on clearinghouse (and member) capacity plus workable margin/collateral mechanics – especially managing "double margining" risk and whether cross-margining meaningfully reduces total funding/collateral needs.
- Universal adoption depends on how the SEC resolves edge cases (e.g., inter-affiliate activity, non-US participant reach, and transaction workflows, including contingency scenarios like fails/outages).

Evaluate new product offerings

- Fixed income products with new features like instant settlement and 24/7 trading are coming to market. Become familiar with product features and determine whether they can address investment, liquidity or other needs.

Explore opportunities for new revenue streams

- Assess whether there is an opportunity to offer a new product with novel features that address a market demand.

Derivatives

CFTC hosts joint roundtable with SEC on harmonizing agencies' regulatory frameworks

On January 29, 2026, the CFTC and SEC held a second roundtable on efforts to harmonize their regulatory frameworks. The chairs of the two agencies emphasized that "Project Crypto" is now a joint initiative between the two agencies. The event also served as the first public remarks for recently confirmed CFTC Chair Michael Selig. The Chair used his first public statement to emphasize the CFTC's primary jurisdictional authority over event contracts and to forecast other priorities of his tenure, including rules for tokenized collateral and rules around leverages and margin trading at designated contract markets (DCMs).

A key message of the roundtable was that the tools of harmonization are likely to look like memoranda of understanding and a substitute compliance regime, including designating a primary regulatory for dual-registrants. The two chairs indicated that they are also looking to allow intermediaries to offer a range of products under a single licensing regime.

Other developments forecast include:

- Ability for products to grow in centralized and decentralized structures
- Establishing a shared taxonomy for digital assets across the two agencies
- Regulatory recognition of a "spectrum of decentralization" and innovation exemptions that support various models
- Reconsideration of perpetual derivatives

CFTC files amicus brief in 9th Circuit

On February 17, 2026, the CFTC filed an amicus brief in *North American Derivatives Exchange, Inc. et al v. The State of Nevada on relation of the Nevada Gaming Control Board et al.* With the brief, the CFTC seeks to reaffirm its exclusive jurisdiction over prediction markets and underlying event contracts.

CFTC issues request for comment on prediction markets

On March 12, 2026, the CFTC issued an advance notice of proposed rulemaking (ANPRM) on prediction markets. The ANPRM asks for input applications of existing core principles for DCMs and derivatives clearing organizations (DCOs), types of activities that may be restricted from becoming the basis of an event contract, and about potential special considerations for blockchain-based prediction markets. Comments are due by April 30, 2026.

Chair Selig delivers remarks at the Futures Industry Association (FIA) global cleared markets conference

On March 9, CFTC Chair Michael Selig gave a wide-ranging speech to the FIA where he touched on American principles, technological advances in financial services, and the role of markets as "information engines." Selig shared a view that efficient market can be "truth machines" and prediction markets specifically are increasingly seen as a reliable information source.

Key considerations

Experimentation with decentralized models

- Policymakers are signaling openness to operating models that aren't a classic centralized brokerage or exchange
- Expect a pathway to test new market structures/products with defined guardrails (scope limits, reporting, disclosures, risk controls), rather than forcing everything into legacy boxes right away. A "new DCM category" implies a potential re-segmentation of venue obligations, meaning not every rule set is one-size-fits- if the product-participant mix differs
- There are multiple potential avenues for designating a primary regulator. Target investor segment is one such model, but agency remits are defined by product rather than investor profile.

Evaluate new product offerings

- Expect clear messaging and relative certainty from the CFTC regarding its jurisdiction over novel products.
- Anticipate openness from regulators regarding new product applications and business models.

Intermediaries

House Financial Services Committee holds hearing on tokenization in the capital markets

On March 25, 2026, the House Financial Services Committee held a hearing entitled Tokenization and the future of securities: modernizing our capital markets. The hearing focused on potential benefits and risks to the US capital markets from introducing blockchain-based products and decentralized intermediaries. The witnesses emphasized benefits like innovation and enhanced efficiency. Risks–including non-intermediated foreign participation in US markets- were also discussed. Witnesses generally agreed that regulators have the authority they need to oversee a transition to tokenized securities markets with oversight of decentralized intermediaries being a potential gap that Congress could be called upon to address.

SEC Updates DLT FAQs for broker-dealers

On February 19, 2026, the SEC updated its Frequently Asked Questions (FAQs) relating to crypto asset activities and distributed ledger technology to include a new item, clarifying that broker-dealers may take a 2% haircut on proprietary positions in payment stablecoins.

Pierce and Atkins discuss SEC innovation exemption

On February 18, 2026, SEC Chair Paul Atkins and Commissioner Hester Pierce gave a fireside chat at the ETHDenver conference. In their discussion, the SEC leaders provided an overview of the work of Project Crypto to date and a preview of their approach in the year to come. Perhaps most significantly, they indicated that a forthcoming “innovation exemption” would enable the trading of tokenized securities on “novel platforms”. They also reiterated their open-door approach and desire to learn from industry.

CFTC Approves Polymarket US DCM Operations

On November 24, 2025, the CFTC issued an Amended Order of Designation permitting Polymarket US to operate as a CFTC-regulated DCM. As part of its petition, Polymarket represented that it would implement rules and policies to facilitate intermediated trading and will comply with all CFTC regulations applicable to DCMs.

Key considerations

Outcome-based regulation

- Expect policy that facilitates the adoption of stablecoins, blockchain, and tokenized products and a pathway to test new market structures/products with defined guardrails (scope limits, reporting, disclosures, risk controls), rather than forcing everything into legacy boxes right away.
- The innovation exemption regime is an opportunity to test new market structure models and, potentially, vertically-integrated frameworks. Now is the time to request an exemption for novel product designs.

Firm strategy

- Assess leading practices at the individual firm level. Develop thorough understanding of the firm’s risk tolerance and potential consequences.
- Track applications and approvals; assess for potential future competition or threats to existing revenue streams.
- Take a “back to basics” approach to market segmentation. Evaluate new offerings relative to target customer group and their needs/ level of sophistication.
- Explore opportunities to partner to achieve differentiation or integrate new technology solutions.

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