

March 30, 2022

Via Electronic Delivery

Mr. Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: LedgerX LLC d/b/a FTX US Derivatives (“FTX US”) Request to Amend DCO Order of Registration (IF 22-001)

Dear Mr. Kirkpatrick:

We are the Co-Founders and CIO/CEO, respectfully, of BlockTower Capital Advisors LP and its affiliates (collectively, “BlockTower”). BlockTower is an institutional investment firm, managing capital on behalf of investors and institutions with a team of professional traders, investors, engineers, data scientists, operators, and risk managers focused on stewarding capital and helping to responsibly build this globally-connected digital asset market and industry.

BlockTower appreciates the opportunity to provide written comments to the Commodity Futures Trading Commission (“CFTC” or the “Commission”) in connection with the filing by FTX US to amend its order of registration as a DCO. BlockTower stands in support of FTX US’s request to offer the clearing of margined products while continuing with a non-intermediated model.

The application to allow for direct-to-customer margin will promote competitive markets by disbursing the market power of incumbent exchanges in the U.S. more widely. Further, approval of FTX US’s application will reduce the over-reliance on the current gatekeepers to trading markets. In an effort to create greater, more equitable access to markets, we respectfully urge the Commission to approve the FTX US application. We see three main reasons to support this request.

I. FTX Application Provides More Choice for U.S.-Regulated Markets

We support the FTX application because its approval will provide investors greater choice for trading venues and create fairer markets. Given the small number of U.S. derivatives clearinghouses in existence, market and pricing power is presently concentrated within a small group of organizations. This reality is contrary to the goals of past and current administrations to greater disburse market power in all sectors. Particularly, with respect to Bitcoin (“BTC”) and Ethereum (“ETH”) futures, the majority of U.S. volume trades on exchange. BTC and ETH futures have experienced limited success when listed on other platforms due to the overall market and network advantages that incumbent exchanges have.

FTX US has refrained from competing on cryptocurrency derivatives in the U.S. Rather, FTX has a direct-to-investor model that enables investors to access the market through an application on their mobile device. The mobile accessibility alone is an attractive user experience for retailer investors. When combined with other features of FTX US's overall product offering, FTX US is well-positioned to meaningfully attract liquidity to its platform for these derivatives products. Should the CFTC approve the FTX US application, FTX US will be able to compete with the incumbent exchanges.

II. FTX Application Levels the Playing Field for Accessing Markets

The CFTC should approve the FTX application as it will allow customers to have more equitable and direct access to the markets. As discussed above, the U.S. derivatives market heavily relies on large, incumbent institutions. Incumbent markets operate with an intermediated market structure, which promotes the reliance by investors on banks and other financial institutions for access to the markets. The vast majority of trading volumes on U.S. derivatives exchanges is brokered by a small number of intermediaries. This structure only perpetuates the concentration of market power within these gatekeepers to the market.

The FTX US model will give investors the choice to access markets directly, without relying on a banking institution for access. Only then can the market power shift away from the banking system and towards the end investor. This also helps to minimize the "too big to fail" systemic-risk concerns that policymakers have continuously addressed since the 2008 financial crisis. We support FTX US's proposal because while intermediaries will be allowed to access the market on behalf of their customers, those customers will no longer depend on those intermediaries for access. Market participants will have a choice.

In addition, FTX US has provided its processes for empowering and protecting American investors. Retail investors can gain access to products that were previously only available to well-resourced investors who could connect to complex, traditional-markets infrastructure. However, the FTX US model ensures that key investor protections are in place. Working alongside the CFTC, FTX US has developed a method to ensure that the required investor protections normally afforded by FCMs are still provided. Protections such as risk disclosures, AML/KYC compliance, and market integrity through rigorous surveillance are provided directly by the exchange platform when accessed by the investor.

III. FTX Proposal will Reduce Systemic and Operational Risks

We agree that the ability to trade assets 24 hours a day, 7 days a week requires an all day, all week, and all year risk and margin model. For markets where price action in the underlying spot market is constantly occurring or is influenced by world events, it is especially risky for intermediaries to extend credit overnight and over weekends. We support the FTX US proposal because it will reduce system risk. With less intermediation of markets, as offered by FTX US, the number of interconnection risks between financial institutions in the overall market ecosystem is minimized. The simplicity of the direct-to-investor market structure also reduces other operational risks compared to other models. The FTX US structure presents fewer risks to the platform, to the end investor, and makes it easier for the platform to manage risk overall.

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We fully support FTX US's request to amend their DCO registration. For the reasons detailed above, we urge the Commission to approve this request as soon as possible. If the Commission has any questions or comments, please do not hesitate to contact us anytime by email (legal@blocktower.com) or phone (203-989-3661).

Respectfully Submitted,



Ari Paul
Co-Founder & Chief Investment Officer
BlockTower Capital



Matthew Goetz
Co-Founder & Chief Executive Officer
BlockTower Capital