okx.com

OKX
160 W. Santa Clara Street, Suite 1200
San Jose, CA 95113

May 21, 2025

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

VIA: CFTC Public Comment Form (comments.cftc.gov)

Re: Request for Comment on the Trading and Clearing of “Perpetual” Style Derivatives

Dear Secretary Kirkpatrick:

OKX welcomes the opportunity to respond to the Commodity Futures Trading Commission’s ("CFTC" or "Commission") Request for Comment ("RFC") on the trading and clearing of perpetual style derivatives. OKX is a leading global exchange and financial services platform for digital assets. OKX recently launched its centralized exchange and Web3 wallet in the United States. Where permitted under local regulations, OKX offers its client access to perpetual futures. In our experience, these products are popular with traders and offer advantages over traditional futures.

A perpetual future is a financial instrument without an expiration date that provides continuous exposure to the price of the underlying asset. Similar to daily settlement and resulting margin payments with regard to traditional futures, the price of the perpetual is fixed to implied spot price via a funding rate mechanism and resulting funding fee payment at regular intervals. Where OKX is permitted to offer perpetual futures, it has funding rate settlements every two (2), four (4), and eight (8) hours depending on the relevant future. As with all futures, perpetuals provide price exposure without having to hold the underlying asset, but without the complication and risk of managing the roll process of traditional futures.

The lack of multiple expiry periods mean perpetual futures can attract greater liquidity than traditional futures, particularly for far-dated expiries. This attraction of more liquidity, particularly when a perpetual future is first offered on an underlying commodity, may result in some market fragmentation of liquidity across the different futures offered on the underlying commodity. It is, however, not unusual for DCMs to offer multiple contracts on the same underlying commodity, even where these contracts presumptively will compete for liquidity. DCMs choose to offer multiple contracts on the same underlying commodity for many reasons, including where some features are more attractive to a particular segment of market participants. For example, the innovation of offering mini and micro sized futures that are more accessible to retail traders to trade alongside full size futures.

Perpetual futures do have distinct features from traditional futures that may require additional disclosures to assure that traders understand and appreciate these features. The lack of expiry date means that a trader may only close a position by offset. Additionally, disclosures must be made to explain the funding rate mechanism and the impact this has on margin payments, particularly the fact that these payments are more often than traditional futures. These features may also require DCMs, DCOs and FCMs to revise their risk management processes, however the changes for example mechanism for more frequent margin collections.

Any traders looking to get exposure without having to hold the underlying asset will find perpetuals attractive, including asset managers, hedge funds and ETFs. Perpetuals are attractive to options traders looking to hedge their exposure, and to basis traders that are seeking arbitrage opportunities between exchanges, whether between decentralized exchanges, centralized exchanges or across decentralized and centralized exchanges. The lack of delivery and the efficiency of not having to manage a roll, however, will result in a greater number of speculative trading and retail traders.

Perpetual futures are subject to the same techniques of market manipulations as traditional expiry futures contracts. Manipulators may place orders or execute trades to influence or fix market signals and prices (e.g. spoofing and layering, price ramping, wash trading, cross-product market manipulation, etc). The lack of expiry date means there is potential manipulation of the funding rate, which is analogous to "marking the close" where manipulators attempt to move the price at the reference time of the trading session (opening, closing, settlement, etc) to their benefit. Similarly, manipulators can use large buy or sell trades in the interval period preceding the funding rate payment, to push the perpetual future price away from the underlying asset price, inflating the premium to their benefit. The risk of this type of manipulation, however, is minimized by the complication and low profit potential. Where OKX offers perpetual futures the funding rate calculation is based on the premium index value, which is calculated every minute from the interval between the last funding rate payment and the new funding rate to pay. The length of this interval ranges from 2 to 8 hours, depending on the contract. With these intervals and general market dynamics, other market participants, market makers and arbitrageurs, funding rate manipulation would require large buying or selling activity, conducted over a relatively long timeframe, for a relatively low profit.

In both traditional futures and perpetual futures, market surveillance is conducted by analyzing order book dynamics, trade volumes and price movements to detect suspicious trading behaviours. All of which are familiar to DCMs offering futures contracts

Perpetual futures offer an additional way in which to gain exposure to the underlying asset and there will be arbitrage opportunities between perpetuals, traditional futures and the spot market. To the extent that the DCM may also operate a spot market the ongoing surveillance might be made easier, but DCMs are already familiar with surveilling their futures markets and the underlying spot market where they do not also operate the spot market.

OKX does not believe that perpetual futures pose any increased risk of customer default or related FCM insolvency. The funding rate mechanism serves a similar purpose as does the daily settlement process for standard futures. Although calls for margin may be more frequent, the mechanism for making and collecting margin calls remains the same. Moreover, the existing protections such as customer segregation, residual interest targets, net capital requirements and the requirement for an FCM to make and age margin calls, would continue to operate as they do regarding the trading of any futures.

Perpetual futures are just that, futures. The exchange-traded nature, price discovery functions, regular margin and the particular attractiveness for retail traders would argue for their classification as a future. Additionally, regulating perpetuals under the stricter futures model, such as mandated trading on a DCM, clearing by a DCO, and intermediation through FCMs, would provide greater protection to the public while still encouraging innovation.

The CFTC has a long history of a principles-based regulatory approach, going back to the Commodity Futures Modernization Act of 2000. This approach has served the Commission and the commodities industry well by encouraging responsible innovation and enhancing the competitive position of US financial markets and institutions, within a framework that deters and prevents disruptions to market integrity and protects market participants. OKX thanks the Commission for the opportunity to provide comments. The Commission has always played the key role in ensuring that the US is a leader in the commodities markets and perpetual futures represent positive continuing innovation.

Sincerely,

Signed by:

38698F51F5DC41E...

Roshan Robert

CEO
OKX US