



May 10, 2022

## **Derivatives Clearing Organizations (DCOs) Foster Competition and Inclusion**

Christopher J. Kirkpatrick  
Secretary  
Commodity Futures Trading Commission

Dear Secretary Kirkpatrick:

Our organization, Chamber of Progress, is a center-left tech industry coalition working to ensure that all Americans benefit from technological leaps. We appreciate the opportunity to comment on the FTX US application to amend its registration as a derivatives clearing organization (DCO).

Chamber of Progress champions competition and innovation, and we believe this DCO registration can help usher in user-friendly exchanges to the crypto derivatives market that increase competitiveness, accessibility, and oversight.

### **Investor Choice of Intermediaries Creates Competition in the Market**

The rapid growth of the digital asset industry has increased the potential for increased competition that benefits consumers and investors. An exclusionary market has become commonplace for clearinghouses that provide services to commodity trading platforms.

To date, a small group of intermediaries has controlled the market of this trade processing. FTX US's application challenges this by proposing a direct access model. The direct access model proposes an alternative method to execute trades in the marketplace, which would spur much-needed competition to current commodity clearinghouses. This will promote innovation, ultimately optimizing consumer usage of crypto commodity exchanges.

The direct access model outlined in the application has the potential to significantly increase competition in the market by reducing dependency on intermediary financial institutions. Giving investors the choice to access markets directly, without relying on a financial institution, shifts the concentrated market power away from those few gatekeeping institutions.

### **Direct Access to Markets is Inclusive for Retail Investors**

Currently, the vast majority of trading volume on U.S. crypto derivative exchanges are brokered by a few intermediaries that have delayed processing times for executing transactions. The proposal

seeks to cut down the processing times of these transactions. This directly competes with the current intermediary clearinghouse firms.

A direct connection from institution to consumer can be regulated within the same legal framework as the current model and provide the same protections. Direct access models are appropriate in an age where technology can replace traditional clearinghouses. Proposals like the submission from FTX US allows consumers to have fast, equitable, and safe access to crypto derivative markets.

The direct access model could help retail investors access markets, minimizing risk between the exchange and investor while promoting inclusivity and accessibility to the market. Additionally, the practice of 24/7/365 margin monitoring that FTX US has proposed could be an innovative solution for protecting investors from overextending themselves with trades on their exchange.

### **US Regulators Will Have Increased Oversight of Cryptocurrency Assets**

Currently, the CFTC asserts jurisdiction over derivatives for Bitcoin and Ethereum, and has positioned itself as a leader in the digital asset regulatory space. We support regulatory clarity and increased oversight over the direct access model proposed by derivative exchanges. An expansion of the CFTC's consumer protection role can help increase Americans' participation in this market. That could allow the CFTC to gather statistical information on the effectiveness of the model for future applications of this nature.

Under the guidance of the CFTC, market integrity is strengthened by the use of risk disclosures and additional KYC compliance for firms that execute trades between the exchange and consumer. With FTX US's proposed model, the CFTC can minimize market risk by optimizing regulation between ordinary investors and exchanges.

The derivatives market is in need of innovation that could reduce the possibility of harmful market interruptions. We support the CFTC's consideration of new risk assessment protocols that protect investors. Recent events show that market interruptions caused by dramatic price fluctuations can lead to substantial financial harm for banks, brokerages, hedge funds, and other institutional investors. The margin models outlined in the application by FTX US, along with other safeguards employed by similar trading platforms, could help reassure investor protection and reduce the potential for financial harm.

### **FTX US Goals Align with CFTC Strategic Plan**

In 2020, the CFTC developed a strategic plan in which the Commission outlined five goals it wished to accomplish in four years.<sup>1</sup> These included encouraging innovation and enhancing the regulatory experience for market participants at home and abroad. Another goal was to make markets more inclusive and accessible for investors of all backgrounds and investment levels. Approving applications like this one can help advance the CFTC's goals of promoting financial innovations that increase efficiency for investors.

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<sup>1</sup> <https://www.cftc.gov/PressRoom/PressReleases/8196-20>

The core of CFTC's mission is to promote integrity, resilience and vibrancy of the derivatives market through sound regulation. In the US, market regulation needs to keep pace, so that our country remains the world's leading economic power.

We request the CFTC's careful consideration of FTX US's request to amend their DCO registration, particularly its benefits for increased competition and regulatory clarity.

Sincerely,

A handwritten signature in black ink, appearing to read 'JE' or similar initials, written in a cursive style.

Janay Eyo  
Director, Financial Policy  
Chamber of Progress