



Our Take

PwC's Financial Services Risk & Regulation Update

4.17.26 Topics: CFTC | On our radar

1 CFTC's Selig on the Hill

What happened? On April 16th, CFTC Chairman Michael Selig [testified](#) before the House Agriculture Committee.

What did Selig say? He was questioned on a number of topics, with a focus on:

- **Prediction markets and market boundaries:** Selig defended the CFTC's jurisdiction over prediction markets, asserting that these products fall within the federal derivatives framework rather than state gambling regimes. He also responded to concerns about insider trading and market integrity by emphasizing that the agency will pursue fraud and insider trading aggressively as these markets expand.
- **Staffing, governance, and use of AI:** Lawmakers questioned whether the CFTC can effectively oversee an expanding mandate while operating with significant vacancies and Selig serving as the sole commissioner. Selig stated that the agency would not slow its rulemaking or enforcement agenda and explained that it is addressing resource constraints in part through the use of AI, including agent-based tools, to support market surveillance and oversight.



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Prediction markets are moving ahead faster than the regulatory framework around them

The hearing reinforced that prediction markets are rapidly growing, despite a lack of clarity as to whether they will be supervised under financial or gaming regulatory frameworks. For financial institutions and market participants, that uncertainty translates into a landscape where similar products may fall under multiple regulatory regimes depending on structure, counterparty, or jurisdiction – or may face overlapping claims of jurisdiction from federal and state regulators. As the CFTC continues to assert authority that some states are challenging, firms operating in or around these markets will need to manage competing expectations across federal and state frameworks, particularly in areas such as market integrity, disclosures, and financial crime compliance.

Regardless of how regulators or courts ultimately determine jurisdiction, it is clear that any regulatory regime will place high emphasis on rooting out fraud and insider trading. Firms should expect scrutiny of trading behavior, information asymmetries, and conflicts of interest to increase, regardless of how prediction markets are categorized. This places greater importance on surveillance capabilities, customer due diligence, and governance over new products, including higher-risk markets such as events that can be easily determined or manipulated by one person or a small group of people.

Technology is filling the gap between supervisory ambition and capacity

The hearing also pointed to a shift in the CFTC's operating model, with the agency leaning more heavily on AI, including agent-based tools, to support surveillance and enforcement. For firms, that suggests a more continuous and data-driven model of supervision, particularly in markets that generate large volumes of real-time activity. This has practical implications for how compliance and risk management functions operate. A more automated, AI-enabled supervisory approach increases the likelihood that inconsistencies in trading activity, controls, or reporting are identified more readily. As this model is more generally adopted by regulatory agencies, firms should expect less reliance on periodic reviews and more emphasis on ongoing monitoring, data quality, and the ability to demonstrate that controls are operating as intended. In this environment, the strength of underlying data, surveillance frameworks, and governance processes will play a larger role in how firms are evaluated.



On our radar

CFTC approves order to expand cross-margining in U.S. Treasury markets. On April 15th, the CFTC [approved](#) an [order](#) granting exemptive relief to allow certain dually registered broker-dealers and futures commission merchants to participate in cross-margining arrangements between the CME and the FICC. The order permits commingling of customer funds and positions under specified safeguards and supports more efficient margining of related Treasury cash and futures positions.

SEC staff provides guidance on broker-dealer registration for certain crypto asset user interfaces. On April 13th, SEC staff [issued](#) a statement outlining when providers of user interfaces that facilitate crypto asset securities transactions may operate without registering as broker-dealers. The guidance identifies conditions under which such providers may avoid registration, including limitations on discretion, compensation, and solicitation, and emphasizes the use of objective parameters and disclosures.

ECB releases working paper on bank lending to non-bank financial institutions. On April 16th, the ECB published a [working paper](#) examining trends in bank lending to NBFIs and its impact on credit allocation. The paper finds that growth in bank lending to non-banks, particularly through reverse repos used to finance securities, is associated with increased borrowing demand in the context of quantitative tightening and higher sovereign debt supply.

The FDIC issued a press release on a forthcoming Trilateral Principal Level Exercise (TPLE). The [TPLE](#) will take place on April 18th, with participation from the heads of resolution and regulatory authorities, central banks and finance ministries of the United States, European Banking Union and United Kingdom.



Additional information

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