August 26, 2026

VIA ELECTRONIC SUBMISSION

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

RE: Request for Comment on the Extension of Standard Futures Contracts to 24/7 Trading and on Perpetual Contracts Referencing Physically Delivered or Storable Energy Commodities

I. Overview

The Crypto Council for Innovation ("CCI") appreciates the opportunity to respond to the Commodity Futures Trading Commission's ("Commission" or "CFTC") Request for Comment on the Extension of Standard Futures Contracts to 24/7 Trading and on Perpetual Contracts Referencing Physically Delivered or Storable Energy Commodities (the "RFC"). CCI is a global alliance of leaders within the digital assets industry committed to promoting the advantages of digital assets while advocating for responsible global regulation that unlocks economic opportunities and safeguards national security.[1] Our members are united by the common objective of fostering well-informed, evidence-driven policy through collaboration with regulators.

CCI commends the Commission's commitment to promote responsible innovation while preserving customer protections in U.S. derivatives markets. As CCI has noted in previous comments to the Commission, we believe that achieving the Commission's core innovation objectives requires a regulatory posture centered on two primary principles:

- First, the CFTC possesses broad, preemptive jurisdictional authority over derivatives products under the Commodity Exchange Act ("CEA"). This enables the development of a common national market protected by robust anti-fraud and anti-manipulation safeguards, and trade conduct requirements and regulated intermediaries, whether trading occurs during traditional market hours or on a continuous, 24/7 basis across a range of products, including perpetual contracts referencing digital assets, commodities, and other underlying assets. Recognizing and upholding the CFTC's exclusive jurisdiction is critical in maintaining the broadest, deepest, and best-regulated markets in the world, and in providing the legal certainty needed for exchanges and market participants to offer and trade perpetual contracts and other innovative derivatives products within a clear, unified regulatory framework.

[1] *See* Crypto Council for Innovation website, available at: https://cryptoforinnovation.org/.

- Second, as a general matter, blockchain-based infrastructure can meet and advance the CFTC's Core Principles and regulatory objectives by enhancing transparency, reducing counterparty and settlement risk, and improving overall market efficiency, including by enabling secure, around-the-clock trading and real-time settlement of a broad range of derivatives products, including traditional futures products. The CFTC should accordingly continue to explore the permissibility and adoption of blockchain-based technologies in order to support the ongoing evolution of CFTC-regulated markets, and to ensure that U.S. market participants can access innovative product structures, including perpetual contracts, on regulated, transparent venues operating continuously across time zones.

Against this backdrop, CCI offers the following key takeaways and recommendations.

II. The CFTC Should Support the Continued Expansion of Perpetual Contracts That Provide New Risk Management and Price Discovery Tools to U.S. Derivatives Markets

The distinct structure of perpetual contracts offers powerful advantages as a risk management and price discovery tool that enhances, rather than replaces, the existing suite of standard futures products. Perpetual contracts have no fixed expiration date and rely on a periodic funding rate mechanism that is designed to maintain relative price parity with the underlying asset's spot price. The funding rate mechanism enables a perpetual contract's convergence with the underlying asset's spot price. When the perpetual contract trades at a premium to the reference price, long position holders pay short position holders, and vice versa. This continuous adjustment mechanism replaces the fixed-expiration convergence of traditional futures with a dynamic, market-driven price convergence.

The key feature of perpetual contracts that distinguishes them from traditional derivative products is the elimination of "roll risk." Market participants using standard futures products must periodically close expiring positions and reestablish them in later-dated contracts. This is a process that exposes them to execution risk, basis risk between contract months, and the transaction costs of rolling positions. These roll costs can accumulate significantly over time and introduce an element of uncertainty into the trader's position. A perpetual contract eliminates the need for rolling entirely, providing continuous, near real time exposure to the underlying asset's spot price, thereby enabling market participants to more effectively and efficiently manage their risk.

Additionally, by enabling 24/7 trading, perpetual contracts contribute to continuous price discovery, which benefits not only the participants trading the perpetual contract itself but also the broader market ecosystem. In general, trading volume in a perpetual contract will likely affect price formation in the standard futures contract for a similar commodity. This results in several positive outcomes, including creating additional avenues for price discovery, enabling operations during periods when standard futures are closed or thinly traded, and providing the market with more information about the current value of the underlying commodity. The informational benefits flow back to the standard futures contract when traditional hours resume, improving the quality and continuity of the price signal available to all participants.

Moreover, the integration of blockchain technology into the trading and settlement of perpetual contracts offers an added layer of transparency and auditability that further benefits market participants. Every transaction, funding rate payment, and position adjustment can be recorded on an immutable ledger, accessible to regulators and market surveillance functions in real time. This characteristic of blockchain infrastructure directly supports the Commission's objectives under Core Principle 4, which requires a designated contract market ("DCM") to monitor trading in its contracts and in the underlying commodity and its derivatives, and to maintain the capacity to prevent manipulation, price distortion, and disruptions of the delivery or cash-settlement process. Blockchain-based market infrastructure provides the Commission with surveillance data of a granularity and timeliness that legacy systems are not designed to parallel. We therefore encourage the Commission to support the continued expansion of perpetual contracts that offer these risk management and price discovery tools along with the added benefits resulting from the use of blockchain technology.

III. The CFTC Should Expand Its Approval of Perpetual Contracts to Those Referencing Physically Delivered or Storable Energy Commodities That Satisfy Its Existing Regulatory Requirements

CCI commends the Commission's thoughtful and measured approach to assessing and approving perpetual contracts. On May 29, 2026, the Commission issued an order allowing a DCM to list a perpetual contract that referenced the spot price of Bitcoin (the "Order").[2] The Commission also contemporaneously issued a policy statement regarding the listing of perpetual contracts (the "Policy Statement").[3] The Policy Statement noted that "[g]iven the unique characteristics of perpetual contracts, which tend to vary based on the underlying asset they reference, the Commission is of the view that the case-by-case review process detailed in [CFTC Rule] 40.3 is appropriate for the listing of perpetual contracts that reference asset classes that are not contemplated in the Order."[4] We believe the Commission's approach in the Policy Statement, of conducting a case-by-case review process as detailed in CFTC Rule 40.3 for perpetual contracts that reference asset classes not contemplated in the Order, is sound and reflects the Commission's recognition that different commodities present unique market structures, liquidity profiles, and risk characteristics. CCI supports this independent, tailored analysis that provides the flexibility needed to promote innovation while protecting market participants.

The Commission's existing regulatory framework under Part 38 of the CFTC regulations, such as Core Principle 3 (listing only contracts that are not readily susceptible to manipulation), Core Principle 4 (market surveillance), and Core Principle 5 (position limit requirements), provide a

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[2] *In the Matter of the Request for Approval by KalshiEX LLC of the BTCPERP Futures Contract*, Order Approving KalshiEx LLC BTCPERP Futures Contract (May 29, 2026).
[3] Commodity Futures Trading Commission, Policy Statement Concerning the Listing of Perpetual Contracts, 91 Fed. Reg. 33160 (June 3, 2026).
[4] *Id.*

legal framework to oversee perpetual contracts referencing physically delivered and storable energy commodities that may be satisfied by such contracts. The guidance in Appendix C to Part

38 elaborates on the Part 38 Core Principles, and specifically notes with respect to Core Principle 3 that for cash-settled contracts the considerations are whether the settlement price is reliable, acceptable, publicly available, and disseminated on a timely basis, and is computed from a cash market that is sufficiently liquid and not itself readily susceptible to manipulation. In the context of energy commodities, such as crude oil, these commodities are among the most liquid and deeply traded commodities in the world. For example, the NYMEX WTI crude oil futures contract is the most actively traded physical commodity futures contract globally, with robust participation from a diverse array of commercial and financial participants. This deep liquidity, along with a wide array of available spot price information, provides a strong foundation for a reference price that would anchor a perpetual contract's funding rate mechanism. Other energy commodities, such as natural gas and electricity, also have well-established benchmark pricing mechanisms. Taken together, these characteristics provide the reliable, continuously observable reference prices that are essential for the proper functioning of a perpetual contract's funding rate mechanism and make them strong candidates for perpetual contracts.

While CCI acknowledges that the application of a funding rate mechanism to physical commodities requires careful design to account for storage costs, basis risks, and seasonality, CCI submits that these are engineering challenges that can be adequately addressed and overcome. A well-designed funding rate formula can incorporate observable market data on storage costs, term structure and location dynamics, and seasonal patterns. The formula can be calibrated to reflect the cost of carry implicit in the observable futures curve, ensuring that the perpetual price appropriately reflects the economic realities of the underlying physical market. Moreover, the transparency and programmability of blockchain technology makes it possible to encode these adjustments directly into the contract's settlement logic, ensuring consistency, predictability, and auditability.

Further, CCI recognizes the importance of the federal speculative position limits regime and supports the integration of perpetual contracts into the existing framework. CCI believes the most appropriate approach is to treat positions in a perpetual contract as economically equivalent to positions in the non-spot month referenced futures contract for purposes of aggregation and limits. This approach preserves the integrity of the position limits regime while allowing the innovation of perpetual contracts to proceed. The blockchain infrastructure that may underlie perpetual contracts can facilitate this integration. In that environment, because all positions and transactions are recorded on-chain, regulators and exchanges can monitor position sizes and aggregated exposures in real time, enhancing compliance with applicable position limits requirements and the Part 38 Core Principles.

Finally, CCI supports robust customer protection measures around the offering of perpetual contracts (particularly those offered to retail participants), including educational initiatives and clear and comprehensive disclosure of the risks associated with perpetual contracts, the continuous nature of funding rate payments, and the leveraged nature of these instruments along with other appropriate safeguards. Blockchain technology can enhance customer protection in this context. On-chain risk management systems can facilitate (through automation) the provision of disclosures and enforce position limits, margin requirements, and liquidation thresholds, reducing the risk of human error or delayed risk management responses. Transparent,

on-chain records of account activity, funding rate payments, and margin levels provide participants with real-time visibility into their positions and risk exposure, further informing and protecting customers.

IV. Conclusion

CCI appreciates the Commission's initiative on these important topics concerning 24/7 trading and perpetual contracts. These innovations have the potential to improve risk management, enhance price discovery, and strengthen the competitiveness of U.S. derivatives markets. We look forward to continued collaboration with the Commission as it develops an approach that protects customers while fostering responsible innovation and further strengthening our markets and the broader financial system.

Respectfully,

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