Caroline D. Pham, Acting Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

August 15, 2025

Re: Request for Input on Listing of Spot Crypto Asset Contracts

Dear Acting Chairman Pham:

Douro Labs LLC ("Douro") respectfully requests that the Commodity Futures Trading Commission ("CFTC") issue guidance clarifying that the laws and regulations administered by the CFTC do not preclude the use of pricing data from decentralized oracle networks to determine the value of reference assets for purposes of settling futures contracts and swaps (collectively, "Contracts") so long as the networks meet certain quality, transparency, and resiliency standards. Guidance in this vein would clear the way for sophisticated market participants to settle Contracts without overexposing themselves to any one particular spot pricing data provider with limited access to data inputs. Douro was an initial contributor to the Pyth Network ("Pyth"), the world's leading decentralized oracle network for first-party financial data.

As explained below, pricing data from high-quality decentralized oracle networks is comprehensive, trustworthy, and affordable. Greater use of decentralized oracle networks' pricing data therefore would facilitate increased competition in the market for financial data. Such competition would lower prices for market participants and drive innovation as legacy providers cut their prices or seek to improve their product offerings to compete with data from decentralized oracle networks. Yet regulatory uncertainty that was fostered under the prior administration is currently preventing realization of the benefits that decentralized oracle networks can offer market participants.

Such guidance would benefit a wide range of market participants, align with the the findings of the President's Working Group on Digital Asset Markets[1] and advance President Trump's objective "to promote United States leadership in digital assets and financial technology."[2]

[1] President's Working Group on Digital Asset Markets, *Strengthening American Leadership in Digital Financial Technology* (July 30, 2025), https://www.whitehouse.gov/wp-content/uploads/2025/07/Digital-Assets-Report-EO14178.pdf ("PWG Report").

[2] Executive Order No. 14178, *Strengthening American Leadership in Digital Financial Technology*, 90 Fed. Reg. 8,647, 8,647 (Jan. 23, 2025).

The Advantages of Decentralized Oracle Networks

Blockchain oracles are computer programs that connect blockchains to information from the outside world. Some oracles are centralized, meaning that they rely on a single entity to collect and validate information. But others are decentralized, meaning that they use blockchain protocols and a dispersed validator set to aggregate and synthesize information from many sources.

Pyth is an example of a decentralized oracle. Using blockchain technology, Pyth continuously publishes low-latency, real-time pricing information for over 1600 equities, digital assets, commodities, and foreign-currency pairs. The network sources the underlying data from over 120 major market participants (including exchanges, market makers, and trading firms), autonomously applies an algorithm to combine that data into a single price feed, and publishes that estimate for both on-chain and off-chain applications.

By harnessing the power of blockchain protocols, decentralized oracle networks like Pyth enjoy key structural advantages over centralized sources of information. Because a decentralized oracle network does not have a single point of failure (like the single entity that collects and validates information for a centralized oracle), the information it publishes can be more trusted and less vulnerable to manipulation than information from centralized sources and be representative of a broader sampling of transactions for assets. And open-source decentralized systems like Pyth allow anyone to see how the protocol works and who contributes to it, further increasing trust in the data produced.

Decentralized Oracles Can Enhance Pricing in Reference Prices

Market participants need accurate reference asset pricing data to settle Contracts. Currently, market participants purchase reference asset pricing data from centralized price reporting agencies and exchanges. But that data is far from perfect. It is expensive, and it can be less comprehensive. Propriety exchange data, for example, is regional—not global—and by definition does not include off-exchange trading, such as over-the-counter trading and trading on alternative other venues. Price reporting agencies may only have access to a limited number of markets and, in many cases, overweight inputs from individual spot marketplaces.[3]

For many sophisticated market participants, data from decentralized oracle networks can offer an important and affordable alternative or supplement to existing sources of market information. Pyth provides one such example, and its design shows how decentralized oracle networks can be used to produce financial data that is uniquely comprehensive, trustworthy, and affordable.

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[3] For example, the New York Variant of the CF Benchmarks Bitcoin benchmark index price (BTC-USD) receives inputs from only eight exchanges and overweights its volume inputs from Crypto.com and Coinbase, with these two exchanges accounting for 41.7% and 28.25% of volumes for the index, respectively, on August 12, 2025. *See CME CF Bitcoin Reference Rate - New York Variant*, CF Benchmarks (last viewed Aug. 12, 2025), https://www.cfbenchmarks.com/data/indices/BRR. The London BTC-USD index is even more over-reliant on Crypto.com, with over 61.91% of volumes coming from the exchange on August 12, 2025. *See id.*

First, Pyth's data is comprehensive. Pyth's coverage of commodities and Contracts is robust, ranging from crypto commodities like Bitcoin (BTC) and Ether (ETH) to Brent and WTI oil futures, to metals such as gold, silver, palladium, and platinum, and foreign exchange rates for major currency pairs. Pyth attracts all kinds of market participants (such as exchanges, market makers, and trading firms) to serve as "publishers." Pyth's feeds reflect the global price for an asset because Pyth aggregates data from publishers all over the world. Pyth's diverse set of publishers includes Cboe, IEX, Jump Trading Group, Jane Street, Optiver, Two Sigma Securities, and Binance, among many others.[4] Its feeds thus incorporate data from the many other places that market participants can trade beyond exchanges, including over-the-counter transactions.

Second, Pyth's data is trustworthy. That is because Pyth's requirements for publishers, compensation structure, and aggregation methodology are designed to maximize the accuracy and transparency of the network.

- Pyth's requirements for publishers promote accuracy and transparency. Pyth permits only validated market participants with first-party trading data to serve as publishers, thereby ensuring that its data comes from only those who are involved in price discovery. Pyth penalizes publishers whose data does not meet quality standards.[5] And it requires all publishers to identify themselves, putting their reputations on the line and mitigating the risk of collusion and market manipulation.

- Pyth's compensation structure encourages publishers to provide high-quality data. Publishers are compensated through a combination of the network's own "native" tokens and usage fees paid by data users. Publishers are encouraged to continuously stake Pyth's tokens to publish their data and can earn additional native tokens by engaging in conduct that promotes the health of the network, such as by providing data for relatively less liquid assets.[6] But publishers are also penalized if they provide low-quality data.[7] This compensation structure thus gives publishers skin in the game and incentivizes them to act in the interest of data users and the network.

- Pyth's aggregation methodology is also designed to promote accuracy and transparency. Publishers submit a price and a confidence interval.[8] Each of those data points—the price, the upper bound, and the lower bound—is then treated as a separate "vote" in a

[4] A full list is available at https://kpi.pyth.network/ecosystem.

[5] *See Publisher Quality Ranking*, Pyth Network (July 25, 2025), https://docs.pyth.network/home/oracle-integrity-staking/publisher-quality-ranking.

[6] *See Pyth Distribution*, Pyth Network (July 25, 2025), https://docs.pyth.network/home/pyth-token/pyth-distribution; *Oracle Integrity Staking*, Pyth Network (July 25, 2025), https://docs.pyth.network/home/oracle-integrity-staking.

[7] *Oracle Integrity Staking*, *supra* note 9.

[8] *See Price Aggregation*, Pyth Network (July 25, 2025), https://docs.pyth.network/price-feeds/how-pyth-works/price-aggregation.

price calculation that takes the median of all votes provided by all publishers.[9] That promotes accuracy by ensuring the views of more confident publishers (with narrower confidence intervals) are weighted more heavily than the views of less confident publishers. Moreover, Pyth makes public its aggregation methodology and structures its price feed as a price with a confidence interval, thereby increasing transparency and helping users to understand the nature of the information they are receiving.[10]

Third, Pyth's data is affordable. Pyth does not rely primarily on existing (and expensive) sources of data, such as exchanges. Instead, the network aggregates its data from a wide variety of market participants, many of whom have not previously monetized their data. The upshot is that Pyth faces lower costs for its data and can pass those savings onto users.

These three characteristics mean that greater adoption of data from a decentralized oracle network like Pyth (or a decentralized oracle network that has baseline attributes similar to Pyth's) would foster transparent, competitive and financially sound markets.[11]

- Transparent: Data produced by decentralized oracle networks like Pyth are transparent by design. Pyth, for example, requires that all data publishers identify themselves and put their reputations at stake. Further, the Pyth aggregation methodology is publicly available and auditable by anyone, ensuring that all market participants have a clear understanding of the computation of reference prices. Enabling reference prices to be determined using decentralized oracle networks would directly contribute to the CFTC's mission to support open and transparent derivatives markets.

- Competition: Financial data from decentralized oracle networks can be more affordable but at least as accurate and reliable as financial data from legacy providers for certain purposes. Greater adoption of oracle-network data therefore would significantly increase competition in the market for financial data. That would result in lower costs for investors and increased innovation in the market for financial data as other legacy providers cut their prices or try to improve their products to compete with data from decentralized oracle networks.

- Financial Soundness: Increased competition in the market for financial data would promote financial soundness in the derivatives markets by forcing legacy data providers

[9] *Id.*

[10] *Id*.

[11] *See* 7 U.S. Code § 5; Commodity Futures Trading Commission, *About the Commission*, https://www.cftc.gov/About/AboutTheCommission; *see also* Memorandum of Understanding Between the U.S. Securities and Exchange Commission and the U.S. Commodity Futures Trading Commission Regarding Coordination in Areas of Common Regulatory Interest and Information Sharing, at 1 (June 28, 2018), https://www.cftc.gov/sites/default/files/2018-07/CFTC_MOU_InformationSharing062818.pdf.

to adapt to changing market demands or be left behind, allowing market participants to evaluate reference prices and settle Contracts more effectively and efficiently.

The use of first-party financial data from decentralized oracle networks also would promote President Trump's and your objective to promote American leadership in financial innovation and blockchain technology.[12] As the report of the President's Working Group on Digital Asset Markets explained, oracles are one of the "infrastructure providers and tools" that are "integral to the functioning of blockchain networks."[13] The report therefore urged the SEC to consider regulatory changes that "facilitate the use of oracles,"[14] and encouraged the SEC and CFTC to coordinate in their efforts. That is for good reason. High-quality decentralized oracles are necessary to achieve an important goal of the President's Working Group and CFTC and SEC Commissioners: increasing the efficiency and openness of financial markets by bringing securities and derivatives transactions onto the blockchain.[15] Simply put, derivatives markets cannot operate at their full potential on blockchains without access to off-chain data, and high-quality decentralized oracle networks offer the best way to bring that information on-chain. Having the CFTC produce guidance on such a fundamental feature of digital asset market infrastructure will demonstrate the agency's ability to manage the spot market oversight responsibilities that Congress is currently considering.[16]

The CFTC Should Provide Guidance on the Use of Pricing Data from Decentralized Oracle Networks

To promote the adoption of data from decentralized oracle networks, the CFTC should issue guidance clarifying that sophisticated market participants can use such networks' pricing data for reference asset valuation purposes.

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[12] *See generally* Executive Order No. 14178, *supra* note 3; Acting Chairman Caroline D. Pham, CFTC, *Acting Chairman Pham Announces CFTC Crypto Sprint* (Aug. 1, 2025), https://www.cftc.gov/PressRoom/PressReleases/9104-25 ("*CFTC Crypto Sprint*").

[13] PWG Report, *supra* note 2, at 28.

[14] *Id*. at 52.

[15] *See, e.g., id*.; Chairman Paul S. Atkins, SEC, *American Leadership in the Digital Finance Revolution* (July 31, 2025), https://www.sec.gov/newsroom/speeches-statements/atkins-digital-finance-revolution-073125 ("*American Leadership*"); *CFTC Crypto Sprint*, *supra* note 13; Commissioner Hester M. Peirce, SEC, *Getting Smart – Tokenization and the Creation of Networks for Smart Assets: Opening Remarks for Tokenization Roundtable* (May 12, 2025), https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-crypto-roundtable-tokenization-051225; Commissioner Mark T. Uyeda, SEC, *Tokenization of Real-World Assets* (May 12, 2025), https://www.sec.gov/newsroom/speeches-statements/uyeda-remarks-crypto-roundtable-tokenization-051225.

[16] Digital Asset Market Clarity Act of 2025, H.R. 4763, 119th Cong. (2025).

The laws and regulations administered by the CFTC do not currently prohibit the use of data from decentralized oracle networks. Applicable CFTC regulations addressing valuation are principles-based rather than prescriptive, and the use of data from high-quality decentralized oracle networks satisfies the standards they establish. But sophisticated market participants have been reluctant to use blockchain technologies in innovative ways due to the previous administration's hostile policies towards digital assets, regulatory uncertainty, and prevailing market standards. CFTC guidance would eliminate uncertainties and create the opportunity for derivatives markets to evolve alongside technological innovations.

Douro therefore respectfully requests that the CFTC issue guidance explaining that market participants may use pricing data from decentralized oracle networks to discern reference asset prices when settling Contracts. Such guidance would advance your goal of "fostering innovation in digital asset markets."[17] The guidance would:

- Define a decentralized oracle network;

- Outline threshold attributes of a high-quality decentralized oracle network, as recommended below; and

- Explain that the CFTC would not object to the use of data from a high-quality decentralized oracle network for purposes of determining reference asset prices for Contracts.[18]

Based on its expertise with designing decentralized oracle networks, Douro recommends that the CFTC define decentralized oracle networks based on the following characteristics, which will help ensure the accuracy and robustness of data produced by the networks:

- Quality: Decentralized oracle networks are only as good as their inputs. The CFTC's guidance should apply only to decentralized oracle networks that take steps to offer high-quality data, such as limiting inputs to first-party data from a representative set of market participants who are directly involved in price discovery and designing consensus protocols to incentivize publishers to provide high-quality data and deter attempts at price manipulation.

- Transparency: Sophisticated market participants cannot reasonably rely on data from decentralized oracle networks if they do not understand the information they are seeing. The CFTC's guidance should apply only to decentralized oracle networks that disclose their publisher sets, price aggregation methodologies, risk management protocols (including the means to prevent manipulation)m and price-calculation mechanisms.

[17] *CFTC Crypto Sprint*, *supra* note 13.

[18] If helpful, Douro would welcome the opportunity to assist the CFTC by providing a working draft of potential guidance.

- Resiliency: Decentralized oracle networks that are susceptible to censorship and/or market manipulation cannot achieve their true potential. Thus, the CFTC's guidance should apply only to decentralized oracle networks that take steps to prevent data manipulation, such as by having a large and diverse publisher set, incorporating weighting algorithms into their consensus protocols, and creating incentives that deter publishers from providing false or low-quality data.

Finally, providing such guidance on oracles and familiarizing the CFTC with oracle-based pricing will also position the agency to handle the influx of digital commodity spot market oversight responsibilities that Congress is currently considering.

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Douro appreciates its continuing opportunity to engage with the CFTC concerning topics important to the blockchain industry. Douro believes that CFTC guidance is the most efficient and comprehensive way to provide market participants with the clarity needed to achieve the innovation and U.S. leadership in digital financial markets.

Douro would welcome the opportunity to discuss this issue with you and members of your staff. We are available at your convenience to continue this important conversation.

Respectfully,

Brandon H. Ferrick
General Counsel
Douro Labs LLC

cc: Christopher Kirkpatrick, Secretary, Commodity Futures Trading Commission
Michael Cahill, CEO, Douro Labs LLC