

America Just Regulated the World's Most Traded Crypto Derivative -- and \$92 Trillion Is Coming Home

May 29 2026. CFTC. KalshiEX. Commission Regulation 40.3. BTCPERP. Tarek Mansour. Mike Selig. Paul Grewal Massive First. Kraken 30 Days. -- Q2 2026

On May 29, 2026, the Commodity Futures Trading Commission issued an Order for Approval to KalshiEX LLC under Commission Regulation 40.3 -- authorizing the first perpetual futures contract ever listed on a US-regulated exchange. The contract is BTCPERP: a perpetual futures contract referencing the spot price of Bitcoin, with no expiration date, listed as a futures contract under CFTC jurisdiction. Simultaneously, the CFTC issued no-action guidance allowing Coinbase Financial Markets to route US customers into global crypto perpetuals and options markets through its Bermuda subsidiary -- a dual action that the Unchained analysis confirmed opened the door for crypto perpetual futures in the United States for the first time. CFTC Chairman Michael Selig, appointed by President Trump, called the approval a major step forward in delivering on President Trump's goal of cementing America as the crypto capital of the world. Kalshi CEO Tarek Mansour told CNBC Squawk on the Street that perpetuals are the purest form of trading, framing the launch as Kalshi's evolution from prediction market leader to a full-service derivatives exchange. Onshore, safe, and regulated perps will improve capital allocation and risk management for countless American businesses. Coinbase Chief Legal Officer Paul Grewal called it a massive first for the industry. Kraken announced plans to list CFTC-regulated perps within 30 days of Kalshi's approval, covering Bitcoin and other crypto. Kalshi, valued at \$22 billion following its May 2026 funding round, plans to expand perpetuals to more than a dozen cryptocurrencies pending further regulatory reviews. The DeFi Rate analysis confirmed that offshore perpetual futures volume reached \$92.9 trillion in 2025 -- outpacing spot crypto markets and representing the dominant form of global crypto derivatives trading. For years, every dollar of that \$92.9 trillion annual volume had been processed offshore -- on Binance, Bybit, OKX, and the other unregulated platforms that have dominated the perpetuals market since the product category was invented in 2016. The CFTC's May 29 approval of BTCPERP on Kalshi is the US regulatory action that began the process of bringing that volume onshore. A product that has been generating \$92.9 trillion in annual offshore volume, with zero US regulatory oversight, now has a domestic regulated pathway. The implications for Bitcoin's institutional adoption, for US market structure, and for the competitive positioning of US-regulated exchanges are the subject of this report.

01 -- WHAT PERPETUAL FUTURES ARE AND WHY THEY DOMINATE CRYPTO DERIVATIVES

Perpetual futures are the dominant trading instrument in the global cryptocurrency derivatives market -- accounting for approximately 75% of all crypto derivatives volume globally -- and yet, until May 29, 2026, not a single perpetual futures contract had ever been listed on a US-regulated exchange. Understanding why this gap existed and why the CFTC's BTCPERP approval is historically significant requires understanding what perpetual futures are and why they became the defining product of crypto trading.

A standard futures contract is an agreement to buy or sell an asset at a specified price on a specified future date. At expiration, the contract settles and the position is closed -- the buyer receives the asset or the cash equivalent and the seller delivers it. The fixed expiration date creates a structural limitation for traders who want continuous exposure to an asset's price without the operational burden of rolling their position into a new contract every quarter. Rolling a futures position -- closing the expiring contract and opening a new one -- generates transaction costs, creates moments of market exposure during the rollover, and requires active management that sophisticated traders want to avoid.

A perpetual futures contract eliminates the expiration date entirely. There is no settlement date, no rollover requirement, and no position closeout. A trader who opens a long Bitcoin perpetual position can hold that position for minutes, days, months, or years -- entering and exiting whenever they choose without being forced into a rollover by the contract's expiration mechanics. The perpetual futures contract tracks the spot price of the underlying asset through a funding rate mechanism: when the perpetual futures price is above the spot price, long position holders pay funding to short position holders, incentivizing selling that brings the futures price back toward spot. When the perpetual futures price is below the spot price, short position holders pay funding to long position holders, incentivizing buying that brings the futures price back toward spot.

The perpetual futures contract was invented in 2016 by BitMEX -- the offshore crypto derivatives exchange founded by Arthur Hayes -- specifically for the cryptocurrency market, where the underlying assets trade 24/7 and the absence of market hours makes quarterly expiration cycles administratively awkward. The product was so commercially successful that it rapidly became the dominant crypto derivatives instrument: by 2025, perpetual futures generated \$92.9 trillion in annual trading volume globally, compared to approximately \$30 trillion in spot crypto trading volume. The purest form of trading, as Kalshi CEO Tarek Mansour described them to CNBC, is also the most commercially significant crypto financial product ever created -- and until May 29, 2026, it had never existed in the United States under federal regulatory jurisdiction.

PERPETUAL FUTURES DEFINITION: No expiration date. Continuous exposure. Funding rate mechanism keeps futures price near spot. Invented by BitMEX 2016. \$92.9 trillion in global volume 2025 -- versus \$30 trillion in crypto spot. Most traded crypto derivative by volume. Never listed on a US-regulated exchange before May 29 2026. BTCPERP on Kalshi is the first.

02 -- THE CFTC ORDER: WHAT COMMISSION REGULATION 40.3 MEANS

The CFTC's Order for Approval to KalshiEX LLC under Commission Regulation 40.3 is the specific legal mechanism through which the first US-regulated perpetual futures contract was authorized -- and understanding the regulatory pathway illuminates both the significance of the approval and the

deliberate policy judgment that the CFTC made in structuring it.

Commission Regulation 40.3 governs the process by which designated contract markets -- CFTC-registered exchanges -- can seek approval for new contract listings that require prior CFTC review before trading can commence. Not all futures contracts require 40.3 prior approval: under Commission Regulation 40.2, most new futures contracts can be self-certified by the designated contract market and begin trading within two business days of filing a certification. However, new product types that are structurally novel -- contracts that do not fit cleanly within the framework of existing futures products that the CFTC has previously approved -- are more appropriately submitted for 40.3 prior approval, which requires the CFTC to affirmatively determine that the contract complies with the Commodity Exchange Act before trading begins.

The CFTC's decision to issue a 40.3 Order for Approval rather than accepting a 40.2 self-certification for BTCPERP reflects the agency's recognition that perpetual futures are structurally novel relative to the quarterly futures contracts that the CFTC has historically regulated. The CFTC paired the Kalshi order with a policy statement setting a case-by-case review process for future perpetuals submissions -- establishing that other exchanges seeking to list perpetual futures will need to go through the same prior approval process, allowing the CFTC to review each new perpetuals application on its individual merits before authorizing trading.

The case-by-case review policy that the CFTC established alongside the Kalshi approval is the regulatory architecture that will determine how quickly the \$92.9 trillion in offshore perpetuals volume migrates to US-regulated exchanges. A streamlined case-by-case process that approves qualified applications within 30 to 60 days will enable rapid onshoring of perpetuals volume. A slow case-by-case process that takes 6 to 12 months per application will maintain the offshore dominance of the current market. Kalshi's approval establishes the template -- the product specifications, compliance frameworks, and risk management requirements -- that every subsequent applicant will reference.

03 -- THE COINBASE NO-ACTION LETTER: THE SIMULTANEOUS DUAL ACTION

The CFTC's simultaneous issuance of no-action guidance for Coinbase Financial Markets -- allowing Coinbase to route US customers into global crypto perpetuals and options markets through its Bermuda subsidiary -- is the second half of the May 29 dual action that the Unchained analysis identified as the most significant CFTC policy package for crypto derivatives in the agency's history.

A no-action letter is a CFTC staff communication stating that staff will not recommend enforcement action if a regulated entity engages in a specified activity as described in the letter. The Coinbase no-action letter allows Coinbase Financial Markets -- the CFTC-registered futures commission merchant that is the US regulatory entity in Coinbase's derivatives business -- to introduce US customers to Coinbase's Bermuda subsidiary, which operates the offshore perpetuals and options markets that Deribit and the Coinbase International Exchange operate.

The practical implication of the Coinbase no-action letter is that US customers can now access Coinbase's global perpetuals and options markets -- including the Deribit-powered options market that gives Coinbase approximately 75% global market share in crypto options -- through a CFTC-supervised

introduction process rather than having to independently find and onboard to Coinbase's offshore entities. The distinction between Kalshi's approval and Coinbase's no-action letter is that Kalshi received an order to list a domestic CFTC-regulated perpetual futures contract that trades within US jurisdiction, while Coinbase received guidance that allows it to introduce US customers to its offshore products through its CFTC-regulated domestic entity. Both actions expand US investor access to Bitcoin perpetuals. The regulatory character of each action is distinct.

Paul Grewal, Coinbase's Chief Legal Officer, described the dual action as a massive first for the industry -- framing both the Kalshi order and the Coinbase no-action letter as components of a single policy shift that fundamentally changes the availability of regulated Bitcoin derivatives for US market participants. CFTC Chairman Selig's accompanying statement -- calling the action a major step forward in delivering on President Trump's goal of cementing America as the crypto capital of the world -- confirmed that the dual action reflects deliberate policy direction from the Trump administration rather than organic regulatory evolution.

DUAL ACTION MAY 29 2026: Kalshi BTCPERP Order for Approval under Commission Regulation 40.3 -- first US-regulated perpetual futures contract. Coinbase no-action letter -- US customers can be introduced to offshore perps through CFTC-regulated domestic entity. Selig: major step toward cementing America as crypto capital of the world. Grewal: massive first for the industry.

04 -- THE \$92.9 TRILLION OFFSHORE MARKET: WHAT COMES ONSHORE

The commercial significance of the CFTC's BTCPERP approval cannot be fully understood without understanding the scale of the offshore perpetuals market that the approval is designed to begin onshoring. Offshore perpetual futures volume reached \$92.9 trillion in 2025 -- outpacing spot crypto markets by a factor of three and representing the dominant form of global crypto derivatives trading. Every dollar of that \$92.9 trillion was processed on exchanges outside US regulatory jurisdiction, without CFTC oversight, without the customer protection requirements that US regulated exchanges must satisfy, and without the capital requirements and risk management standards that CFTC-registered entities must maintain.

Binance, Bybit, and OKX are the three exchanges that dominate offshore perpetuals volume. Binance alone processed approximately \$40 trillion in perpetuals volume in 2025 -- more than 40% of the global total -- through its offshore entities that are explicitly prohibited from serving US customers but that have historically served a significant US customer base through VPN usage and incomplete geographic filtering. The CFTC's enforcement actions against Binance in 2023 -- which resulted in a \$4.3 billion settlement and significant restrictions on US customer access -- were the most visible regulatory effort to redirect US customer activity from offshore perpetuals platforms to domestic regulated alternatives. The problem was that no domestic regulated perpetuals platform existed at the time of the Binance settlement. US customers who wanted perpetuals had no compliant domestic option.

The CFTC's BTCPERP approval changes this by creating the first compliant domestic alternative. A US retail or institutional investor who previously used Binance or Bybit for Bitcoin perpetuals exposure because no CFTC-regulated option existed can now use Kalshi's BTCPERP without the compliance risk

of using an offshore platform that is prohibited from serving US customers. The migration from offshore to onshore will not happen overnight -- offshore platforms offer higher leverage limits, more listed assets, lower fees, and a longer track record of operational reliability. But the existence of a domestic regulated alternative changes the risk-reward calculation for US institutional investors whose compliance teams prohibit offshore derivatives exposure.

Hyperliquid's position in this competitive landscape is the most analytically interesting: as The Defiant confirmed, decentralized perps account for only about 10% of total perpetuals volume, with offshore centralized exchanges handling the rest. Hyperliquid's draw -- self-custody, no identity checks, high leverage and permissionless markets that list long-tail assets through HIP-3 -- is largely what a CFTC-regulated venue cannot match. The Kalshi and Coinbase-linked products carry leverage limits, volatility controls, and KYC requirements. Hyperliquid's permissionless model remains structurally distinct from regulated venues and will continue to serve users who prioritize accessibility over regulatory compliance.

05 -- KALSHI'S EVOLUTION: FROM PREDICTION MARKET TO FULL-SERVICE DERIVATIVES EXCHANGE

The BTCPERP approval is the commercial pivot that completes Kalshi's transformation from the world's most prominent prediction market platform into a full-service crypto derivatives exchange -- a transformation that Tarek Mansour framed on CNBC as the company's evolution from prediction market leader to a full-service derivatives exchange.

Kalshi began as a CFTC-regulated prediction market -- the first platform to receive explicit CFTC authorization to operate event-based contracts on non-price binary outcomes like legislative passage, election results, and economic data releases. The prediction market franchise made Kalshi the first CFTC-regulated entity to offer products on political and event outcomes, the first to price legislative passage probabilities with real-money market mechanics, and the first to attract the institutional capital that made Kalshi's \$22 billion valuation and \$1.5 billion in annual revenue credible.

The BTCPERP approval extends Kalshi's CFTC-regulated product franchise from event-based prediction markets into price-based perpetual futures -- the same product category that generated \$92.9 trillion in global volume in 2025. Kalshi plans to expand perpetuals to more than a dozen cryptocurrencies pending further regulatory reviews, with agricultural commodities excluded from the product slate. The expansion pipeline -- Bitcoin first, then additional cryptocurrencies -- is the commercial road map that will determine whether Kalshi captures a meaningful share of the offshore perpetuals market that BTCPERP's approval has opened to domestic competition.

Kraken's announcement that it plans to list CFTC-regulated perps within 30 days of Kalshi's approval is the most direct signal of how the competitive dynamics of the domestic regulated perpetuals market will develop. Kraken -- the third-largest US-regulated crypto exchange by trading volume -- moving to list regulated perps within 30 days confirms that the BTCPERP approval is not a one-off regulatory experiment but the opening of a product category that every major US-regulated crypto exchange will compete in. Polymarket's launch of a perpetual futures product of its own -- starting with invitation-only and early-access trading -- confirms that the prediction market and perpetuals markets are converging

on both sides: Kalshi moving from prediction markets to perpetuals, and Polymarket moving from prediction markets to perpetuals simultaneously.

06 -- WHAT REGULATED US PERPETUALS MEAN FOR BITCOIN PRICE AND INSTITUTIONAL ADOPTION

The existence of CFTC-regulated Bitcoin perpetual futures in the United States creates a specific set of institutional demand implications that the offshore perpetuals market -- despite its \$92.9 trillion annual volume -- was unable to produce. Understanding these implications requires understanding why institutional investors who are comfortable with Bitcoin ETF exposure have historically been unable to use perpetuals for the hedging and leverage management functions that perpetuals serve.

The primary institutional use case for Bitcoin perpetuals is hedging. A hedge fund that holds a \$100 million long Bitcoin position in its portfolio and wants to reduce its Bitcoin exposure temporarily -- because of a tactical macro view, a risk management mandate, or a rebalancing requirement -- has two options: sell the spot Bitcoin position or short the equivalent exposure in the derivatives market. Selling the spot position generates a taxable event, disrupts the long-term portfolio structure, and requires re-establishing the position later at potentially higher prices. Shorting the equivalent exposure in the perpetuals market achieves the same economic effect -- neutralizing the Bitcoin price exposure -- without selling the underlying asset.

Before the BTCPERP approval, a US hedge fund that wanted to use perpetuals for this purpose had to use offshore platforms that their compliance teams classified as unregulated counterparties -- a designation that triggered internal risk limits and in many cases made the strategy non-permissible. The CFTC-regulated BTCPERP on Kalshi is a CFTC-supervised designated contract market product, meaning it carries the same regulatory standing as CME Group's Bitcoin quarterly futures contracts that institutional investors already use. The compliance classification of BTCPERP as a regulated US derivatives product removes the counterparty risk classification barrier that had prevented institutional use of perpetuals for hedging.

The funding rate income dimension of Bitcoin perpetuals creates an additional institutional use case that does not exist for spot holdings or quarterly futures: the ability to earn carry income through short perpetual positions against long spot holdings. When perpetuals are in contango -- trading above spot -- short position holders receive funding rate payments from long position holders. An institutional investor with a long-term Bitcoin conviction who holds spot Bitcoin through ETFs or direct custody can simultaneously short Bitcoin perpetuals to earn the funding rate premium, creating a yield on the long Bitcoin position that the spot holding alone cannot generate. CFTC-regulated BTCPERP makes this yield strategy available to US institutional investors under full regulatory compliance for the first time.

07 -- CONCLUSION: THE REGULATORY MOAT JUST MOVED ONSHORE

The CFTC's May 29, 2026 Order for Approval for KalshiEX's BTCPERP contract is the regulatory action that begins the process of bringing \$92.9 trillion in annual offshore perpetuals volume under US regulatory jurisdiction. The action does not immediately transfer that volume -- offshore platforms retain

their advantages in leverage limits, asset selection, fees, and operational track record. But it creates the domestic regulated alternative that US institutional investors, compliance-constrained funds, and regulated brokers require to participate in the perpetuals market without the counterparty risk classification that offshore platforms carry.

The competitive race that the BTCPERP approval has triggered -- Kraken within 30 days, Polymarket's invitation-only perpetuals, the Coinbase no-action letter routing US customers to global perps -- will determine whether the domestic regulated perpetuals market captures a meaningful share of the offshore volume over the next 12 to 24 months. The CLARITY Act's passage -- which classifies Bitcoin as a digital commodity and establishes the statutory commodity jurisdiction that makes the CFTC's perpetuals approval framework legally durable -- will determine whether the regulatory foundation for domestic perpetuals is permanent or subject to future challenge.

For investors who have been tracking the complete Bitcoin institutional adoption narrative documented across the Alain AI Lab research library -- the ETF approvals, the Strategic Bitcoin Reserve, the OCC charter wave, the CLARITY Act GENIUS Act combination, the JPMorgan Kinexys, the Coinbase Everything Exchange -- the CFTC BTCPERP approval is the derivatives market infrastructure piece that completes the institutional adoption stack. ETFs for long-only exposure. Regulated custody for asset security. Regulated perpetuals for hedging and yield. The institutional toolkit for Bitcoin is now complete under US regulatory jurisdiction. The regulatory moat has moved onshore.

CFTC Order for Approval May 29 2026. KalshiEX BTCPERP. Commission Regulation 40.3. First US-regulated perpetual futures contract in history. \$92.9 trillion offshore volume in 2025. Coinbase no-action letter simultaneous. Kraken perps within 30 days. Polymarket perpetuals launched. Selig: major step cementing America as crypto capital. Grewal: massive first for the industry. The regulatory moat just moved onshore.