

October 11, 2022

**Via Electronic Submission**

Christopher Kirkpatrick  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street NW  
Washington, DC 20581

**Re: Governance Requirements for Derivatives Clearing Organizations (RIN 3038-AF15)**

Dear Mr. Kirkpatrick:

FTX US appreciates the opportunity to comment on the Commodity Futures Trading Commission (“Commission”)’s proposal on Governance Requirements for Derivatives Clearing Organizations (the “Proposal”). Since FTX US Derivatives is a registered derivatives clearing organization (“DCO”), we hold our obligations for responsible risk management and governance in the highest regard. We applaud the work of the Market Risk Advisory Committee (“MRAC”) Central Counterparty Risk and Governance Subcommittee in producing recommendations to enhance DCO risk governance regarding the role of clearing members.<sup>1</sup> We support the goals of the Proposal to ensure the voice of the DCO’s clearing members and end-users is represented in DCO governance. We encourage the Commission to ensure governance standards imposed on DCOs through the operations of the risk management committee (“RMC”) and market participant risk advisory working groups (“RWGs”) are appropriately calibrated to the individual DCO and their unique risk considerations.

FTX US Derivatives (“FUSD”) (<https://derivs.ftx.us/>) is a derivatives platform headquartered in Miami, FL.<sup>2</sup> FUSD offers futures, options, and swap contracts on digital assets (or commodities) Bitcoin (“BTC”) and Ethereum (“ETH”) through its exchanges. FUSD’s DCO clears all of the products offered through its exchanges, as well as the binary options offered through Kalshi Exchange, a separately registered DCM. Currently, all of these contracts are fully collateralized, and market participants access FUSD directly both as traders and clearing members, without FCM intermediaries.

The concerns expressed by clearing members and end-users through the MRAC regarding their role in DCO rulemaking and risk management warrant serious consideration. We

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<sup>1</sup> MRAC CCP Risk and Governance Subcommittee, Recommendations on CCP Governance and Summary of Subcommittee Constituent Perspectives (Feb. 23, 2021), [https://www.cftc.gov/media/6201/MRAC\\_CCPRGS\\_RCCOG022321/download](https://www.cftc.gov/media/6201/MRAC_CCPRGS_RCCOG022321/download).

<sup>2</sup> In addition to FUSD, the FTX US family of businesses also includes a FINRA-registered broker dealer (FTX Capital Markets), which offers trading in traditional equities, and a cryptocurrency spot market.

understand that one motivation of these concerns relates to clearing members making large contributions to the guarantee fund of DCOs that may have complex governance structures. Currently, our structure is much simpler than these DCOs, and we finance our own guarantee fund without requiring any contributions from clearing members. We believe that our current structure appropriately reflects the needs and preferences of the range of participants who trade on our platform and we are committed to making suitable adjustments to this structure as we grow.

We are already achieving the core objectives of the Proposal, which are to ensure the viewpoints of our clearing members and end-users are fairly represented in our governance and risk management decisions. We have an RMC that is responsible for overseeing the risk management program and providing recommendations to the Board of Directors (the “Board”).<sup>3</sup> The RMC is required to consist of at least one market participant but may also incorporate other voices, including public directors, and others with deep knowledge of the company’s risk management operations. The RMC is subject to fitness standards that apply to all directors and officers of the company.<sup>4</sup> If the Board rejects a recommendation or supersedes an action of the RMC, our recordkeeping rules require us to document the rationale of the Board for rejecting the recommendation or action and the alternative course of action that the Board took.<sup>5</sup> We also have a Participant Committee that determines guidelines for membership and reviews appeals of denied memberships.<sup>6</sup> The Participant Committee is a step beyond what the Proposal requires and provides yet another path for our market participants to make their voices heard in our governance decisions. Collectively, these policies ensure robust participation by clearing members and end-users in our governance and risk decisions.

The Proposal should ensure that the membership on governance bodies is practical and appropriately representative of the DCO’s users. The product mix provided by a DCO will necessarily affect the composition of their governance bodies. As a firm that currently offers only digital asset products for trading, and clears fully collateralized contracts, our current governance bodies look very different from a DCO that offers a wider range of products and services. The fact that we currently do not utilize future commission merchants will also affect the composition of such groups. Size is another consideration that should be taken into account when prescribing the standards for governance bodies. For example, a smaller DCO with fewer clearing members will not be able to support the same level of membership turnover as a larger DCO. The Commission should take care that the final rule fairly accounts for these differences and allows for a range of governance structures to comply.

It is also important that the Proposal recognize the reality that the ultimate responsibility for making decisions on risk management lies with the Board and management. Thus, regarding

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<sup>3</sup> FTX US Derivatives, Derivatives Clearing Organization Rules Version 22.01 (Aug. 18, 2022), [https://assets-global.website-files.com/625f3cf193eb0bdbf6469cba/62fd582e75d62ddb65f30336\\_FTX%20US%20Derivatives%20-%20DCO%20Rulebook%208-18-2022.pdf](https://assets-global.website-files.com/625f3cf193eb0bdbf6469cba/62fd582e75d62ddb65f30336_FTX%20US%20Derivatives%20-%20DCO%20Rulebook%208-18-2022.pdf) (Rule 2.8).

<sup>4</sup> *Id.* (Rule 2.3).

<sup>5</sup> *Id.* (Rule 2.16).

<sup>6</sup> *Id.* (Rule 2.9).

the matters that are to be considered by the RMC, we agree with the approach the Proposal takes to allow the DCO's management to determine which matters materially affect the risk profile of the DCO and thus should be considered by the RMC. We do not believe it would be beneficial to deem certain matters as categorically subject to RMC approval as each DCO has different risk management considerations and each matter carries its own unique risk profile. Similarly, it is critical that the rule requirements are not so burdensome that they diminish the Board or management's ability to carry out its own governance responsibilities. Finally, consultation with market participants as required by the Proposal should be confined to established, appropriately representative bodies as any consultation outside of these entities would not be practical.

We are committed to upholding the highest standards of governance and risk management as a DCO, as well as ensuring that the clearing members and end-users that use our platform are appropriately represented in all the decisions that we make. We applaud the MRAC and the Commission's efforts to enhance DCO governance through this Proposal.

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We look forward to continuing our engagement with the Commission on this topic and are happy to answer any questions the Commission may have regarding the contents of this letter. Please do not hesitate to reach out to Elicia Katz at [eliora@ftx.us](mailto:eliora@ftx.us) or (240) 551-9516 for any questions you may have.

Sincerely,

Samuel Bankman-Fried

Samuel Bankman-Fried  
Chief Executive Officer, FTX US