stripe

May 11, 2022

Submitted electronically via CFTC.gov

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

Re: Comments Responding to Commission Publication of FTX's Request for Amended DCO Registration Order

Dear Mr. Kirkpatrick:

Stripe, Inc. ("Stripe") appreciates the opportunity to comment on LedgerX, LLC d.b.a. FTX US Derivatives' ("FTX") Request for Amended Derivatives Clearing Organization ("DCO") Registration Order submitted February 8, 2022.

Stripe is a financial technology company that builds economic infrastructure for businesses to transact on the internet. Millions of businesses around the world use our software and tools to accept payments and manage their businesses online. Stripe is committed to expanding access to the online economy and to supporting responsible innovation in financial services. We support approval of FTX's proposal, which we believe would foster innovation in the emerging digital assets markets, while expanding competition and offering broader access to consumers of all sizes.

We discuss our comments in support of FTX's proposal below.

1. **The Commission should foster market innovations that promote broader, more equitable customer access**.

Traditional futures commission merchant ("FCM") intermediation for clearing involves an extension of credit to the customer by the FCM, as the FCM will post margin to the clearing organization and then collect margin from its customer on an overnight time frame. Documentation of this creditor and customer relationship entails substantial costs. In addition, FCMs have costs of capital associated with the credit and operational risk arising from the margining relationship with the customer – particularly in the case of FCMs that are subject to prudential capital requirements as U.S. bank holding company affiliates. The costs associated with these features of the traditional clearing model tend to restrict access to exchange trading and clearing services to institutional investors and other higher net worth, larger volume customers. A range of end users who would seek to participate in the exchange-traded cryptocurrency and derivatives markets may effectively be denied access because they are interested in or have resources for only limited individual transaction volumes.

In contrast, FTX's proposed model relies only on the value of cash and cryptocurrency assets in a customer's account, making a creditor relationship unnecessary. This has the prospect of introducing lower cost, more efficient access to clearing, broadening customer access and creating attendant beneficial effects on overall market liquidity, price discovery and fairness. Consistent with the articulated purposes of the Commodities Exchange Act to "promote responsible innovation and fair competition among boards of trade, other markets and market participants",[1] the Commission should support such innovations in market structure and more equitable access to financial services where appropriate risk controls are in place.

2. **Approval of FTX's proposal will promote competition and the role of regulated U.S. markets**.

FTX's proposal for an exchange trading and clearing venue operating on a more direct, efficient customer access model also encourages competition among exchanges. Cryptocurrency trading in the United States is largely concentrated in one or two exchanges. FTX's proposal would introduce healthy competition in this environment in terms of pricing, access and terms of service for end users. At the same time, FTX's model is not exclusive: end users who wish to rely on FCM intermediation can clear through an FCM not only through other DCOs, but within FTX itself; and this will enable a comparison of end user service on the two models. End users' ability to choose between competing modes of access is a key to making market structures responsive to competition and to increasing overall efficiency. Innovative approaches to financial services and access for end users are also important for U.S. trading venues to be competitive with international venues, and to attract both U.S. and international trading volumes and liquidity to CFTC-regulated exchanges.

3. **The Commission should encourage a risk management approach better suited to the new digital economy**.

The past decade has spurred comprehensive regulatory and market restructuring that has fostered new products, exchanges and activities in the derivatives markets. This significant shift has led to fully electronic trading venues, straight-through processing, electronic surveillance and a whole host of innovations in real-time compliance and oversight. Currently, FCM-intermediated clearing is tied to the traditional business day and business hours. But values of cryptocurrency or other derivative products move continuously, every day, and around the clock. FTX's risk management approach employs a continuous valuation process to unwind and adjust margined positions in response to real-time market feedback on pricing and transaction liquidity. Such a model is likely better suited to a modern, 24-hour global information and trading environment, operating with new and emerging technologies in digital payment and asset transfer systems. Experience with innovative approaches such as that proposed by FTX, and side-by-side comparison of such

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[1] 7 U.S.C. § 5.

approaches to the operation of traditional models, is important to supporting development of market-disciplined, sophisticated risk management in an evolving trading environment.

Stripe encourages the Commission to support thoughtful, responsible financial services innovation and competition by approving FTX's proposal.

Sincerely,

Katherine M. Carroll
Head of Public Policy