



GIBSON DUNN

This Week in Derivatives

February 6, 2026

From the Derivatives Practice Group: This week, the CFTC reissued Staff Letter 25-40 with a limited revision to the definition of “payment stablecoin; the CFTC also withdrew its Notice of Proposed Rulemaking and its Staff Advisory on event contracts.

New Developments

CFTC Staff Reissues Letter 25-40 Updating Payment Stablecoin Definition. On February 6, the CFTC’s Market Participants Division [announced](#) it has reissued [CFTC Staff Letter 25-40](#) with a limited revision to the definition of “payment stablecoin.” This No-Action Position is with respect respect to futures commission merchants that accept certain non-securities digital assets as margin collateral and (a) take into account the value of such digital assets for purposes of certain regulatory requirements, subject to conditions or (b) deposit payment stablecoins as residual interest, subject to conditions. The CFTC’s revision specifies that a national trust bank may be a permitted issuer of a payment stablecoin for purposes of the no-action position. [NEW]

SEC Publishes Data on Exchange Traded Funds and Fund Mergers; Updated Statistics on Municipal Advisors, Transfer Agents, and Security-Based Swap Dealers. On February 5, the SEC’s Division of Economic and Risk Analysis (DERA) published two [new reports](#) on exchange traded funds and fund mergers, and updated statistics and data visualizations on municipal advisors, transfer agents, and

security-based swap dealers. The reports provide the public with information about the growth in active ETFs and the changes in fees paid by investors when mutual funds and ETFs acquire other funds. [NEW]

CFTC Withdraws Event Contracts Rule Proposal and Staff Sports Event Contracts Advisory. On February 4, the CFTC announced it has [withdrawn](#) the notice of proposed rulemaking titled “Event Contracts” that it published on June 10, 2024 (see CFTC Press Release No. [8907-24](#)). The CFTC does not intend to issue final rules with respect to the proposal. Additionally, Commission staff has [withdrawn](#) CFTC Staff Letter 25-36, a Staff Advisory on Certain Contract Markets (see CFTC Press Release No. [9137-25](#)). [NEW]

CFTC Staff Issues Interpretation on Legacy Swap Status. On February 2, the CFTC’s Market Participants Division and Division of Clearing and Risk issued an [interpretive letter](#) addressing the effect of a merger conducted as part of an internal reorganization at Morgan Stanley, a CFTC-registered swap dealer, on the status of legacy swaps. Based on the facts and circumstances of the merger as described in the letter, the divisions concluded the swaps at issue retain their legacy swap status under the Commission’s uncleared swap margin and swap clearing requirements. [NEW]

CFTC Designates Xchange Alpha LLC as a Contract Market. On February 2, the CFTC announced it has issued an [order](#) designating Xchange Alpha LLC as a designated contract market (DCM) under Section 5 of the Commodity Exchange Act (CEA). The CFTC determined Xchange Alpha demonstrated its ability to comply with the CEA and CFTC regulations applicable to DCMs. The terms and conditions of the designation order require, among other things, Xchange Alpha to comply with all applicable provisions of the CEA and the CFTC regulations applicable to DCMs. [NEW]

CFTC and SEC Hold Joint Event on Harmonization, U.S. Financial Leadership in the Crypto Era. On January 29, the CFTC and the SEC held a joint event at CFTC headquarters to discuss harmonization between the two agencies and their efforts to deliver on President Trump’s promise to make the U.S. the crypto capital of the world. During the event, Chairman Selig provided his first public remarks since joining the Commission.

CFTC Chairman Offers First Public Remarks as CFTC Chairman. On January 29, CFTC Chairman Michael S. Selig offered his first [public remarks](#) as CFTC Chairman at the CFTC-SEC Joint Event on Harmonization “U.S. Financial Leadership in the Crypto Era.” During his remarks, Chairman Selig announced that the CFTC is partnering with the SEC on [Project Crypto](#) to “advance a clear crypto asset taxonomy, clarify jurisdictional lines, remove duplicative compliance

requirements, and reduce regulatory fragmentation.” Chairman Selig specifically discussed priorities including expanding eligible tokenized collateral, creating onshore pathways for perpetual derivatives, and facilitating permissionless innovation. Additionally, Chairman Selig said that he has directed CFTC staff to draft rules to foster leveraged, margined, and financed trading, both on- and off-exchange and explore the creation of a new category of DCM registration that is tailored specifically to retail leveraged, margined, or financed crypto asset trading. He also committed to working closely with the SEC to identify opportunities to better align regulatory requirements across markets and examine whether substituted compliance can achieve equivalent or better regulatory outcomes at lower costs for market participants. With respect to prediction markets, or “event contracts,” Chairman Selig highlighted his recent actions directing CFTC staff to (1) withdraw the [2024 event contracts rule proposal](#) prohibiting political and sports-related event contracts and the [cautionary 2025 staff advisory](#) regarding access to sports-related event contracts, (2) move forward with drafting an event contracts rulemaking, (3) reassess the Commission’s participation in currently pending litigation with an eye toward defending its exclusive jurisdiction over commodity derivatives, and (4) work with SEC counterparts to develop a joint interpretation on Title VII definitions intended to draw a clearer line between certain commodity and security options, CFTC-regulated swaps, and SEC-regulated security-based swaps.

CFTC Announces Tyler S. Badgley as General Counsel. On January 28, the CFTC announced that Tyler S. Badgley has been named the agency’s General Counsel. Badgley comes to the CFTC from the U.S. Department of the Treasury, where he served as the Deputy General Counsel and, previously, Executive Secretary. Prior to his time at Treasury, he was Senior Counsel at the U.S. Chamber of Commerce Litigation Center.

CFTC Staff Issues No-Action Letter, Announces Implementation Updates to 2024 Large Trader Reporting Rule. On January 27, the CFTC’s Division of Market Oversight (DMO) announced it has taken a [no-action position](#) regarding the compliance date for the Part 17 large trader reporting final rule in response to a request from the Futures Industry Association. DMO will not recommend the Commission take enforcement action against futures commission merchants, clearing members, foreign brokers, or designated contract markets for failure to comply with the 2024 Part 17 large trader reporting [final rule](#). The no-action relief will extend for 18 months after CFTC staff execute the actions referenced below.

CFTC Chairman Selig Announces Alex Titus as Chief Advisor. On January 26, Chairman Selig announced Alex Titus as Chief Advisor to the Chairman. Titus joins the CFTC after serving as Chief of Staff at the White House Council of Economic Advisers under Chairman Stephen Miran and Acting Chairman Pierre Yared.

Chairman Selig to Sponsor the CFTC's Agricultural Advisory Committee. On January 23, Chairman Selig announced that he will sponsor the CFTC's Agricultural Advisory Committee (AAC). The CFTC is seeking nominations to fill current vacancies on the AAC. Submissions must be received by February 18.

New Developments Outside the U.S.

ESMA to Hold Conference "A New Era for EU Capital Markets" on May 21, 2026. On February 5, ESMA announced that it is organizing a [high-level conference](#) "A New Era for EU Capital Markets" on May 21, 2026 in Paris, France. The conference will bring together senior policymakers, regulators, leaders of major market infrastructures and financial institutions, as well as investor representatives. Discussions will focus on how to deepen market integration, strengthen supervision and improve the investor journey in support of the Savings and Investments Union. [NEW]

ESMA Launches Selection Process for its Next Chair. On February 3, ESMA launched the [selection procedure](#) for the position of ESMA Chair. This key leadership role offers the opportunity to shape the future of Europe's financial markets and steer the organization through an evolving regulatory and supervisory landscape. [NEW]

ESMA Signs Memorandum of Understanding with the Reserve Bank of India. On January 27, ESMA signed a Memorandum of Understanding with the Reserve Bank of India (RBI) to facilitate cooperation and exchange of information for the recognition of central counterparties established in India and supervised by RBI. This agreement marks a significant step towards restoring access for EU clearing members to Indian central counterparties and follows two years of sustained engagement between ESMA and RBI.

New Industry-Led Developments

ISDA Chief Executive Scott O'Malia Gives Remarks at Trading Book Capital Event. On February 5, Scott O'Malia gave [welcoming remarks](#) at ISDA's Trading Book Capital event. In his remarks, O'Malia highlighted three priorities: (1) preserving the viability of Fundamental Review of the Trading Book internal models and improving current treatment of non-modellable risk factors, (2) mitigating market-functioning strains, and (3) ensuring that the supplementary leverage ratio operates as a backstop after recent U.S. modifications. [NEW]

ISDA Responds to RBI Unique Transaction Identifier Proposals. On February 3, ISDA submitted [comments](#) to a Draft Circular from the Reserve Bank of India (RBI) proposing to mandate the global Unique Transaction Identifier for all transactions in OTC markets for Rupee interest rate derivatives, forward contracts in Government securities, foreign currency derivatives, foreign currency interest rate derivatives, and credit derivatives in India. [NEW]

ISDA Publishes Paper on How and Why Pension Funds Use Derivatives. On February 2, ISDA published a [paper](#) that it said reviews how and why pension funds use derivatives. It also reviews the global regulatory landscape that shapes derivatives use and highlights the role ISDA plays in helping pension funds navigate these markets. [NEW]

ISDA Publishes Paper on Climate Risk Scenario Analysis for the Trading Book: Phase 4. On January 29, ISDA published a [paper](#) that it said reviews, from a trading book perspective, the short-term scenarios recently published by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). ISDA also noted that the paper provides a set of market risk shocks consistent with two of those NGFS scenarios.

ISDA Publishes Paper on the Development of a Safe and Efficient OTC Commodity Derivatives Market in India. On January 27, ISDA published a [white paper](#) that it said explores the case for broadened the use of over-the-counter (OTC) commodity derivatives in India and considers the necessary steps to make this a reality. ISDA indicated its belief that the development of a robust and liquid OTC commodity derivatives market in India could support the continued growth of India's economy given its significant reliance on commodities.

ISDA Publishes Note on Key Trends in the Size and Composition of OTC Derivatives Markets in the First Half of 2025. On January 22, ISDA published a [research note](#) on the latest data from the Bank for International Settlements (BIS) over-the-counter (OTC) derivatives statistics, which showed an increase in notional outstanding of OTC derivatives during the first half of 2025 compared to the first half of 2024. Notional outstanding rose across all major asset classes, including interest rate derivatives, foreign exchange, and equity and commodity derivatives.

ISDA Responds to ESMA on CCP Participation Requirements. On January 6, ISDA [responded](#) to a consultation from ESMA on central counterparty (CCP) participation requirements. ISDA maintained that participation requirements for CCPs are vital for safe and efficient clearing markets, and ISDA broadly supported ESMA's consultation and proposed regulatory technical standards. ISDA stated that it welcomes the inclusion of sponsored models with clear responsibilities and contingency measures, as well as proposals addressing mutualization risks.

Practice Members



Jeffrey L. Steiner
Washington, D.C.
+1 202.887.3632
jsteiner@gibsondunn.com



Michael D. Bopp
Washington, D.C.
+1 202.955.8256
mbopp@gibsondunn.com



Michelle M. Kirschner
London
+44 20 7071.4212
mkirschner@gibsondunn.com



Darius Mehraban
New York
+1 212.351.2428
dmehraban@gibsondunn.com



Jason Cabral
New York
+1 212.351.6267
jcabral@gibsondunn.com



Adam Lapidus
New York
+1 212.351.3869
alapidus@gibsondunn.com



Stephanie L. Brooker
Washington, D.C.
+1 202.887.3502
sbrooker@gibsondunn.com



William R. Hallatt
Hong Kong
+852.2214.3836
whallatt@gibsondunn.com



David P. Burns
Washington, D.C.
+1 202.887.3786
dburns@gibsondunn.com



Marc Aaron Takagaki
New York
+1 212.351.4028
mtakagaki@gibsondunn.com



Karin Thrasher
Washington, D.C.
+1 202.887.3712
kthrasher@gibsondunn.com



Alice Yiqian Wang
Washington, D.C.
+1 202.777.9587
awang@gibsondunn.com

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