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CFTC Issues No-Action Relief to Self-Custodial Crypto-Wallet Application

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On March 17, 2026, the Market Participants Division (MPD) of the US Commodity Futures Trading Commission (CFTC) issued a no-action letter to Phantom Technologies, a self-custodial crypto-wallet software company, recommending that the CFTC should not take enforcement action against Phantom for failing to register as an introducing broker (IB) under Section 4d(g) of the Commodity Exchange Act (CEA), or for certain of its personnel failing to register as associated persons (APs) under Section 4k of the CEA (no-action relief).

Phantom's proposed activities

Phantom has developed one of the most popular self-custodial crypto-wallets for use on Solana and several other major blockchains. Phantom's software enables users to generate and manage cryptographic credentials for viewing, storing and conducting self-directed crypto transactions. In a request letter to the CFTC, Phantom proposed to offer a front-end interface that enables users to access trading in CFTC-regulated derivatives, including event contracts, perpetual contracts, on registered designated contract markets (DCMs) or through registered futures commission merchants (FCMs) or IBs (collectively, collaborators). Phantom does not hold, control or custody user assets, generate express "buy" or "sell" signals, or exercise discretion with respect to the routing or execution of user orders. It merely provides software on the user's mobile device or via a browser extension to enable users to transmit their orders directly to the collaborators. Phantom may receive a portion of the revenue of the collaborators and may also charge a transaction-based fee to users.

Registration requirement for introducing brokers

Under Section 4d(g) of the CEA, any person that, for compensation or profit, is engaged in soliciting or accepting orders for the purchase or sale of, among other financial products, any commodity for future delivery, is required to be registered as an IB with the CFTC. The phrase "soliciting or accepting orders" has been interpreted broadly to encompass solicitation of customers or acceptance of their orders for referral to FCMs for the execution of those orders. In addition, any individual associated with an IB as a partner, officer, employee or agent (or similar status) involved in solicitation or acceptance of customers' orders (other than in a clerical capacity) or the supervision of persons so engaged is required to be registered as an associated person of the IB.

Prior CFTC staff letters had established that certain independent software vendors (ISVs) need not register as IBs, subject to specified requirements. Phantom's proposed activities satisfy most of the conditions set out in those prior letters but depart in two key respects. First, Phantom would recommend, propose or encourage its users to use particular collaborators; and second, Phantom might contract with those collaborators to share a specified portion of their relevant revenues in exchange for Phantom providing its software to the collaborators' users. Phantom therefore sought no-action relief.

Conditions for no-action relief

The CFTC granted the no-action relief to Phantom subject to the following conditions:

1. **Collaborator liability undertaking**

- Phantom and each collaborator execute a written undertaking to be jointly and severally liable for any violations of the CEA or CFTC regulations in connection with Phantom's proposed activities and to consent to the jurisdiction of the CFTC for relevant enforcement actions. Such undertakings shall be filed with the MPD.

2. **User onboarding and disclosures**

- Phantom provides and each user acknowledges receipt of:
  - Disclosures regarding Phantom's relationship with the collaborators, addressing potential conflicts of interest (including fees).
  - A risk disclosure statement meeting specific requirements for the relevant trading activities, unless such risk disclosure statement has been provided by the collaborator.
- Users are onboarded with the collaborator and retain the ability to access the collaborator independently of Phantom.

3. **Business conduct and notifications to the CFTC**

- Phantom adopts and enforces policies and procedures reasonably designed to ensure compliance with applicable CFTC and National Futures Association (NFA) rules regarding communications with the public and marketing as if Phantom were registered as an IB.
- Phantom does not engage in advertising or promotions that would require preapproval by NFA if Phantom were registered as an IB.
- Phantom, its principals and any individual engaged in soliciting users as part of the proposed activities are not subject to certain statutory disqualifications under the CEA. Phantom shall promptly notify the MPD of the relevant facts should any such person become subject to statutory disqualification.
- Phantom provides notice to the MPD if it becomes insolvent or enters a bankruptcy proceeding.
- Phantom maintains records regarding its compliance with these conditions and its business involving CFTC-regulated activity.
- Phantom files a notice with the MPD agreeing to satisfy these conditions and consenting to be subject to the CFTC's jurisdiction for related enforcement actions.

Key takeaways

- The no-action relief opens the door for the development of "super apps" that allow users to access multiple trading venues through a single software application. For noncustodial crypto-wallet providers considering entry into CFTC-regulated derivatives markets, the no-action relief provides a useful pathway of entry without being subject to IB registration and ongoing compliance obligations. The CFTC's relief builds on the reasoning in *SEC v. Coinbase, Inc.*, No. 23 Civ. 4738 (KPF) (SDNY Mar. 27, 2024), in which Judge Katherine Polk Failla of the US District Court for the Southern District of New York dismissed the Securities and Exchange Commission's claim that Coinbase acted as an unregistered securities broker through its self-custodial Coinbase Wallet application. Judge Failla found that the factual allegations concerning Coinbase Wallet were insufficient to support the plausible inference that Coinbase "engaged in the business of effecting transactions in securities for the account of others" through its wallet application, noting in particular that Coinbase does not maintain custody over user assets and does not exercise discretion over the routing or execution of transactions, and that the provision of pricing comparisons and access to third-party decentralized exchanges does not rise to the level of brokerage activity. Taken together with the CFTC's no-action relief, noncustodial wallet providers now have meaningful guidance under both the commodities and securities regulatory frameworks that the provision of self-custodial software infrastructure facilitating user-directed access to trading venues may not, without more, constitute broker activity requiring registration.
- In granting the no-action relief, the CFTC emphasized Phantom's passive involvement in order submission. Noncustodial software providers seeking similar relief should ensure that their platforms do not generate express "buy" or "sell" signals or exercise discretion with respect to the routing or execution of user orders, and that users will continue to have direct access to collaborating DCMs, FCMs or IBs.
- In addition, noncustodial software providers seeking similar relief should proactively update user agreements and conflict-of-interest and risk disclosures, implement internal policies regarding marketing and public communications, and include appropriate liability undertakings when negotiating collaboration arrangements with DCMs, FCMs and IBs.
- Lastly, it is worth noting that, in addition to a transaction-based fee to be paid by users, the no-action relief allows Phantom to receive a portion of the revenue from the collaborators, so long as Phantom's relationship with the collaborators, potential conflicts of interest and fees are adequately disclosed.

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