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Two Regulators, One Day: The SEC and CFTC Open Parallel, Time-Limited Lanes for Onchain Markets

Why September 17, 2026 signals a turning point for digital-asset markets - on a single day, two federal agencies chose to accommodate onchain trading through conditional relief rather than force it back into existing registration regimes

On September 17, 2026, both federal market regulators gave onchain trading venues and trading software providers that connect investors to digital asset markets a way to operate without full registration.

Today, the Securities and Exchange Commission (SEC) issued an Order granting temporary, conditional exemptive relief for venues that trade tokenized public equities onchain, while the Commodity Futures Trading Commission's (CFTC's) Market Participants Division issued No-Action Letter 26-25, opening a path for "Passive Software Providers" that route user order flow to registered derivatives venues. This article examines these significant regulatory developments.

The SEC Opens a Regulated Lane for Onchain Stock Trading: Inside the SEC's Tokenized Securities Venue Exemptive Order

The SEC's Order facilitates the permissioned trading of tokenized NMS stock using automated market makers and liquidity pools ("AMM Liquidity Pools").[1] This does two things at once: it exempts "Tokenized Securities Venues" ("TSVs") from the definition of "exchange" in Section 3(a)(1) of the Securities Exchange Act of 1934 (the "Exchange Act"), and it exempts certain liquidity providers, referred to as "Covered Firms," from the definition of "dealer" in Section 3(a)(5) of the Exchange Act.

The relief is granted under Section 36(a)(1) of the Exchange Act, which allows the SEC to conditionally exempt any person, security, or transaction from the Exchange Act where doing so is necessary or appropriate in the public interest and consistent with the protection of investors. The relief runs for five years, from September 17, 2026 through September 17, 2031, and is framed as a targeted bridge while the SEC considers how to write permanent rules.

Several Key Takeaways from the Exemptive Order

- **Two exemptions, one venue model.** A qualifying TSV is not an “exchange,” and a qualifying Covered Firm supplying liquidity in that venue’s pools is not a “dealer.” Both exemptions are temporary and conditional, expiring after five years.
- **Permissioned trading of *tokenized* public equities.** A TSV brings together buyers and sellers of “Tokenized NMS Stock” through AMM Liquidity Pools open only to credentialed participants and subject to access standards set by the trading venue. Tokenized NMS Stock may be tokenized by or for the issuer, or by an unaffiliated third party; synthetic or linked exposure, security-based swaps, and rights and warrants are excluded.
- **The relief is heavily conditioned.** A TSV must be a U.S. person; deploy its smart contracts on a public, permissionless, auditable distributed ledger; publish a detailed public Notice at least 30 days before operating; meet tiered volume and symbol caps; disseminate near-real-time transaction data; stop trading when the primary listing exchange does; avoid leverage; and maintain up-to-date books and records for examination.
- **Tiered caps.** Trading is capped by tier: Tier 1 stocks (the most liquid large-caps) are limited to 75 symbols and 0.25% of prior-month average daily volume; Tier 2 stocks are limited to 250 symbols and 2.5%. These caps limit the number of distinct tokenized stocks a TSV may list, not trade sizes or dollar amounts. Breaching a volume cap triggers a three-month pause in that stock.
- **Issuers get a veto over third-party tokenization.** Before listing a stock tokenized by an unaffiliated third party, a TSV must notify the issuer and wait 30 days. A timely objection would block the listing.
- **It is a request for comment.** The Order poses ten questions including whether either exemption should be made permanent, and whether the tier thresholds are optimal.

Inside the Order: Breaking Down the TSV Exemptive Relief

The Definitions That Do the Heavy Lifting

- **Tokenized Securities Venue (TSV):** an organization, association, or group of persons that brings together buyers and sellers of Tokenized NMS Stock by (1) providing one or more AMM Liquidity Pools for permissioned participants to interact and agree to trade terms, and (2) setting standards for who may access trading on those liquidity pools.
- **Tokenized NMS Stock:** an NMS stock that is tokenized by or on behalf of the issuer, or by a third party unaffiliated with the issuer. It excludes crypto assets that merely provide synthetic exposure (tokenized linked securities and tokenized security-based swaps), and it excludes rights and warrants.

- **AMM Liquidity Pool:** an automated market maker smart contract that prices assets algorithmically based on the ratio of assets committed to a pool, working in tandem with liquidity-pool smart contracts. Liquidity providers contribute assets and receive proportionate "LP tokens," and typically earn a fee from users who trade against the pool.
- **Covered Firm:** a liquidity provider in an AMM Liquidity Pool that uses its own money to supply Tokenized NMS Stock to an AMM Liquidity Pool, and that may also act in ways that look like dealing.

Why the SEC Reached for Section 36(a)(1)

The Order acknowledges that a TSV would struggle to operate as a registered national securities exchange or alternative trading system (ATS) under existing Regulation NMS provisions. Because AMM pricing is set by the ratio of assets in a pool rather than by reference to external quotations, a TSV would have difficulty complying with the Rule 611 trade-through requirement, the Rule 602 quotation-dissemination requirements, and the Rule 612 minimum-pricing-increment rule. Rather than forcing the model into a rulebook built for order-book exchanges, the SEC exempted TSVs from being considered an "exchange" and replaced the exchange framework with a tailored set of conditions.

The Conditions Applicable to a TSV

The exemption is available only if the TSV satisfies every condition. The most significant:

- **Public, permissionless distributed ledger.** The venue's smart contracts must be auditable, public, and deployed on a public, permissionless distributed ledger, so participants and third parties can inspect how trades are executed and report vulnerabilities.
- **U.S. person.** The TSV must be a U.S. person and therefore subject to OFAC sanctions compliance.
- **Public Notice.** At least 30 calendar days before operating, the TSV must publish a plain-English Notice on its website and, within one business day, alert the SEC. It must publish revised Notices on defined timelines for material changes, non-material changes, and corrections.
- **Issuer Notice and the objection right.** For third-party tokenization, the TSV must give the issuer 30 days' notice. A timely Notice of Issuer Objection would bar the listing and be disclosed publicly on the TSV's website.
- **No primary issuance; equivalent rights.** Only registered or exempt secondary trading is permitted; primary offerings are not. The tokenized share must carry the same dividend, voting, and liquidation rights as the underlying stock.

- **Tiered volume and symbol caps.** A venue can list only a set number of stocks. Tracking the Limit Up-Limit Down ("LULD") Plan tiers: Tier 1 Tokenized NMS Stock is capped at 75 symbols and 0.25% of prior-month average daily volume; Tier 2 at 250 symbols and 2.5%. Volume and symbols are aggregated across affiliated TSVs to prevent structuring around the caps. A first, inadvertent volume breach draws no penalty; subsequent breaches force an immediate three-month pause in that stock. The symbol caps are hard limits with no first-time grace.
- **Transaction transparency.** The TSV must publish USD-denominated, machine-readable transaction data for the following 30 days, updated within 10 minutes of each trade, including symbols, price, size, time, and direction, plus pool-level data.
- **Stop in trading.** The TSV must stop trading a Tokenized NMS Stock concurrently with any halt or suspension of the underlying instrument on its primary listing exchange, and immediately notify participants.
- **Significant operational events.** Cyber intrusions and systems disruptions must be disclosed to participants immediately and to the SEC promptly, and remediated as soon as practicable.
- **No leverage.** The TSV cannot borrow, hypothecate, or extend credit to finance purchases on the venue.
- **No misrepresentation.** The TSV cannot claim to be registered, approved, or endorsed by the SEC, and must affirmatively disclose that it is not registered.
- **Books and records.** The TSV must keep examinable trading and compliance records in the United States, preserve them for the life of the exemption plus three years, and consent to SEC examination at any time.

The Covered Firm Exemption

Section 3(a)(5) defines a "dealer" as a person in the business of buying and selling securities for its own account, subject to the well-worn "trader" exception for those who trade for their own account but not as part of a regular business. The SEC acknowledges that supplying liquidity to an AMM pool would ordinarily be trader activity, but that certain conduct (quoting to customers, or controlling pricing and inventory under agreement) can blur the line. Because committed liquidity is necessary and integral to how an AMM operates, the SEC has chosen to grant *a narrow, temporary exemption* from dealer status, conditioned on the following:

- **Own-account only.** The Covered Firm must provide liquidity solely for its own account and must not hold or custody customer assets. Its securities activity must be confined to trading Tokenized NMS Stock in AMM Liquidity Pools operating under the TSV Exemption.
- **Recordkeeping.** It must keep records of its capacity to cover trading losses, its liquidity provision, any liquidity or market-making arrangements with a TSV, and any compensation received.

- **Public disclosure.** On any public-facing website, it must disclose that it is not a registered broker-dealer, that it may enter liquidity arrangements with a TSV, and that it may receive fees or incentives.
- **SEC notification.** It must notify the SEC of its Covered Firm role, including its business model, risk controls, regulatory contact, arrangements and incentives. It must also provide an attestation that it is not statutorily disqualified, and that it consents to SEC requests for information.

The Covered Firm Exemption runs in parallel with the TSV Exemption, and Covered Firms remain fully subject to the anti-manipulation and anti-fraud provisions of the federal securities laws.

What the TSV Exemptive Order May Mean for You

- **For those building venues:** For the first time, a firm can operate a permissioned AMM venue for tokenized public stocks without registering as an exchange or ATS.
- **For liquidity providers:** Proprietary liquidity providers gain comfort knowing that they will not be swept into dealer registration merely for supplying and pricing liquidity in a qualifying pool.
- **For public-company issuers:** Issuers whose stock is tokenized by an unaffiliated third party receive advance notice and a 30-day window to object and block the listing.

The Bottom Line

For the first time, the SEC has drawn a regulated perimeter around onchain equity trading. Rather than force a novel market structure into an exchange rulebook it could never properly satisfy, the SEC used its Section 36(a)(1) authority to stand up a supervised sandbox that is permissioned, transparent, capped, and time-limited. The tradeoff is clear: venues and liquidity providers gain a workable path to operate without exchange or dealer registration, but only in return for U.S. accountability, radical transparency, and SEC oversight. It is important to note that the relief sunsets in 2031; the benefits are attached to corresponding conditions, and the SEC is openly inviting the market to provide input on what the permanent rules should be. The firms that build and trade under this Order will not merely use the framework; they will help write what comes next.

The CFTC Widens the Door for Passive Software Providers

Why the Market Participants Division's No-Action Letter 26-25 gives wallet developers, front-end builders, and prediction-market interfaces a class-wide path to route user order flow to registered venues, without themselves registering as introducing brokers.

The SEC was not the only regulator to move forward in this space. The CFTC took a structurally similar step on its own turf for the software that funnels traders to CFTC-registered derivatives venues.

While the SEC was reshaping how tokenized equities trade onchain, the CFTC's Market Participants Division was resolving a different question: when does a piece of trading software become an introducing broker? On September 17, 2026, the Division issued No-Action Letter 26-25, converting the bespoke relief it had granted a technology provider in March, under Letter 26-09, into a position that any "Passive Software Provider" ("PSP") may claim by filing a notice with the Division. [2] The letter is short, but it matters for the growing class of wallet developers, front-end builders, and prediction-market interfaces that want to route user order flow to CFTC-registered venues without becoming CFTC registrants themselves.

How the Staff Got Here: From Technology Vendor to "Passive Software Provider"

The Commodity Exchange Act makes it unlawful to act as an introducing broker ("IB") without registering. The CFTC has long read "soliciting or accepting orders" expansively to reach not only literal order-taking but also the referral of customers to a futures commission merchant ("FCM") for the purpose of establishing a trading relationship, particularly where the referring party is paid per trade. Beginning in 2006, however, the Division's predecessor issued a series of interpretive letters, starting with Letter 06-29, concluding that certain technology service vendors were not IBs at all. [3] Those letters turned on the vendor staying conspicuously passive: each user already had a relationship with an FCM or IB; the vendor would not recommend a particular FCM even if asked; its platform produced no "buy" or "sell" signals; it did not solicit or accept orders; its fees bore no relationship to the FCM's execution charges; and it held no trading privileges on any exchange.

The provider's model in Letter 26-09 failed that test on its face. It intended to market specific venues, promote particular contracts, solicit users to trade with those venues, and earn revenue-share and transaction-based fees, and it did not require the user and the venue to have any pre-existing relationship. Rather than characterize that activity as outside the IB definition, Letter 26-09 accepted that the activity likely fell within the IB definition, and nonetheless granted no-action relief on the theory that the software itself remained passive. The provider would hold no assets, generate no signals, and exercise no discretion over order routing or execution. Every user would onboard directly with the designated contract market ("DCM"), FCM, or IB and hold margin at the clearinghouse or an FCM.

This is a meaningful shift. The 2006 letter said the vendor was not an IB. The 2026 letter says the vendor probably is but the vendor need not register if it accepts IB-like obligations.

What Letter 26-25 Does

Under Regulation 140.99, a no-action letter protects only its named beneficiary, and the Division reports that after issuing Letter 26-09 the Division was approached by other, similarly situated providers and their counsel. Letter 26-25 answers those inquiries by lifting the earlier framework, nearly verbatim, into a class-wide position. Until the CFTC adopts a rulemaking or guidance addressing how IB registration applies to software developers, the Division will not recommend enforcement against a qualifying PSP for failing to register as an IB, or against its personnel for failing to register as associated persons, provided the PSP confines itself to the "Covered Activities" and satisfies ten conditions.

The Covered Activities

The Covered Activities track the original "Proposed Activities" line for line. A PSP may:

- **Build and distribute front-end software** through which users review market data and positions, view product offerings, and submit orders directly to a DCM, FCM, or IB, including for event contracts, perpetual contracts, and other CFTC-regulated derivatives, with the PSP having no affirmative involvement in any particular order;
- **Contract with registrants for revenue share** and with users for a transaction-based fee;
- **Market its services and its registrant relationships**, including promoting the availability of specific contracts, at conferences and on social media, subject to the PSP's pre-approval and supervision; and
- **Introduce and solicit users to specific registrants**, so long as users face no contractual or operational barrier to accessing those registrants directly.

The structure must remain "custodial" in the traditional sense. The user transacts on a DCM either as a direct member or as a customer of an FCM or IB that is a member; margin sits with the clearinghouse or a clearing FCM; and the PSP never holds or controls user assets, generates trading signals, or exercises routing discretion.

The Price of Admission

The ten conditions are identical to those imposed in the original letter. Taken together they amount to operating as though registered without actually registering. A PSP must:

- Confirm that it, its principals, and anyone soliciting users is free of statutory disqualification, and promptly notify the Division if that changes;
- Deliver conflicts-of-interest disclosures, including fees, and a risk disclosure statement covering the Regulation 1.55(b) risks relevant to the trading it facilitates, retaining each user's acknowledgement (the risk disclosure is excused where a registered counterparty already provides it);
- Onboard users directly with the registrant and preserve their independent access to it;
- Adopt and enforce communications-with-the-public and marketing policies mirroring CFTC and NFA requirements, and refrain from any promotion that would require NFA pre-approval under Rule 2-29;

- Execute, and file with the Division, a written undertaking with each registrant under which both accept joint and several liability for the PSP's violations and consent to CFTC jurisdiction; and
- Keep records consistent with Regulation 1.31, notify the Division of any insolvency or bankruptcy, and file a notice agreeing to all of the above.

The joint-and-several undertaking is worth noting. It ties each DCM, FCM, or IB to its software partner's conduct, which means registrants will be doing their own diligence on PSPs before signing, and PSPs should expect registrant counsel to negotiate indemnities behind the undertaking.

What has Changed Since March

Four adjustments in Letter 26-25 signal who the Division expects to walk through the door:

- **PSPs are not limited to crypto.** A footnote says so expressly, opening the position to conventional fintech front-ends and prediction-market interfaces.
- **No wallet required.** The March letter assumed the provider had existing wallet software; the new letter refers to wallet software "if any."
- **Device-agnostic.** "Mobile device or browser extension" becomes simply the "User's device."
- **Sovereign immunity waiver.** A PSP affiliated with a state or tribal government must waive sovereign immunity to the extent necessary to make its consent to CFTC jurisdiction enforceable—a small but telling detail suggesting the Division anticipates tribal gaming and state-affiliated operators among the applicants.

What Letter 26-25 May Mean for You

For software providers, the letter offers a defined, low-friction path: file a notice, sign undertakings with your venues, and build the disclosure and marketing-compliance infrastructure the conditions require. For DCMs, FCMs, and IBs, it creates a new category of counterparty whose liability you share, and whose marketing you are effectively vouching for. For both, the relief is interim and non-binding on the CFTC: it expires on the effective date of whatever rulemaking or guidance the CFTC ultimately adopts, and the Division reserves the right to modify or withdraw it at any time.

Read together, the SEC's Tokenized Securities Venue Order and the CFTC's Passive Software Provider relief—issued the same day, and set against the SEC's separate "Regulation Crypto Assets" proposal—show two agencies converging on the same bargain for crypto-adjacent intermediaries: a usable, supervised pathway in exchange for identifiable, U.S. accountable counterparties who accept registrant-grade obligations without registrant status. Both are conditional, both are time-limited, and both openly invite the market to shape what becomes permanent.

The Bottom Line

The CFTC has given trading-software developers a clear answer to a question that has dogged them for years: build the front end without becoming the broker. Rather than stretch the introducing-broker definition to its breaking point or leave the software in limbo, the Division used No-Action Letter 26-25 to convert one firm's bespoke relief into a class-wide path any Passive Software Provider can claim by filing a notice. The tradeoff is clear: developers avoid IB registration, but only if they stay genuinely passive and accept registrant-grade obligations. These obligations include full disclosures, direct user onboarding, marketing-compliance controls, and a joint-and-several liability undertaking that ties them to their registered venues. The software providers and registrants that step through this door now will not merely rely on the position; they will shape the rulemaking that ultimately takes its place.

Bellementis is ready to translate the SEC's and CFTC's September 17 actions into a practical roadmap for your business. Whether you are building a tokenized-securities trading venue, supplying liquidity under the SEC's exemptive order, or building trading software under the CFTC's Passive Software Provider pathway in No-Action Letter 26-25, the relief you must rely on comes with conditions. These conditions include U.S. accountability, transparency, disclosures, recordkeeping, and, on the CFTC side, signed commitments that make you and your trading venues jointly answerable to regulators. Our cross-disciplinary team can assess your eligibility, calibrate the risks, and build the governance, disclosure, and technology controls you need to operate compliantly and at speed. Contact us to discuss tailored next steps.

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SOURCES

1. Order Granting Temporary Conditional Exemptive Relief for Tokenized NMS Stocks Trading Venues, Release No. 34-106402; File No. 4-927 (Sept. 17, 2026).
2. CFTC Letter No. 26-25, Market Participants Division (Sept. 17, 2026).
3. CFTC Letter No. 06-29 (2006).