

Latigo Energy Group LLC (Latigo) appreciates the opportunity to offer comment on the proposed amendment to the FTX DCO clearing model. The following is based on long term, deep engagement with the energy commodities markets and witness to the evolution of efficacy, from both operational and risk management perspectives

We see the proposal as a natural evolution for the markets FTX manages. Very akin to moving from buggy whips, to automobiles, to jets and digital presence – The meeting of technology and market dynamics has set the need for evolution.

The fundamental concepts of disintermediation, 30 second margining, programed margin balancing and immediate value recognition all serve to realize a stable, equitable and accessible market. The traditional model has served very well for many decades in a time when intermediaries served the roles of communications, margin liquidity, market access and value certification. Technology and connectivity have advanced and their availably now being all but ubiquitous combine to allow for all those functions to be seamlessly integrated in near real time. For digital commodities (and potentially many more), this removes any need for intermediary functionality. In addition, these very same capabilities simplify and streamline oversight. The CFTC can play a transformational role in the management structure of this market to the benefit of their mission and the market participants.

The framework of this proposal allows for a twenty-fold decrease in risk exposure to participant – removing this risk allows for confident participation and as a result, greater liquidity – the backbone of stability.

The knock-on effects of lower margin requirements, faster reaction to event driven volatility, broader participation, real time compliance, systemic risk mitigation, and market transparency bring further merit to the design of the proposal. These factors achieve insight for regulators far beyond other markets is operation today. As crypto, by design, is a very democratic currency with a unique dynamic, so should the governance and market operations. For new liquidity resources active in other markets, this structure also paves the way for these new resources to support the market.

I think it is significant to emphasize that on mutualization of loss with sufficient capital cover managed in strict volumetric ratio to open positions in conjunction with maintenance and variation margin is a construct that plays to the protection of the individual account holder and the market.

In review of the questions posted with the comment request, on whole, there seem to be reasonable answers readily available when current thresholding and operational concerns are overlayed with the proposed construct. These concerns should pose little or no barrier to approval.

From our forementioned perspective, this proposal serves all participants and regulators in an innovative and equitable manner.

Thank you for your time and attention.