



May 21, 2025

Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

**Re: Request for Comment on the Trading and Clearing of “Perpetual” Style Derivatives  
(Release Number 9069-25)**

Dear Secretary Kirkpatrick,

Gemini appreciates the opportunity to respond to the April 21, 2025 request for comment from the Commodity Futures Trading Commission (the “Commission”) regarding the potential uses, benefits, and risks of perpetual derivatives. Perpetual derivatives have become important instruments in global markets where continuous trading and real-time pricing are critical. These contracts provide uninterrupted exposure to underlying assets without a fixed expiration or delivery date, using dynamic funding mechanisms to maintain alignment with reference spot indices. The structure of perpetual derivatives is well-suited to markets with continuous 24/7 trading, including but not limited to digital assets markets. They represent a notable evolution in market infrastructure that warrants thoughtful consideration from both regulatory and risk management perspectives.

We appreciate the Commission’s proactive interest in evaluating these instruments. As a regulated entity with significant experience in operating continuous markets, we support the Commission’s efforts to understand the structure, function, and risk profile of perpetual derivatives. While perpetual derivatives cover a broad range of financial products across multiple asset classes, our response is limited to perpetual futures in the digital assets space. This request for comment is an important step, and we see this as an opportunity to work with the Commission to thoughtfully develop a framework that enables U.S. traders the same access to these products as traders in other jurisdictions in a manner that is both safe and fully compliant with applicable regulations.

**Understanding Perpetual Futures**

Perpetual futures contracts are structurally distinct from traditional futures in that they do not have a fixed expiration or settlement date. Instead, they rely on a “funding rate” mechanism (typically fixed at set intervals between long and short positions) to maintain alignment with the price of the underlying asset in the spot market. They are traded 24/7, margined in real-time, and are subject to intraday risk management, all of which are essential features that help to mitigate the risks associated with the

volatility and continuous nature of digital asset markets. This design allows for continuous exposure to an underlying asset without the operational and cost frictions associated with rolling expiring contracts.

Perpetual futures contribute meaningfully to price discovery and risk transfer. By closely tracking spot prices through transparent and rules-based mechanisms, they provide a reliable and accessible tool for managing directional exposure and hedging inventory risk.

Given the differences between perpetual futures and traditional futures, perpetual futures should not simply be folded into existing regulatory regimes built for products with fundamentally different mechanics. Instead, a tailored oversight approach — one that builds on the strong risk management features inherent in these markets — is appropriate. This would allow the Commission to apply its longstanding principles-based framework while accounting for the distinct operational features of perpetual futures.

### **Robust Risk Mitigation by Design**

Perpetual futures incorporate a set of real-time risk management mechanisms that are purpose-built for the continuous trading environment and dynamic price movements of digital asset markets. These features work together to contain risk at the position level and protect both the platform and its participants from broader contagion:

- **Real-Time Liquidation:** Positions are marked to market on a continuous basis and under-margined positions are liquidated promptly. Liquidations are typically executed against resting orders on the central limit order book, which operates continuously, enabling immediate de-risking without delay.
- **Insurance Funds:** If a position cannot be fully closed without incurring losses beyond posted collateral, the shortfall is absorbed by an insurance fund. These funds are generally pre-funded by the platform and replenished through fees generated from liquidations on an ongoing basis. Although the precise mechanics and aggregate amount maintained in an insurance fund vary across platforms, insurance funds are an important mechanism by which to safeguard investors. The fund acts as a buffer that absorbs losses without impacting solvent market participants.
- **Automatic Deleveraging (ADL):** In rare scenarios where the insurance fund is depleted, ADL is used to close positions in a controlled manner. This process matches off the positions with the highest leverage and unrealized gains on opposing sides of the market, thus containing the loss and mitigating against broader systemic risks.

These practices reflect a shift toward more proactive, technology-enabled risk frameworks that have already been validated in real-world settings. Together, these mechanisms address the core concerns of default contagion, customer loss, and exchange insolvency in a manner well-aligned with the Commission's regulatory priorities. In practice, these tools have proven effective during periods of elevated volatility, containing risk without necessitating taxpayer or clearinghouse intervention.

Participants in these markets typically include hedgers, arbitrageurs, and other professional traders who value operational efficiency and clear, continuous access to market risk. The design of perpetual futures also supports more effective capital deployment, particularly in markets where access to spot or lending markets may be limited. The result is a more accessible and operationally efficient instrument for a broad spectrum of market participants.

### **Transparency in a 24/7 Market**

Transparent pricing is essential to maintaining the integrity of perpetual futures markets, particularly given their continuous nature. Perpetual futures rely on publicly disseminated spot indices which form the basis for real-time pricing and margin calculations. The funding rate mechanism which helps tether perpetual futures prices to the underlying spot market, is also typically calculated from transparent, observable inputs and published at regular intervals.

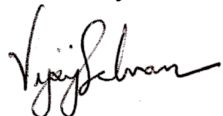
This level of operational transparency resonates with traditional well-structured markets where fair access to market information supports price discovery and enhances the ability of participants to manage risk effectively, consistent with the Commission's goals under the Commodity Exchange Act. Furthermore, strong transparency standards are critical to aid market surveillance aimed at detecting anomalies in pricing and behavior. They advance market integrity by making pricing and position data more accessible and auditable.

We believe that these tried and tested practices around transparency in the global perpetual futures markets provide a strong foundation for effective oversight. They demonstrate that perpetual futures can operate in a manner consistent with the principles of market integrity, transparency, and customer protection.

### **A Path Forward**

Perpetual futures on digital assets represent a significant advancement in financial innovation, offering enhanced risk management tools and market efficiency. We respectfully submit that the Commission should recognize the unique characteristics of these instruments in today's technology-driven markets, while upholding regulatory safeguards and investor protection. We appreciate the Commission's thoughtful engagement on this important matter to promote U.S. leadership in digital assets and financial technology, and we welcome the opportunity to continue to engage with the Commission on this key initiative.

Sincerely,

A handwritten signature in black ink, appearing to read 'Vijay Selvam', with a stylized, cursive script.

Vijay Selvam  
General Counsel, International  
Gemini