Submitted via CFTC Comments Portal

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

May 21, 2025

Re: Request for Comment on 24/7 Trading and Clearing in CFTC-Regulated Markets

Dear Secretary Kirkpatrick:

The Digital Chamber ("**TDC**") respectfully provides this submission in response to the Commodity Futures Trading Commission's ("**CFTC**" or "**Commission**") April 21, 2025 Request for Comment regarding the possibility of enabling 24/7 trading and clearing in CFTC-regulated markets. Formed in 2014, TDC is the world's largest digital asset and blockchain trade association. We represent more than 200 companies innovating in the digital asset and blockchain industry and advocate for policies that foster responsible innovation, protect market participants, and support the long-term growth of the digital asset ecosystem.

Our members include leading blockchain technology companies, digital asset platforms, law firms, and financial institutions that are building the infrastructure for a decentralized, global financial future. Many of our members or their affiliates already operate perpetuals, and we therefore are uniquely positioned to provide technical expertise on these subjects and would welcome further discussions.

Based on this experience, we strongly support the development of 24/7 trading in CFTC-regulated digital asset derivatives markets. We believe such trading would increase accessibility, foster innovation, align with existing spot market behavior, and further the United States' competitive position as a leader in digital finance. Our responses below specifically address the opportunities and challenges of 24/7 trading in digital asset markets. We do not express a view on traditional futures markets, such as those involving agriculture or energy commodities. As a bottom line, we wholeheartedly support introduction of 24/7 trading and clearing on CFTC-regulated markets at least in digital asset markets.

Specific Questions

1. What risks (e.g. market, liquidity, operational) does clearing for trading on a 24/7 basis pose to the DCO and to FCM clearing members, beyond those faced during traditional business hours?

While 24/7 clearing introduces operational challenges, such as the need for round-the-clock staffing and continuous collateral valuation, these are already being addressed in digital asset spot markets through automated systems. Many centralized and decentralized platforms already operate 24/7 without clearing delays or significant downtime, thanks to integrated smart contract technology and robust margining protocols.

DCOs and FCMs can adopt similar automation strategies—including real-time margin assessments, continuous collateral monitoring, and liquidity forecasting tools—to reduce the need for human intervention. Further, the implementation of distributed ledger technologies (DLT) and programmable risk management tools can help ensure the integrity and timeliness of settlement processes.

2. Are there any pre- or post-trade risk controls that would be necessary, or highly valuable, for the DCM, DCO, or FCM clearing member to implement?

Pre-trade risk controls should include automated order throttling, real-time exposure checks, and tiered margining models based on asset volatility and trading hours. Post-trade, systems should support continuous reconciliation and dynamic liquidation triggers.

Digital asset exchanges such as Coinbase and Kraken already implement such controls, which have proven effective in managing price volatility in illiquid trading windows. These can serve as models for the design of analogous controls in regulated derivatives environments.

3. Do the current risk disclosures provided by FCMs to customers adequately address risks associated with 24/7 trading?

Current disclosures under Regulation 1.55 should be updated to reflect risks specific to 24/7 markets, such as increased volatility during off-hours, limited liquidity, or delays in customer fund movement due to banking constraints. Disclosures should also emphasize operational risks related to system outages or cyberattacks outside regular business hours. To the extent stablecoins or tokenized fiat may be permitted to be used to meet margin requirements, the risks of these instruments should also be disclosed, as well as should the processes around and risks of auto-liquidation if it is contemplated to be authorized as a risk mitigation technique.

Enhanced transparency helps protect retail traders and ensures FCMs comply with their fiduciary duties in a continuously operating environment.

4. Is auto-liquidation of customer positions an acceptable and prudent risk mitigant for FCMs?

Yes. Auto-liquidation is a standard and essential risk management tool in 24/7 digital asset markets, used to prevent accounts from becoming undercollateralized. In environments where customer access to fiat payment rails is limited over weekends or holidays, auto-liquidation protects both the platform and the broader market. However, auto-liquidation triggers should constantly be evaluated and adjusted, as appropriate, to avoid actions that might exacerbate market moves and more positions being liquidated.

That said, auto-liquidation rules should be transparent, subject to customer opt-in or thresholds, and integrated with real-time alert systems so customers are notified before any liquidation occurs.

5. How do the risks associated with 24/7 trading differ from the risks currently experienced by FCMs and DCOs from holding customer positions open during weekends or overnight?

The primary difference lies in market activity and liquidity. Currently, while positions are held over weekends, markets are closed, ordinarily delaying the need to respond to price changes. In a 24/7 environment, market conditions continuously evolve, requiring real-time risk management rather than static weekend protocols. This shift demands proactive monitoring, automated margin recalculations, and liquidity buffers, but it also enhances transparency and responsiveness to market signals.

Modern systems in crypto markets already offer examples of these adaptive models in practice, enabling FCMs and DCOs to learn from and replicate proven strategies.

6. Are there competitive or other issues resulting from a market structure where an affiliate of a DCM or FCM supports or guarantees margin payments on behalf of customers during non-banking hours?

Yes, such arrangements could lead to conflicts of interest and uneven playing fields. For example, larger firms may have access to capital or affiliates capable of offering extended services, disadvantaging smaller FCMs or non-affiliated entities. To address this, the Commission could mandate disclosure of these arrangements and monitor for anti-competitive practices.

However, enabling margin flexibility via regulated stablecoins, tokenized fiat or tokenized non-cash collateral may provide a more equitable alternative. Blockchain-based settlement solutions could help reduce dependency on traditional banking hours and centralized liquidity without favoritism.

7. Are there product types that are more reasonably suited to a 24/7 model?

Digital assets, due to their global nature and native compatibility with decentralized settlement mechanisms, are ideally suited for 24/7 trading. These markets already function in real-time across jurisdictions and time zones, allowing a seamless transition to continuous futures or derivatives markets.

By contrast, physical commodities like agricultural or energy products involve real-world logistics, inventory tracking, and supply chain dependencies tied to regional business hours, potentially making them less suitable for 24/7 activity without broader operational changes.

8. What changes in market structure or operational capabilities could mitigate risks associated with 24/7 markets?

Enhancements such as real-time collateral exchange networks, continuous settlement rails, and blockchain-based asset tracking could significantly reduce operational risks. Institutions should also develop APIs and system integrations that support instant margin calls, asset verification, risk calculations and auto-liquidation.

Additionally, 24/7 access to regulated stablecoins, tokenized fiat and/or tokenized money market instruments could alleviate reliance on traditional banking hours and foster more resilient collateral ecosystems.

9. Are there any current Commission regulations which would hinder 24/7 markets?

Yes. Several existing regulations assume market operations within traditional U.S. banking hours. For instance, rules around capital reporting, margin payments, and fund transfers often rely on legacy financial systems that do not support continuous processing.

The Commission should consider modernizing reporting timelines, expanding acceptable collateral types (e.g., regulated stablecoins), and enabling the use of smart contracts for automated compliance with margin and capital requirements in a 24/7 context.

10. Are the Commission's existing customer protection, financial integrity, net capital, and financial reporting requirements for FCMs adequate for a 24/7 marketplace?

While foundational principles remain relevant, execution standards should evolve. Requirements should mandate 24/7 customer service capabilities, continuous risk monitoring, and the integration of automated alerts and liquidation mechanisms. Real-time capital adequacy and liquidity tracking should also be implemented.

Furthermore, disclosures and transparency should be strengthened through education tools, particularly for retail participants who may engage during off-peak hours without immediate institutional support.

DCMs and SEFs

1. What generally accepted standards and best practices should DCMs and SEFs follow for high-availability architecture?

DCMs and SEFs should implement active-active system architectures, with failover redundancies and geo-redundant hosting. They should adopt cloud-native deployment practices using containers and microservices to ensure uptime and seamless scaling or institute equivalent or superior measures.

Best practices include real-time health monitoring, service mesh security, and periodic third-party audits of infrastructure resilience and uptime performance.

2. What generally accepted standards and best practices should be used for live deployment and rollback mechanisms?

Live deployments should follow canary deployment and blue-green strategies, allowing gradual rollouts with automated rollback based on anomaly detection. Continuous integration/continuous deployment (CI/CD) pipelines should ordinarily include robust test suites, peer code review, and automated approval workflows for all changes to production environments.

3. What measures should DCMs and SEFs take to reduce the likelihood and impact of unscheduled disruptions?

DCMs and SEFs should use machine learning-driven anomaly detection to preemptively flag operational issues. Scheduled failover drills, chaos engineering (e.g., fault injection testing), and cross-venue incident simulation will reduce real-world disruption impact.

Clear participant communication protocols—through APIs, SMS, email, platform alerts or other effective measures—should be used to manage incident responses transparently and effectively.

4. How can DCMs and SEFs ensure 24/7 staffing and support, including coordination with third parties?

DCMs and SEFs should deploy a distributed operations team across time zones to guarantee 24/7 oversight. On-call rotations should be mandatory for compliance, cybersecurity, and engineering roles, with automated escalation pathways and real-time collaboration tools (e.g., Slack, PagerDuty, Jira) to maintain continuity.

Service-level agreements with key third-party vendors should include guaranteed response times and support coverage during non-standard hours.

5. Does 24/7 trading introduce any new or different considerations for trade and market surveillance?

Yes. Surveillance systems should be automated and leverage AI/ML tools to detect spoofing, layering, and wash trades at all hours, as practical. Behavioral baselines should adapt based on time-of-day liquidity dynamics.

Moreover, continuous surveillance requires data normalization across multiple venues, and cloud-native surveillance tools can offer enhanced scalability and pattern recognition capabilities that legacy systems lack.

6a. How should DCMs and SEFs approach business continuity-disaster recovery (BC-DR) testing in high-availability environments?

BC-DR testing should include live drills that simulate real-time failure conditions—such as regional data center outages or cyberattacks—with metrics around RTO (recovery time objective) and RPO (recovery point objective) to measure resilience. Modern BC-DR strategies should leverage containerized systems, immutable infrastructure, and rapid environment replication across clouds or regions.

6b. How should DCMs and SEFs approach penetration testing and vulnerability scanning?

Penetration testing should be conducted quarterly with both internal red teams and independent third parties. Automated continuous vulnerability scanning and runtime security tools should be integrated into CI/CD workflows.

Additionally, threat intelligence feeds, intrusion detection systems, and real-time application firewalls should be deployed to provide 24/7 threat monitoring and mitigation.

Additional Considerations

1. Unaddressed Areas of Concern:

- **Infrastructure Harmonization**: One of the key challenges for 24/7 trading is ensuring that all market participants—including exchanges, clearinghouses, custodians, and intermediaries—can operate seamlessly outside of traditional banking hours. This requires interoperable systems, continuous data feeds, and real-time risk management tools across the trading and clearing ecosystem.

- **Cross-Border Access**: Given the inherently global nature of digital assets, 24/7 trading enhances access for international participants. However, this expanded access introduces cross-jurisdictional regulatory challenges, such as inconsistent KYC/AML standards and differing capital requirements, that should be harmonized through international cooperation. Potential registration issues of persons acting outside of the United States on behalf of CFTC registrants within the US should also be ameliorated.

2. Potential Risks to Market Integrity and Customer Protection:

- **Customer Education**: Retail and institutional participants should be educated that liquidity and volatility can vary dramatically at different times. Market operators should ensure that risk disclosures and trading interfaces communicate these factors clearly, especially during periods of lower market depth.

- **Cybersecurity**: With continuous operations, the window for regular maintenance shrinks. Systems should be hardened to prevent downtime or breaches, and 24/7 real-time monitoring should be implemented to detect and mitigate suspicious activity instantly.

Conclusion

This comment letter addresses the Commission's questions from the perspective of digital asset markets, which have natively operated in a 24/7 environment for over a decade. We believe that the unique characteristics of digital assets make them well-suited for 24/7 trading and clearing, and that extending support for these market structures can enhance efficiency, transparency, and accessibility. While we acknowledge that 24/7 operations may pose distinct challenges in traditional commodity markets, our response focuses specifically on the digital asset ecosystem and the associated regulatory and operational considerations.
Based upon the foregoing, TDC encourages the Commission to recognize the evolving market infrastructure and technological maturity of digital asset markets in considering the viability of 24/7 trading and clearing. We believe a well-calibrated regulatory framework can support

innovation while ensuring robust risk management, customer protection, and operational resilience.

We appreciate the opportunity to provide feedback on this important initiative and welcome further engagement with the Commission as it evaluates potential changes to market operations and regulatory approaches in this rapidly developing area.

TDC acknowledges the significant efforts of Kevin Batteh, Delta Strategy Group, and Isabelle Corbett Sterling and Jonathan Cardenas, Baker & Hostetler LLP, towards the preparation of this letter. TDC also thanks the many members that contributed their time and expertise towards the development of this letter, including but not limited to, Olta Andoni, General Counsel, Enclave Markets Inc., and Josh Peschko, Head of Compliance and Regulatory Strategy, Talos Global, Inc.

Sincerely,

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