May 5, 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:

I appreciate the opportunity 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. I stand 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 share 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, I respectfully urge the Commission to approve the FTX US application. I see three main reasons to support this request.

1. **FTX Application Provides Greater Economic Freedom for American Investors**

Approval of the FTX application will provide investors greater choice for trading venues and create fairer markets. Given the small number of U.S. derivatives clearinghouses in existence, new competitors could offer customers better pricing, terms, services, and features. However, because blockchain technologies threaten to replace powerful incumbents like Wall Street, they could face a much more difficult regulatory environment.

Restrictive regulations on digital asset exchanges and other blockchain technologies would be a short-sighted approach. Blockchains could usher in a technological revolution that not only creates trillions of dollars in value, but that fulfills the early Internet’s promise of a radical decentralization that gives power and autonomy to individual Americans. The FTX application is one step in creating a financial system that realizes the promise of this powerful technology and returns economic power to individual investors, who remain at the mercy of incumbent institutions under the status quo.

FTX has a direct-to-investor model that enables investors to access the market though 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 could offer customers a superior experience and, as a result, could 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.

1. **FTX Application is Critical for American Innovation**

It is of paramount importance that U.S. financial markets remain a vibrant source of capital and encourage innovation of new ideas, products, and services. At the same time, U.S. market participants should have ready access to the necessary tools to hedge risk and adequately grow their businesses. As the use and trading of digital assets continues to grow, digital assets will continue to integrate with traditional capital markets and become an increasingly important segment of our country’s financial markets more broadly.

Although the CFTC has clearly asserted jurisdiction over derivatives for Bitcoin (“BTC”) and Ethereum (“ETH”), digital assets in the U.S. have been the subject of regulatory uncertainty. More than 90 percent of trading volumes for derivatives on BTC and ETH trade outside the U.S. The U.S. will only fall further behind in technology and policy if we do not cement our leadership in the digital asset marketplace. The FTX Proposal is one step toward achieving that U.S. leadership.

In the 1990s, the U.S. led in the development of the Internet due to a combination of technological capability and a permissive regulatory environment that allowed the Internet to flourish before additional restrictions were imposed. Policymakers deciding the future of digital asset exchanges should take a similar approach: prosecute outright fraud, while otherwise allowing the industry to flourish, innovate, and serve customers without asking gatekeepers’ permission.

1. **FTX Proposal will Level the Playing Field for Market Access**

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 leaves investors reliant 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 perpetuates industry concentration that could limit both market efficiency and consumer welfare.

The FTX US model will give investors the choice to access markets directly, without relying on a banking institution for access. This can shift power from the banking system towards the investor. This also helps to minimize the “too big to fail” systemic-risk concerns that policymakers have continuously addressed since the 2008 financial crisis. I 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.

FTX US is proposing a model that empowers and protects retail American investors, who can gain access to products that were previously only available to well-resourced investors who could connect to complex, traditional-markets infrastructure. Meanwhile, working alongside the CFTC, FTX US has developed a method to ensure that the required investor protections normally afforded by FCMs are still provided, including risk disclosures, AML/KYC compliance, and market integrity through rigorous surveillance provided directly by the exchange platform when accessed by the investor.

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I fully support FTX US’s request to amend their DCO registration. For the reasons detailed above, I 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 me at 202-546-4400.

Respectfully Submitted,

Peter St Onge, Ph.D.

Research Fellow, Economic Policy

The Heritage Foundation