



November 28, 2025

Via comments.cftc.gov

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

Re: Request for Input on (1) All Recommendations for the Commodity Futures Trading Commission (“Commission” or “CFTC”) in the President’s Working Group on Digital Assets; and (2) The Commission’s Tokenized Collateral Initiative

Dear Mr. Kirkpatrick:

The Blockchain Association (“BA”) submits this letter in response to Acting Chairman Caroline Pham’s Request for Input¹ on all recommendations to the CFTC from the President’s Working Group on Digital Asset Markets (“President’s Working Group”) in its report, *Strengthening American Leadership in Digital Financial Technology*,² as well as her call for public input on the Commission’s Tokenized Collateral Initiative.³ We support the Commission’s “Crypto Sprint” to bring regulatory clarity to the markets for digital assets and appreciate the opportunity to comment.

BA is the leading nonprofit membership organization dedicated to advancing a pro-innovation policy environment for the digital asset industry. BA is composed of over 130 members, including leading software developers, infrastructure providers, investors, and others supporting the public blockchain ecosystem. BA works with its broad-based membership to achieve regulatory clarity and to educate policymakers, regulators, and the courts about how blockchain technology can pave the way for a more secure, competitive, and consumer-friendly digital marketplace.

With respect to the President’s Working Group’s recommendations, we focus in this letter on the need for regulatory certainty and reform in markets for perpetual derivatives (also referred to herein as “perpetuals”) on digital assets. In a previous letter submitted in May of this year, we explained the benefits and broad potential use cases

¹ CFTC Release No. 9109-25 (Aug. 21, 2025).

² President’s Working Group on Digital Asset Markets, *Strengthening American Leadership in Digital Financial Technology* (July 30, 2025) (“Strengthening American Leadership”), <https://whitehouse.gov/wp-content/uploads/2025/07/Digital-Assets-Report-EO14178.pdf>.

³ CFTC Release No. 9130-25 (Sept. 23, 2025).

for these products and encouraged the Commission to permit U.S. market operators and protocol developers to offer perpetual derivatives in the United States, subject to appropriate Commission regulation.⁴ More recently, the Acting Chairman has announced that the Commission will consider “innovation exemptions” to foster productive economic activity in the digital-asset space.⁵ This is consistent with the President’s Working Group’s recommendation that the CFTC “use [its] existing authorit[y] to provide fulsome regulatory clarity that best keeps blockchain-based innovation within the United States.”⁶ Meanwhile, CFTC staff issued an advisory (“FBOT Advisory”) on the registration framework for Foreign Boards of Trade (“FBOTs”),⁷ which the Acting Chairman explained was a step towards the laudable goal of providing U.S. traders with choice and access to the deepest and most liquid global markets.⁸

As explained below, we believe that further guidance from the Commission on existing law, along with targeted innovation exemptions, would achieve both purposes with respect to digital-asset perpetuals—to enable organized markets in the United States to offer these innovative products on terms that are competitive with overseas exchanges, and to permit U.S. persons greater choice and access to digital-asset markets globally. BA expects in the near future to submit a petition for an exemptive order under CEA section 4(c) to jump start the necessary reforms.

With respect to the Tokenized Collateral Initiative, we agree with the Acting Chairman’s observation that “tokenized markets are here, and they are the future.”⁹ Below we address certain issues the Commission should consider as it “move[s] full speed ahead at the cutting edge of responsible innovation,”¹⁰ ensuring the Commission gets the most from any regulatory sandbox it creates, the use specifically of stablecoins within that sandbox, and the need to avoid conflicting or overlapping requirements.

I. Background: Perpetual Derivatives

In general, perpetual derivatives provide for cash-settled, leveraged exposure on a “delta one” basis to the spot price of an asset. They are traded on exchanges or other organized markets or DeFi protocols in accordance with standardized terms. Other common terms include: the lack of a stated expiry date (hence the term “perpetual”); presence of a funding rate that pays out based on the difference between the contract price and the spot price; and automatic liquidation processes triggered when a user’s margin/equity amount declines below a specified level. There can be variations among these terms, such as including a stated but long-dated expiry date (contracts sometimes

⁴ BA Comment Ltr. to the CFTC (May 21, 2025).

⁵ *Joint Statement from the Chairman of the SEC and Acting Chairman of the CFTC* (Sept. 5, 2025).

⁶ *Strengthening American Leadership*, *supra* n 2, at 143.

⁷ CFTC Ltr. No. 25-27 (Aug. 28, 2025).

⁸ CFTC Release No. 9111-25 (Aug. 28, 2025).

⁹ CFTC Release No. 9130-25.

¹⁰ *Id.*

referred to as “perpetual-style”), variations in how the funding rate is calculated, margining and liquidation mechanics, and whether the contract is linear or inverse (*i.e.*, whether it is funded/margined in fiat currency or an equivalent vs. the underlying asset).

Perpetuals can have characteristics of both futures and swaps. Generally, for a standardized contract traded on an exchange or other organized market, the main difference between contracts known as futures and those known as swaps is that futures exhibit “futures,” *i.e.*, final settlement on a specified date or during a specified delivery window at a predetermined price. A swap, on the other hand, does not need this characteristic—it can provide for undated (*i.e.*, “perpetual”) exposure. Nevertheless, long-dated futures with funding-rate adjustments can approximate similar economic exposure to a perpetual swap contract.

Overseas markets for digital-asset perpetuals have developed into deep and liquid sources for exposure to digital assets that staff referenced in the FBOT advisory. Since 2020, cumulative trading volume in perpetuals has grown well into the tens of trillions of dollars.¹¹ Overseas exchanges have enjoyed great economic success from their perpetual offerings—reported valuations in excess of \$1 billion are common—which has made foreign platforms attractive investment opportunities for U.S. companies. Despite this success, regulatory uncertainty prevents U.S. retail customers from accessing them. U.S. traders face similar restrictions in accessing DeFi protocols that facilitate non-intermediated perpetuals trading, which overseas have matured into a credible alternative to traditional centralized venues, settling tens of billions in trading volume every day.¹² Customers in the United States should not be barred from productive overseas financial activity on the basis of outdated regulations.

Onshore, some digital asset exchanges now offer long-dated perpetuals to retail customers, *i.e.*, contracts that have an expiry date far in the future. These markets are beginning to grow. The regulatory landscape, however, continues to restrain U.S. market participants from offering a full menu of perpetual products to American consumers, locking them out of booming financial activity and preventing the United States from keeping pace with foreign competitors. Restrictions that prevent U.S. persons from accessing global perpetual markets may also limit the ability of U.S.-based infrastructure providers to support key technical functions within those ecosystems. Clarifying pathways for non-custodial, infrastructure-level entities to engage with global markets would promote validator diversity, strengthen U.S. competitiveness, and support the security of digital-asset networks. The applicable rules in the United States should be harmonized with those abroad to enable fair competition with safe and successful markets abroad.

¹¹ Qihong Ruan, *The Emerging Market of Cryptocurrencies and Perpetual Contracts* (Feb. 20, 2024), <https://business.cornell.edu/hub/2024/02/20/the-emerging-market-cryptocurrencies-perpetual-contracts/>.

¹² *Defillama Protocols Ranked by Perp Volume*, <https://defillama.com/perps>.

II. Principles to Guide Regulation

The Commission should aim to create a regulatory environment that allows U.S. market participants to offer perpetual derivatives domestically; that enhances market integrity by shifting liquidity to markets under CFTC supervision; and that provides U.S. participants with efficient exposure to spot prices without the need for ownership of the underlying asset. Encouraging innovation in product offerings, including experimentation with contract terms and intermediation structures, is critical to continuing to usher in what this Administration has heralded as “America’s Golden Age of Crypto.”¹³ It is also in line with the Commission’s purpose under the Commodity Exchange Act (CEA) to “promote responsible innovation.”¹⁴ The Commission should be guided by three principles:

1. **Clarity of Classification and Regulatory Consistency:** The Commission should clearly define where perpetual derivatives fit within the existing regulatory framework, for example (and preferably), by treating them as a type of futures contract due to their exchange-traded, margin-traded, and price discovery characteristics, while accounting for their potential lack of a maturity date and swap-like periodic funding payment features. This classification should be consistent across asset classes and coordinated with other regulators (such as the Securities and Exchange Commission (“SEC”)) to prevent arbitrage or confusion, and to ensure an approach that is comparable across global markets. We are pleased that SEC Chairman Atkins and CFTC Acting Chairman Pham are committed to such coordination.¹⁵
2. **Focus on Regulatory Outcomes & Productive Experimentation.** The Commission should avoid intrusive restrictions on product and trading design and focus instead on positive regulatory outcomes. The key considerations should be whether the activity creates or mitigates systemic risk, protects customer funds, and promotes market integrity, rather than whether it conforms to traditional product structures. It should allow experimentation with respect to contract terms, margin and liquidation mechanics, and intermediation structures, including protocols that allow peer-to-peer trading without any intermediary at all. This

¹³ *Fact Sheet: The President’s Working Group on Digital Asset Markets Releases Recommendations to Strengthen American Leadership in Digital Financial Technology* (Jul. 30, 2025), <https://www.whitehouse.gov/fact-sheets/2025/07/fact-sheet-the-presidents-working-group-on-digital-asset-markets-releases-recommendations-to-strengthen-american-leadership-in-digital-financial-technology/>.

¹⁴ 7 U.S.C. § 5(b).

¹⁵ *Joint Statement from the Chairman of the SEC and Acting Chairman of the CFTC* (Sept. 5, 2025) (referencing perpetuals as an area of cooperation), <https://www.cftc.gov/PressRoom/SpeechesTestimony/phamatkinsstatement090525>.

approach would allow flourishing markets to continue their rapid pace of advancement over time.

3. **International Harmonization.** Many jurisdictions overseas are far ahead of the United States in implementing a legal regime for digital-asset products including perpetuals, while U.S. markets are subject to older and sometimes ill-fitting regulations designed for fundamentally different asset classes. As it stands, overseas markets enjoy advantages that channel liquidity away from U.S. trading systems. Meanwhile, U.S. persons are locked out of foreign markets due to regulatory barriers and uncertainty. The Commission should use the tools it has at its disposal to eliminate anticompetitive discrepancies. To be clear, this does not mean that the Commission should engage in a “race to the bottom” that could be harmful to markets and customers alike. Instead, the Commission should look to successful overseas markets for perpetuals and harmonize its own regulations so as to bring liquidity back to the United States and permit U.S. persons to access well-regulated markets around the world.

All regulatory measures undertaken by the Commission should seek to promote competition, financial integrity, market innovation, and customer protections. By following these principles, the Commission can effectively integrate perpetual digital asset derivatives into the U.S. regulatory framework and create a competitive and innovative market environment, all while maintaining high standards of market integrity and participant protection. In doing so, the Commission can ensure that perpetual derivatives contribute positively to the digital asset ecosystem and unleash U.S. growth in the digital asset space.

III. Recommendations for Perpetuals

BA makes the following recommendations that we believe will permit U.S. markets to offer perpetuals on competitive terms and allow U.S. persons to access well-regulated markets around the world.

First, the Commission should clearly define where perpetual derivatives currently fit within the existing regulatory framework—whether as futures or swaps. Although exchange-traded swaps and futures are similar in many respects, the CFTC’s regulations treat them differently in terms of margin, reporting, and other requirements. Because the Commission has not said how it will classify perpetual contracts, exchanges and other organized trading systems are in a difficult position in determining whether and how to offer them. To the extent the Commission intends to treat perpetuals as futures, which is preferable in light of perpetual contracts’ strong similarity to traditional futures, it should consider adapting its current regulations to account for perpetuals’ swap-like properties, including the lack of an expiry date and continuous

settlement via funding payments. This should also include clarifying how “settlement” and “trading day” or “business day” concepts will apply.

Second, outdated and ill-fitting limitations constrain domestic exchanges on the amount of margin required to trade digital-asset derivatives. This limits their ability to offer leverage on terms comparable to overseas exchanges and therefore to compete globally. Most of the Commission’s requirements for cleared-swaps margin are well over a decade old, issued in the wake of the global financial crisis when swap clearing was less common and digital assets were not yet a relevant consideration.¹⁶ Financial swaps were largely on interest rates and credit indices, which typically traded in thinner, less liquid markets than perpetuals do today.¹⁷

High liquidity in perpetual markets lessens the need for the margin levels the Commission requires for other products by enabling automatic liquidation of under-margined positions. Auto liquidation is substantially faster than a traditional margin call, meaning that significant risk does not build up while sales can be arranged. And to mitigate against the possibility that liquidations may cause unreasonable volatility, exchanges may use a “tiered” margin model in which larger positions require more collateral.

Against that backdrop, the Commission’s present margin requirements for cleared swaps are ill-suited to markets for perpetual derivatives. Unduly high margin requirements lead to inefficient use of capital and hinder domestic markets from competing against their overseas counterparts. The Commission should use its exemptive authority to permit exchanges to offer perpetuals on terms comparable to those available abroad. In doing so, the Commission should collaborate with clearing organizations to determine what modifications to traditional models are needed and can be implemented safely.

Third, domestic markets are also limited in the *types* of collateral they may accept for digital-asset derivatives. In 2020, CFTC staff issued guidance allowing futures commission merchants to accept cryptocurrency as margin, but it stated that the type of cryptocurrency they accept (e.g., bitcoin or ether) should relate “solely to customer trading of futures (or options on such futures) or cleared swaps contracts that

¹⁶ *Derivatives Clearing Organization General Provisions and Core Principles*, 76 Fed. Reg. 69334 (Nov. 8, 2011).

¹⁷ J. Christopher Giancarlo, *Pro-Reform Reconsideration of the CFTC Swaps Trading Rules: Return to Dodd Frank* (Jan. 29, 2015), available at <https://www.cftc.gov/sites/default/files/idc/groups/public/@newsroom/documents/file/sefwhitepaper012915.pdf> (stating that liquidity in the swaps market is “episodic in nature as compared with liquidity in the futures and equities markets, which is continuous in nature” and citing a study swaps markets where “the vast majority of ... index CDS contracts traded less than ten times per day” and another where “the vast majority of IRS contracts traded only once during [a] three-month period”).

provide for *physical* delivery of *that* virtual currency.”¹⁸ This puts domestic exchanges at a disadvantage *vis-à-vis* foreign exchanges, where contracts are cash-settled and participants enjoy greater flexibility. The guidance also fails to account sufficiently for stablecoins, which have matured dramatically since 2020 and, in important ways, can be superior to cash. For example, stablecoins can be transmitted almost instantly, 24/7, allowing traders to meet margin calls and post collateral in real time—even when banks are closed—setting up a potential boon for round-the-clock market liquidity and potentially mitigating systemic risk.

The President’s Working Group recommended that the CFTC “provide guidance on the adoption of tokenized non-cash collateral as regulatory margin” for derivatives.¹⁹ We are pleased, therefore, that the Commission has recently launched an initiative on tokenized collateral and stablecoins.²⁰ As the Acting Chairman said in launching the initiative, this is an important step towards “modernization of collateral management and greater capital efficiency.”²¹ As part of its initiative, the CFTC should consider withdrawing or modifying CFTC staff’s existing guidance on this subject.

Fourth, overseas markets for perpetual contracts are presently inaccessible to retail customers. In that vein, we appreciate the staff’s recent FBOT Advisory. Currently, however, there is confusion in the digital asset industry about whether the CEA and CFTC regulations permit retail customers to access swaps (which may or may not include perpetuals) offered by FBOTs as they may on designated contract markets registered (“DCMs”) in the United States.

CEA section 2(e) provides that it is “unlawful for any person, other than an eligible contract participant, to enter a swap unless the swap is entered into on, or subject to the rules of,” a DCM.²² CEA section 4(b), on the other hand, permits the Commission to allow a registered FBOT (which may offer futures and/or swaps) to provide U.S. persons “direct access to [its] electronic trading and order matching system.”²³ Although section 4(b) does not expressly limit such access to futures, it does not necessarily follow that granting an FBOT permission to allow U.S. retail customers to trade on their platform clears the way for them to access instruments like perpetuals that may currently be considered swaps. The prohibition in CEA section 2(e) prohibits *the non-ECP* from entering into a swap.²⁴ It is therefore unclear whether permitting an FBOT to offer access to a non-ECP is sufficient to allow the customer to participate in

¹⁸ CFTC Ltr. 20-34, at 5 (Oct. 21, 2020) (emphases added).

¹⁹ *Strengthening American Leadership*, *supra* n.2, at 53.

²⁰ CFTC Release No. 9130.

²¹ *Id.*

²² 7 U.S.C. § 2(e).

²³ 7 U.S.C. § 6(b)(1).

²⁴ 7 U.S.C. § 2(e).

markets for *swaps* rather than just futures. Certain Commission pronouncements imply that such access may not be allowed.²⁵

In the context of perpetuals, where even if the instruments are swaps they very closely resemble futures, a restriction on retail-customer access would be unjustified. The Commission should clarify whether a non-ECP can access perpetuals on an FBO to the same extent as on a DCM and, if necessary, use its exemptive authority to permit such access for digital-asset perpetuals.

Finally, BA encourages the CFTC to follow through on the SEC-CFTC joint statement's proposed consideration of "innovation exemptions" that would permit "peer-to-peer trading of [...] derivatives such as perpetual contracts, over DeFi protocols."²⁶ DeFi derivatives are the fastest growing and most dynamic sector of perpetuals trading, but remain off-limits to U.S. traders and a risky endeavor for U.S. developers due to the prior administration's rote application of intermediation requirements to DeFi protocols, which the President's Working Group has now instructed the CFTC to correct.²⁷ Consistent with the joint statement's recognition of self-custody as a "core American value," U.S. market participants willing to engage at the forefront of derivatives innovation should no longer be restricted from doing so.

IV. Tokenized Collateral Initiative

BA shares the Acting Chairman's support for "regulatory sandboxes" to "create a safe framework for emerging technologies and market structures under our existing laws and regulations,"²⁸ and appreciates her solicitation of feedback on a potential pilot program for tokenized collateral. We make the following suggestions:

First, any pilot program should be innovation-friendly by including the market participants at the cutting edge of technology and the ongoing transformation of our financial system. It should also include non-custodial infrastructure providers such as validators and staking operators. Those entities do not take possession of customer assets, yet they play a critical role in maintaining network security and operational resiliency. Including those participants along with centralized exchanges ensures that the pilot captures real-world decentralized models without inadvertently characterizing validator operations as custodial or intermediary activity. Overall, BA's members are

²⁵ *Foreign Boards of Trade*, 89 Fed. Reg. 66201, 66202 (Aug. 15, 2024) ("The Commission believes the amendments maintain[] the Commission's longstanding protections available to U.S. customers that trade foreign futures and options.").

²⁶ *Joint Statement from the Chairman of the SEC and Acting Chairman of the CFTC* (Sept. 5, 2025).

²⁷ *Strengthening American Leadership*, *supra* n.2, at 52 (recommending CFTC to "[p]rovide clarity on the applicability of various CFTC registration requirements to DeFi activities, smart contract protocols, or decentralized autonomous organizations ("DAOs") consistent with technology neutral principles.").

²⁸ *New Regulatory Sandboxes: A Proposal for a CFTC Pilot Program*, Remarks of Commissioner Caroline D. Pham Before the Cato Institute, *Staying Ahead of the Curve: Crypto Regulation and Competitiveness* (Sept. 7, 2023), <https://www.cftc.gov/PressRoom/SpeechesTestimony/opapham9>.

precisely the sorts of innovators that can assist the Commission, as the Acting Chairman has said, in “[s]taying ahead of the curve” and “being ready to look to the future and preparing to embrace change.”²⁹ A core purpose of any such initiative would be to gather robust evidence to support regulatory change. If drawn too narrowly, a pilot program or regulatory sandbox would risk leaving the Commission with an incomplete picture.

Second, stablecoins should be part of any pilot program on tokenized collateral. As the most developed class of tokenized asset, they are a clear upgrade on the traditional banking system to support CFTC-regulated markets. Stablecoins move faster than cash and bypass outdated bottlenecks like the expense of and limited hours kept by banks. As markets increasingly move to 24/7 trading, stablecoin collateral will inevitably be key to keeping those markets stable and liquid. Stablecoins also facilitate essential operational functions for non-custodial staking infrastructure, including continuous validator uptime and timely responses to network-level events. Their near-instant settlement capabilities enhance real-time capital mobility, supporting overall market integrity and the resiliency of the networks on which digital-asset derivatives depend.

In the same vein, the Commission should expressly acknowledge the growing role of stablecoins within prime brokerage and clearing workflows. Today, U.S. and global crypto-native prime brokers increasingly rely on regulated stablecoins for intraday margining, settlement, and collateral mobility—particularly where 24/7 markets require continuous liquidity management that traditional banking rails cannot support. Stablecoins enable near-instant movement of collateral among custodians, trading venues, and clearing intermediaries, reducing settlement risk and enhancing the resiliency of liquidation and margin-call processes.

Stablecoin-denominated posting of variation and initial margin has become standard practice in major overseas venues and is rapidly emerging among U.S. institutional participants. Incorporating stablecoins into approved collateral frameworks would allow clearing organizations and FCMs to operate more efficiently, reduce dependency on limited banking hours, and align domestic workflows with global market structure. These efficiencies would materially improve liquidity, accelerate margin portability across prime brokers and clearing members, and position the United States to compete with well-regulated international markets already leveraging these tools.

Third, any pilot program should also accommodate experimentation with non-custodial and protocol-level architectures, including liquid staking structures, restaked security systems, oracle-based collateral mechanisms, and peer-to-protocol models. These designs do not map neatly onto traditional intermediaries, and allowing

²⁹ *Id.*

for controlled experimentation will help ensure that regulatory outcomes remain technology-neutral and future-proof.

Fourth, as in all regulatory initiatives, the CFTC should design its program in a manner that does not leave participants subject to inconsistent or duplicative regulation *vis-à-vis* other regulators. Many market participants are already subject to regulation that accomplishes purposes important to the Commission, including risk mitigation and integrity of transactions. Additional constraints that do not meaningfully add to market safety and stability would only hinder the Commission's important efforts to create an environment that fosters innovation, and the opportunity that would present for the Commission to learn from the experience.

Fifth, due to intense foreign competition, any pilot program should be short in duration, and the Commission should move quickly to evaluate and act on the results. We recognize that not every market will be ripe for implementing tokenized collateral on day one. But it is not necessary for the full derivatives industry to do so all at once. It may be that not all clearing organizations will offer stablecoins as collateral and for settlement. That, however, should not prevent the Commission from making sound, pro-innovation regulatory changes, nor should it impede those who are ready to utilize stablecoins now.

* * *

We appreciate the opportunity to give input to the Commission on all aspects of the President's Working Group's recommendations and on the Tokenized Collateral Initiative. We also look forward to submitting our planned petition for an exemptive order on digital-asset perpetuals and engaging with the Commission and its staff on these subjects. Staff of the Blockchain Association and our counsel are available to meet and discuss any relevant issue in the Crypto Sprint and to respond to any questions.

Respectfully submitted,

/s/ Ashok Pinto

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