

Policy

Why Close SEC-CFTC Coordination Is Key to Unlocking U.S. Market Innovation

09.25.2025 | By Alex Grieve, Justin Slaughter

The SEC and CFTC issued a [joint statement](#) on Sep. 5 announcing new regulatory harmonization efforts along with a [roundtable on Sep. 29](#) to discuss priorities such as aligning capital and margin frameworks, syncing product definitions, and exploring coordinated innovation exemptions.

This is a watershed moment for cooperation that can have outsized benefits for innovation, efficiency, and investor protection. The question at hand is whether the inherent remit overlap between the SEC and CFTC will remain a blocker to progress, or become a potential unlock for novel products and companies.

Historically, the SEC and CFTC typically find themselves in fierce competition over jurisdictional matters, fighting over regulatory power for different projects like two referees clamoring to officiate the same football game but with different rule books. Effective coordination between the SEC and CFTC is essential for building consistent, modern rules that allow innovative products to come to market in the U.S, especially in a space like crypto that criss-crosses many existing jurisdictional lines and rubrics.

The prerequisite for such coordination is simple: The chairs of both agencies must share a vision for forward progress, aligned on the importance of regulatory streamlining, innovation, and competitiveness.

especially in areas like swaps or equity futures where both agencies have a reasonable and demonstrated interest in regulatory oversight. When the two agencies act in isolation, market participants are often forced to navigate duplicative requirements, inconsistent definitions, and lingering jurisdictional uncertainty. That fragmentation raises compliance costs and creates inefficiencies, with firms spending time and resources managing regulatory contradictions instead of deploying capital toward new products that could benefit investors and the broader economy.

By contrast, when the agencies coordinate, the benefits are immediate and significant. A harmonized rulebook means aligned definitions and consistent compliance expectations, which in turn reduces opportunities for regulatory arbitrage. This kind of clarity allows market participants to operate with confidence, knowing they will not be whipsawed between conflicting standards. It also makes life easier for the regulators - there have been too many instances of wasted taxpayer dollars over the last few years of one agency filing an amicus brief against its sister regulator.¹² There are precedents to build on: joint rulemakings post-Dodd-Frank, cross-border swaps guidance, and data-sharing agreements have all shown that collaboration is possible, even if imperfect.

Coordination also opens pathways for innovation. Many next-generation products, particularly those involving digital assets, straddle the line between securities and derivatives. Without joint oversight, these products [risk falling into a gray area](#) that deters development. With coordination, however, regulators can establish clear guardrails that enable experimentation within the US, rather than pushing it abroad.

Finally, closer coordination improves oversight itself. When the SEC and CFTC share data and align reporting standards, both agencies gain a more complete picture of systemic risks. Instead of siloed monitoring, they can spot correlated exposures across markets, strengthening investor protection and financial stability. As our markets grow, further globalize, and potentially move onchain, there is more need for regulator cooperation, not less.

innovations that straddle these jurisdictional boundaries. For example:

- **Equity Perpetuals**

Contracts that track the price of equities but roll indefinitely rather than expiring after a set amount of time, as typical futures or options do, which allows for far greater capital efficiency. First seen in crypto, the idea of the perpetual contract can be applied to traditional finance products as well. Today, however, these sit in regulatory limbo. With harmonized rules, investors could access a transparent, well-regulated market for equity exposure in perp form. (The CFTC is already working on the facilitation of crypto perpetuals.)

- **IPO Pricing Contracts**

Prediction markets on whether an IPO will price above or below an expected range. If an investor in the equity of a private company invests at a substantial premium to the stocks of comparable companies that are publicly traded, they may choose to hedge risk (where not prohibited), against an eventual IPO underpricing their current position. In addition, issuers can seek guidance on market pricing through pre-IPO prediction markets or pre-IPO equity perpetuals.

- **Markets on Shareholder Vote Outcomes / Decision Markets**

Prediction markets on corporate governance: “Will XYZ company’s shareholders approve the CEO’s new compensation package?” These could enhance transparency in contested votes. A further extension of this would be the application of [futarchy](#) to the decisionmaking of public companies; the clearing price of a decision market would determine the outcome: the shareholders’ decision in a shareholder vote. Investors typically express opinions on the value of a merger or the potential impact of a board ousting a CEO via buying or selling that company’s stock. Decision markets would price this possible value (or value destruction) *into the decision itself*.

payment, gets downgraded, or restructures, which could serve as a lightweight alternative to Credit Default Swap (CDS) markets, which have many layers of embedded complexity and risk.

- **Side-by-Side Listings of Securities and Non-Securities**

Imagine a trading platform where tokenized equities, crypto commodities, event contracts, and other instruments trade together under a unified compliance framework. Instead of siloed venues, investors could access both types of assets with consistent disclosures and protections. Liquidity pools are deeper, spreads are tighter, and intermediaries face renewed competition. This would likely require a harmonized dual registration framework, assigning each agency responsibilities that match its risk expertise, while ensuring registrants don't face duplicative requirements. SEC Chair Paul Atkins has discussed this, calling the potential regulations "Reg SuperApp."

- **Shared Margin Accounts**

Today, traders often need to post separate collateral for securities and derivatives positions. Coordination could allow unified margining, freeing up capital and improving liquidity. For example, a trader long equities and short futures could net those exposures in one account, reducing redundant collateral requirements. This also improves recordkeeping by firms and reduces the risk of accidental rehypothecation.

- **Security-Based Swaps**

This market has struggled with inconsistent jurisdictional boundaries. Dating back to Dodd-Frank, the CFTC has jurisdiction over most swaps while the SEC has jurisdiction over security-based swaps, albeit with some involvement from the CFTC. The result has been that this asset class is a desert, with just ~\$3B in daily volume. A coordinated framework could make products like total return swaps on equities easier to launch and manage, with clear rules for disclosure, reporting, and margin.

regulators would have a fuller picture of systemic risk. That would make it easier to identify stress across correlated exposures, whether in equities, swaps, or digital assets. This would be a massive improvement from the current muted data-sharing, not to mention interoperability issues of the long-troubled Consolidated Audit Trail and Swap Data Repositories.

Each of these examples is tangible and actionable, even in the short term of the next year. But rapid change is possible only if the two agencies work together under aligned leadership.

The payoff of strong SEC-CFTC coordination is broader than smoother rulemaking. It unlocks economic activity by lowering the cost of compliance and barriers to entry for new market entrants. It increases the pace of technological advancement, as founders are able to focus on building innovative new products, rather than spending time and financial resources trying to resolve which regulator is their primary overseer. It even provides comfort and confidence that the agency will be able to identify the good actors from the bad, giving founders confidence to throw their whole body and soul into their projects. Ultimately, a simplified ruleset and widespread technological creativity bolsters the attractiveness of US markets.

In short, when the agencies coordinate, the President's agenda for growth and innovation becomes easier to deliver.

Conclusion

The SEC and CFTC will always have some jurisdictional overlap. The choice for us is whether that overlap creates friction or fosters innovation.

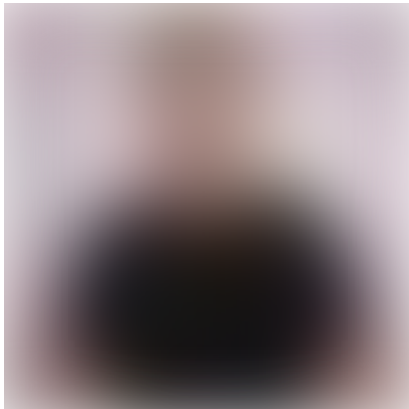
For harmonization to succeed, the whole of each agency must coordinate. For that coordination to be real and lasting, the Chairs themselves must be aligned and committed to working together.

For crypto specifically, the stakes are high. Tokenized assets, stablecoins, and crypto trading platforms cut across securities and commodities law. Without coordination, the U.S. risks driving this innovation overseas. With coordination, it can lead.

Footnotes

- 1 The SEC filed an [amicus brief](#) in the CFTC's case against Archegos, claiming jurisdiction over Total Return Swaps (TRS). The court sided with the SEC, awarding TRS jurisdiction to the SEC, and effectively scuttling the CFTC enforcement.. [↵](#)
- 2 The CFTC sued Amaranth Advisors, over the firm's natural gas trading losses in 2007, and in their [brief](#) argued that their jurisdiction superseded that of the Federal Energy Regulatory Commission (FERC), who had also filed an enforcement action, as the Commodity Exchange Act grants sole jurisdiction over commodity derivatives to the CFTC.. [↵](#)

Written by

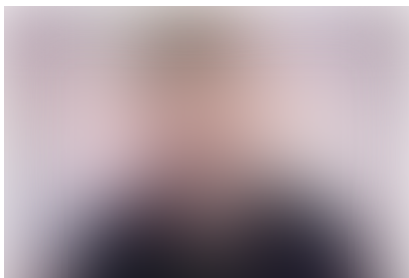


Alex Grieve

VP of Government Affairs

[LinkedIn](#) [Twitter](#) [Warpcast](#)

Alexander Grieve serves as the VP of Government Affairs for Paradigm. Prior to joining Paradigm, Alex was Vice President of Tiger Hill Partners, a financial regulatory advisory and lobbying firm, where he led Tiger Hill's crypto regulatory and advocacy practice. Alex also served as the Republican government affairs specialist for the Depository Trust & Clearing Corporation (DTCC), the securities clearinghouse and financial market infrastructure, which provided his 2017 entry into crypto policy. Prior to DTCC, Alex served as an aide to Speaker of the House John Boehner, and began his career on the campaign of Gabriel Gomez for US Senate. He earned his Masters in Business Administration from the Yale School of Management, and his B.A. from Colgate University. →



Justin Slaughter

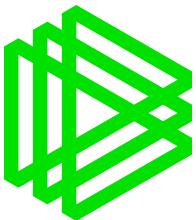
VP of Regulatory Affairs

[LinkedIn](#) [Twitter](#) [Warpcast](#)

Justin Slaughter is the VP of Regulatory Affairs at Paradigm. Prior to joining

Commission Chair Allison Herren Lee. Justin has also served as Chief Policy Advisor and Special Counsel to former Commissioner Sharon Bowen at the Commodity Futures Trading Commission and General Counsel to Senator Edward J. Markey. Justin has also served as a consultant in private practice focusing on fintech and smaller technology companies, and he began his career as a law clerk to Judge Jerome Farris on the United States Court of Appeals for the Ninth Circuit. Justin has a B.A. from Columbia University and a J.D. from Yale Law School. →

Disclaimer: This post is for general information purposes only. It does not constitute investment advice or a recommendation or solicitation to buy or sell any investment and should not be used in the evaluation of the merits of making any investment decision. It should not be relied upon for accounting, legal or tax advice or investment recommendations. This post reflects the current opinions of the authors and is not made on behalf of Paradigm or its affiliates and does not necessarily reflect the opinions of Paradigm, its affiliates or individuals associated with Paradigm. The opinions reflected herein are subject to change without being updated.

[ABOUT](#)[WRITING](#)[LP LOGIN](#)[TEAM](#)[OPEN SOURCE](#)[PORTFOLIO](#)[CAREERS](#)[Twitter](#)[LinkedIn](#)[Farcaster](#)[Contact](#)[Terms](#)[Disclosures](#)[Privacy](#)[CA Privacy](#)

Copyright © 2026 Paradigm Operations LP All rights reserved. "Paradigm" is a trademark, and the triangular mobius symbol is a registered trademark of Paradigm Operations LP