Baker McKenzie.

Client Alert

March 2026

United States: Asset Management Spotlight (January 2026 - February 2026)

Major developments for alternative asset managers

In brief

From January 2026 to February 2026, US regulators advanced several notable initiatives affecting alternative asset managers and financial market participants, reflecting continued regulatory focus on reporting modernization, digital assets, market integrity, and sanctions policy.

Key developments are summarized below:

- US Commodity Futures Trading Commission (CFTC):
  - Issued no-action relief delaying enforcement of the Part 17 large trader reporting rule;
  - Released an interpretive letter confirming the continued legacy status of certain Morgan Stanley swaps;
  - Expanded eligibility for payment stablecoins issued by national trust banks under updated collateral guidance, and
  - Published market advisory regarding insider trading in connection with event contracts and prediction markets.
- US Securities and Exchange Commission (SEC):
  - Through reports issued by the Division of Economic and Risk Analysis (DERA):
    - Highlighted the rapid growth of active exchange-traded funds (ETFs) and
    - Analyzed fee reductions linked to fund mergers, with a focus on investor costs impacts.
- Office of Foreign Assets Control (OFAC):
    - Following the issuance of General Licenses 46, 47, and 48, OFAC issued General Licenses 49 and 50 authorizing limited, highly conditioned engagement in Venezuela's oil and gas sector.
- Firm Developments:
  - Baker McKenzie launched its mobile-friendly Global Data & Cyber Handbook Lite, designed to provide easier access to core data protection requirements across multiple jurisdictions.

In this issue

In brief

In more detail

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- Implementation Update to 2024 Large Trader Reporting Rule: The CFTC's Division of Market Oversight ("**Division of Market Oversight**") has issued a no-action relief postponing enforcement of the 2024 Part 17 large trader reporting final rule ("**Part 17**"), following a request from the Futures Industry Association. Part 17 of the CFTC's rules covers large trader position reporting for futures and options. Under this relief, the Division of Market Oversight will not recommend enforcement against futures commission merchants (FCMs), clearing members, foreign brokers, or designated contract markets for noncompliance until 18 months after CFTC staff complete specified implementation steps. The CFTC's Division of Data ("**Division of Data**") also released updates to the Part 17 Guidebook, providing additional instructions on reporting format, coding, and electronic transmission requirements.

In addition, the Division of Data announced the start of implementation testing for the Large Trader Reporting Rules and will begin hosting technical calls with reporting firms on February 18, 2026. Information regarding testing, participation details, and ongoing implementation updates is available through the Part 17 Financial Information eXchange Markup Language (FIXML) Implementation site. Subject to the conditions of the no-action letter, the Division of Market Oversight and the Division of Data expect market participants to be fully compliant with Part 17 by July 26, 2027. **For asset managers, the CFTC's Part 17 no-action relief eases near-term reporting pressure by delaying enforcement while signaling the need to coordinate with FCMs and prepare systems and data for full large-trader reporting compliance by July 26, 2027.**

- CFTC Affirms Legacy Swap Status Following Morgan Stanley Internal Reorganization: The CFTC's Market Participants Division (MPD) and Division of Clearing and Risk (DCR) issued an interpretive letter addressing the impact of an internal reorganization at Morgan Stanley — specifically, a merger involving its CFTC registered swap dealer — on the regulatory status of certain legacy swaps. Based on the facts presented, both divisions concluded that the swaps in question retain their legacy swap status for purposes of the CFTC's uncleared swap margin and swap clearing requirements.

  MPD determined that Morgan Stanley's legacy swaps continue to qualify as legacy swaps for any counterparties subject to the CFTC's uncleared swap margin rules and therefore remain exempt from those requirements. Similarly, DCR concluded that the merger does not alter the swaps' legacy status under the CFTC's swap clearing mandate, ensuring the transactions remain outside the scope of clearing obligations. **The CFTC clarified that internal corporate reorganizations — such as Morgan Stanley's merger — do not alter the legacy status of existing swaps, allowing those transactions to remain exempt from uncleared margin and clearing requirements.**
- CFTC Withdraws Event Contracts Proposal and 2025 Staff Advisory: The CFTC has withdrawn its June 10, 2024, proposed rule on "Event Contracts" and confirmed it does not intend to issue final rules under that proposal. The CFTC also withdrew CFTC Staff Letter 25-36, a 2025 staff advisory regarding certain sports event contracts. According to Chairman Michael S. Selig, these actions reflect the CFTC's commitment to supporting lawful and responsible innovation in derivatives markets and signal a move away from the prior administration's approach, which included an outright prohibition on certain political event contracts.

  Chairman Selig further acknowledged that the 2025 staff advisory — intended to highlight litigation considerations — had instead created confusion for market participants. By withdrawing both the proposal and the advisory, the CFTC intends to reset its regulatory approach, with plans to advance a new rulemaking that aligns more coherently with the Commodity Exchange Act and Congressional intent. **Market participants should expect continued engagement from the CFTC as it develops a revised framework for event contract regulation.**
- SEC's DERA Highlights Growth of Active ETFs and Fee Reductions Linked to Fund Mergers: The SEC's DERA has issued two new reports examining trends in the ETF market and the impact of fund mergers on investor fees, and has also updated public statistics on municipal advisors, transfer agents, and security-based swap dealers (SBSDs). The reports highlight the rapid growth of active ETFs, which have expanded in number and assets faster than passive ETFs, and find that active ETFs generally exhibit higher levels of portfolio management activity. DERA also concludes that mergers involving mutual funds and ETFs are typically associated with lower expense ratios and management fees for investors in acquiring funds.

  DERA additionally refreshed its interactive statistics and data visualizations webpage across several regulated entity categories, including municipal advisors, transfer agents, and SBSDs, offering updated time-series metrics, distribution charts, and geographic heat maps. These tools are designed to enhance market transparency and help the public monitor evolving industry trends. DERA noted that these analyses support the SEC's oversight by identifying important shifts across the asset management and broader securities markets. **DERA's findings signal that active ETF growth and fee-reducing fund mergers are reshaping the competitive landscape, offering asset managers data-driven support for product innovation, scale, and cost-efficiency strategies.**
- CFTC Expands Payment Stablecoin Definition to Include National Trust Bank Issuers: The CFTC's Market Participants Division has reissued CFTC Staff Letter 25-40 with a targeted update expanding the definition of "payment stablecoin" to include those issued by national trust banks. The original December 2025 staff letter provided no-action relief for (FCMs accepting certain non-securities digital assets — including payment stablecoins — as customer margin collateral and holding proprietary payment stablecoins in segregated customer accounts. MPD determined the definition should be revised after noting that qualifying stablecoins may be issued by national trust banks, which MPD did not intend to exclude.

  With the updated definition, payment stablecoins issued by national trust banks are now eligible under the no-action relief. Chairman Michael S. Selig emphasized the important role these institutions play in the stablecoin ecosystem and noted that the amendment aligns with the GENIUS Act and the CFTC's broader collateral framework supporting stablecoin innovation in the United States. **The CFTC's updated no-action relief now treats payment stablecoins issued by national trust banks**

as eligible margin collateral, signaling a more permissive US regulatory posture that could expand asset managers' ability to engage with stablecoin-based collateral and liquidity solutions through FCMs.

- Baker McKenzie Launches Global Data & Cyber Handbook Lite for Rapid Cross Border Compliance Insight: Baker McKenzie has launched its Global Data & Cyber Handbook Lite ("**Handbook Lite**"), a streamlined, mobile friendly resource designed to help inhouse legal, compliance, privacy, and cybersecurity teams quickly navigate core data protection requirements across jurisdictions. The Handbook Lite distills the firm's full global data guide into an accessible format, offering high level summaries of privacy laws, cross border transfer rules, security obligations, breach notification triggers and timelines, and enforcement trends. It is built to provide fast, at glance answers for teams managing multinational data operations, vendor oversight, or incident response preparedness.

  The release comes at a time when global regulatory expectations continue to expand and diverge, making coordinated compliance increasingly complex. By providing harmonized, comparable snapshots across markets, the Handbook Lite equips companies to identify risk hotspots, align policies, and support enterprise-wide governance with more agility. **Organizations operating across borders — or preparing for audits, M&A diligence, or incident response — may find this tool especially helpful as an early-stage assessment guide before undertaking deeper jurisdiction specific analysis.**

- OFAC Issues GL 49 and GL 50, Allowing Limited New Engagements in Venezuela's Oil and Gas Sector: Following the United States' reopening of commercial channels with Venezuela's energy sector through three new OFAC general licenses — GL 46, GL 47, and GL 48 — which authorize defined activities involving Venezuelan-origin oil, US-origin diluents, and certain US-origin goods and services for upstream operations, on February 13, 2026, OFAC issued General Licenses (GL) 49 and 50, easing certain US sanctions on Venezuela's oil and gas sector. GL 49 permits US persons to negotiate and sign contingent contracts for new or expanded oil and gas investments — including with the Government of Venezuela, Petróleos de Venezuela, S.A. (PdVSA) and PdVSA-owned (50% or more) entities — so long as performance remains subject to separate OFAC approval. The authorization also covers related due diligence and preparatory activities.

  GL 50 authorizes a defined set of transactions involving the Venezuelan operations of BP PLC, Chevron Corporation, Eni S.p.A., Repsol S.A., and Shell PLC, or any of their subsidiaries, subject to US-law contract requirements, US-based dispute resolution, and mandated reporting to US authorities. Payments to blocked persons generally must be routed through the US Department of the Treasury designated Foreign Government Deposit Funds, and the license does not permit payment terms that are: not commercially reasonable, involve debt swaps or gold payments, or denominated as Venezuelan digital currency.

  Neither license authorizes dealings with restricted jurisdictions (including Russia, Iran, North Korea, Cuba, China, or any entity owned or controlled by, or in a joint venture with, such persons) or unblocks any previously blocked property or vessels (each pursuant to the Venezuela Sanctions Regulations). **OFAC's new Venezuela licenses give asset managers limited flexibility to access and structure potential oil-and-gas exposure through contingent contracts and sanctioned-company operations, while underscoring that execution remains subject to strict compliance controls, payment restrictions, and separate US government approval.**

- CFTC Files Amicus Brief Defending Exclusive Jurisdiction Over Prediction Markets: The CFTC filed an amicus brief in the US Court of Appeals for the Ninth Circuit in *North American Derivatives Exchange, Inc. et al. v. The State of Nevada on relation of the Nevada Gaming Control Board et al.*, reaffirming the CFTC's exclusive jurisdiction over all US commodity derivatives markets, including event contract markets commonly referred to as prediction markets. Chairman Michael S. Selig emphasized that recent lawsuits challenging access to event contracts undermine the CFTC's sole regulatory authority, noting that these products are commodity derivatives squarely within the CFTC's remit and serve important market functions such as hedging event-driven risks and providing information about future outcomes.

  The brief outlines the longstanding legal framework establishing CFTC's exclusive authority over commodity derivatives, which Congress and the courts have repeatedly affirmed. The CFTC warns that state attempts to regulate these markets would conflict with federal law and pose destabilizing economic risks. The CFTC first formally recognized event contracts in 1992 with the Iowa Electronic Markets, and Congress reinforced the CFTC's comprehensive oversight in the wake of the 2008 financial crisis. The Commodity Exchange Act continues to accommodate financial innovation, including emerging applications of event contracts within CFTC-regulated markets. **The CFTC's amicus brief reinforces regulatory certainty around prediction markets by asserting exclusive federal oversight, supporting asset managers' ability to use event contracts as CFTC-regulated tools for hedging and portfolio risk management without state-level interference.**

- CFTC Issues Advisory Following Enforcement Actions on Misuse of Nonpublic Information in Prediction Markets: The CFTC's Division of Enforcement (DoE) has issued public advisory in connection with two recently released enforcement cases involving misuse of nonpublic information and fraudulent practices in prediction markets (i.e., event contracts) traded on KalshiEX ("**Kalshi**"), a Designated Contract Market (DCM). In the first case, a political candidate traded on a contract tied to

his own candidacy, violating Kalshi's prohibition on trading contracts over which a participant can directly or indirectly influence the outcome. Kalshi imposed monetary penalties and a five-year suspension, and the conduct potentially violated Section 6(c)(1) of the Commodity Exchange Act (CEA) and CFTC Regulation 180.1(a)(1) and (3). In the second case, an individual affiliated with a YouTube channel made trades based likely on access to material nonpublic information. Kalshi similarly assessed significant monetary penalties and a two-year suspension, and the conduct demonstrated potential violations of the CEA's prohibitions on insider trading under Section 6(c)(1) and CFTC Regulation 180.1(a)(1) and (3).

The advisory underscores that, even when a DCM takes internal disciplinary action, the CFTC retains full enforcement authority over illegal trading practices on all contract markets, including misappropriation of confidential information, pre-arranged or noncompetitive trading, wash trading, disruptive trading, fraud, and manipulation. The CFTC emphasized DCMs' independent obligations under CEA Section 5(d) to maintain proper surveillance, enforce rules, and preserve market integrity. The DoE stated that it will continue to investigate and prosecute violations arising on DCMs and will coordinate with exchanges regarding enforcement matters and referrals of potential misconduct. **The CFTC's DoE advisory underscores that prediction markets are subject to traditional anti-fraud and insider-trading standards, reinforcing for asset managers the need to extend material nonpublic information controls, personal trading policies, and surveillance to nontraditional products like events contracts traded on DCMs.**

- CFTC Reissues Staff Letter 25-50, Expanding No-Action Relief for CPO Delegation Arrangements: The CFTC's MPD issued CFTC Staff Letter No. 26-06 ("**Letter**"), amending and reissuing prior CFTC Staff Letter 25-50 to expand no-action relief from commodity pool operators (CPOs) (and related commodity trading advisors (CTAs)) registration for certain private fund managers to institutional and high net worth investors, pending possible reinstatement of the rescinded qualified eligible persons (QEP) exemption. The Letter permits SEC-registered investment advisers operating privately offered commodity pools limited to QEPs to deregister, or refrain from registering, as CPOs and CTAs, subject to specified conditions, including non-public offerings, QEP-only investors, Form PF reporting, and notice filings with the CFTC.

  Importantly, the Letter also adds a new no-action position addressing delegation structures under prior CFTC Staff Letter 14-126, allowing a delegating CPO to rely on no-action relief even where the designated CPO is itself a "QEP No-Action CPO," rather than a registered CPO. **For asset managers, the Letter provides meaningful interim regulatory relief by reducing duplicative CFTC and SEC oversight for private funds marketed exclusively to sophisticated investors, while the CFTC considers whether to formally reinstate the QEP exemption through rulemaking.**

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