

Submitted Electronically via CFTC.gov

May 2, 2022

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

Re: Release Number 8499-22 CFTC Seeks Public Comment on FTX Request for Amended Derivatives Clearing Organization (DCO) Registration Order

Dear Mr. Kirkpatrick:

SoftBank Group Corp. (“SoftBank”) appreciates the opportunity to comment on the Commodity Futures Trading Commission’s request for public comment on LedgerX, LLC d.b.a. FTX US Derivatives’ (“FTX”) Request for Amended DCO Registration Order.

SoftBank is a multinational holding company focused on investment management, primarily investing in companies that operate in technology and financial sectors on the cutting edge of innovation. We have been impressed by the rapid growth and maturation of digital assets into a distinct asset class. The evolution of this market has led us, through the SoftBank Vision Fund II, among other funds managed by our subsidiaries, to become a major investor across the digital asset ecosystem, including in FTX.US.

Given our knowledge of the digital asset ecosystem, we are uniquely positioned to comment on the nascent but rapidly growing digital asset market as the U.S. government seeks to calibrate its regulatory framework for digital assets. SoftBank supports well-tailored regulation that balances responsible innovation with investor protections. SoftBank is a provider of long-term capital and, as such, has a strong interest in the development of a sustainable digital asset marketplace that expands the availability of financial services. We believe the FTX proposal will provide broader access to commodity products and increased financial participation in digital markets by retail investors, while protecting and reducing risk for the users of digital assets, financial intermediaries, and the financial system.

Bringing Margin Access Home to the United States

Global bitcoin and ether-based derivatives saw average daily trading volume of \$74 billion in notional value in January 2022, with a very small portion of that amount—\$2.7 billion—occurring in the U.S. market.¹ Much of this volume and liquidity occurs under foreign

¹ Chairman Rostin Behnam, letter to the Senate Agriculture Committee and House Agriculture Committee, February 8, 2022. Page 2.

<https://www.agriculture.senate.gov/imo/media/doc/2022%2002%2008%20Ag%20committees%20digital%20asset%20response%20letter.pdf> On May 2, 2022, daily reported global notional derivative volume was \$96,638,978,177.

clearing and market access models similar to the structure outlined in the FTX proposal. The United States lags overseas markets that have experienced growth of new tiers of market participants that generate material digital asset trading volume and liquidity.² SoftBank supports proposals that would bring this activity to the U.S. and its robust financial regulatory system. The FTX proposal would advance the U.S. toward this goal and would ensure activity is conducted through a CFTC registered venue, increasing the safety of the system. It would expand market access choice for users by allowing direct access, as well as preserving existing intermediate access, thereby contributing positively to the liquidity depth and robustness of U.S. markets.

Reducing Risk and Cost for the Benefit of Market Participants

Risk mitigation in the digital asset marketplace is a key pillar of the FTX proposal. The digital asset marketplace is fundamentally different from traditional securities and commodities markets. Because digital asset marketplaces do not close, traditional ways of clearing, including end of day clearing, do not fully mitigate risks associated with a 24/7 marketplace. FTX's proposal for 24/7 clearing allows for margin calculation in real time rather than end of day, removing gap risk from the system.

Furthermore, FTX's automated system for liquidating collateral when it falls below the maintenance margin level, calculated every 30 seconds, is an important innovation that enables FTX to safely offer margin without the imposition of futures commission merchants into the payment flow. The frequent collateral assessments and ability to rapidly liquidate collateral safely eliminate the need for intermediation and mutualization of losses. In unusual circumstances in which the liquidation of collateral is not sufficient to cover position losses, FTX will have arrangements with backstop liquidity providers who will assume positions needing to be liquidated along with the remaining margin. As an additional layer of protection, FTX will fund a guaranty fund with \$250 million.

Competition and innovation expand access to products for users at lower costs. By providing margined digital assets derivatives to customers coupled with the aforementioned changes to the clearing model, the FTX proposal reduces costs ultimately paid by retail participants without increasing liquidity or risk in the system. The proposal's model would result in , retail participants not having to pay fees for data, account creation, order submission, and access, while maintaining market integrity and compliance. This would be a significant improvement in the operation of U.S. markets.

In closing, SoftBank believes the FTX proposal will positively influence the digital asset market by providing additional avenues for access in the U.S., increasing liquidity for participants, while reducing risk and costs in a manner that is reflective of the marketplace. We believe this proposal, if approved, will empower retail participants and harness responsible innovation as the digital asset market continues to grow and advance. SoftBank appreciates the

² Chairman Rostin Behnam, letter to the Senate Agriculture Committee and House Agriculture Committee, February 8, 2022. Page 2.

<https://www.agriculture.senate.gov/imo/media/doc/2022%2002%2008%20Ag%20committees%20digital%20asset%20response%20letter.pdf>

Commission's considerations of the comments in this letter. We strongly support FTX's application and urge the Commission to grant its approval.

Sincerely,

A handwritten signature in black ink, reading "Brian C. Conklin". The signature is written in a cursive style with a prominent initial "B".

Brian C. Conklin
Managing Partner and Senior Vice President, Global Government Affairs
SoftBank Group Corp.