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Divisions of Market Oversight, Clearing and Risk, and Market Participants
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Via CFTC Comments Portal: https://comments.cftc.gov

Re: CFTC Staff Request for Comment on Trading and Clearing Derivatives on a 24/7 Basis

Ladies and Gentlemen:

Nodal Clear, LLC ("Nodal Clear" or "Nodal") appreciates the opportunity to respond to the Commodity Futures Trading Commission's ("CFTC" or the "Commission") Staff Request for Comment on Trading and Clearing Derivatives on a 24/7 Basis ("RFC") issued on April 21, 2025. Generally, the RFC seeks public comment (i) to aid Commission staff with understanding potential issues related to a designated contract market ("DCM") or swap execution facility electing to provide trading services on a 24/7 basis (*i.e.*, "trading and associated clearing that is active for the vast majority of weekend and holiday hours") and (ii) on any additional concerns related to the 24/7 clearing of these products, either at the derivatives clearing organization ("DCO") providing clearing services, or at a futures commission merchant ("FCM") extending 24/7 trading and clearing services to customers. Staff requests comment on 24/7 trading and clearing to better inform its understanding of potential issues and seeks input on possible mitigating measures.

As background, Nodal Clear is a registered DCO, acts as the clearinghouse for and is wholly owned by Nodal Exchange, LLC. Nodal Clear is also the clearinghouse for another DCM, Coinbase Derivatives Exchange ("CDE"). Nodal Clear is ultimately wholly owned by the European Energy Exchange AG. Nodal Clear is a "Subpart C" DCO, having elected to comply with the requirements applicable to DCOs that have been designated systemically important by the Financial Stability Oversight Council.

Nodal Clear started clearing on a 24/7 basis on May 9, 2025 to support select CDE products.[1] 24/7 clearing at Nodal is tailored to margined derivatives products that are transparently traded, have high liquidity, and have underlying assets already traded 24/7 in spot markets (*e.g.*, Nodal Clear currently provides clearing support for Nano Bitcoin Futures, Bitcoin Futures, Nano Ether Futures, and Ether Futures—all products/markets that have these very features). As of the date of this letter, activity so far demonstrates successful operation of clearing for 24/7 margined futures trading. Weekend trading volumes and customer participation levels have been similar to trading and clearing volumes during weekdays. Nodal Clear has deployed new risk controls/limits and they are functioning as expected.

Nodal Clear respectfully submits the following comments in response to the RFC.

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[1] Nodal Clear has successfully cleared for CDE on a 23x5 basis since June of 2021 (*i.e.*, Sunday --Friday, 6pm – 5pm ET with a 1-hour break each day from 5pm–6pm ET).

I. General Comments

Nodal Clear appreciates that trading and clearing on a 24/7 basis raises significant and new questions from a regulatory, compliance, infrastructure, and operational standpoint. Nodal Clear commends the Commission staff for issuing the RFC to better inform its understanding of potential issues and possible mitigating measures associated with trading and clearing on a 24/7 basis. A prudent risk response—which must be adopted by DCOs, FCMs and their customers to successfully operationalize 24/7 trading and clearing—addresses 24/7 trading and clearing concerns.

In launching 24/7 clearing for select products, Nodal Clear has developed, implemented, and manages appropriate risk controls and tools to support extended trading. Such risk controls and tools include pre-trade risk management (*i.e.,* tools to manage risk *before* an order enters a matching engine) that is margin-based, portfolio-informed, enabled by real-time position tracking at the retail customer level, and augmented by variation margin/current exposure that informs dynamic limit setting. So long as prudent risk management is adopted alongside a 24/7 trading and clearing infrastructure for derivatives exchange products that are (i) transparently traded, (ii) have high liquidity, and (iii) have underlying assets already traded 24/7 in spot markets, then Nodal Clear supports 24/7 trading and clearing for such products.

As noted above, Nodal Clear has already begun clearing certain products on a 24/7 basis pursuant to Rules and policies that appropriately mitigate and manage the risk associated with such activity. Nodal Clear's Rules and policies regarding risk management and clearing on a 24/7 basis were developed in consultation with various stakeholders, including multiple FCM clearing members, and Commission staff. [2] In addition to meetings with Commission staff, Nodal Clear has engaged with its entire clearing membership several times since early 2024 to discuss clearing on a 24/7 basis. Nodal Clear expects and intends for such conversations to continue from time to time as 24/7 clearing continues.

Nodal Clear is grateful for the thoughtful stakeholder engagement during the development of Nodal Clear's 24/7 clearing solution and the CFTC's willingness to foster innovation in the derivatives markets. Thanks to stakeholder input, Nodal Clear has successfully launched its 24/7 clearing service with appropriate Rules and procedures to manage risk. Customers should continue to have wider access and opportunity to manage market exposure and associated risk over weekends/holidays as long as appropriate and effective risk controls are implemented that prevent/mitigate additional risk associated with trading outside of traditional business hours.

II. Responses to Specific RFC Questions for Clearing and FCM Considerations

Nodal Clear's comments below respond to key questions posed by Commission staff concerning clearing on a 24/7 basis and associated FCM considerations.

Question 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?*

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[2] Nodal Clear publicly communicated its support for 24/7 clearing at a Division of Clearing and Risk ("DCR") staff roundtable meeting on October 16, 2024. In our public comments Nodal Clear's President, Demetri Karousos, shared Nodal's views on appropriate risk management for 24/7 clearing. Also, at FIA's Boca 2025 conference, Mr. Karousos spoke on a panel regarding 24/7 trading and clearing and communicated Nodal's upcoming plans to clear on a 24/7 basis.

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What protections, or mitigants, should be in place at the DCO or FCM clearing member to ensure adequate mitigation of these novel risks?

Risk in the 24/7 trading and clearing world can be organized into two general categories—price risk (*i.e.*, the possibility of losses due to changes in commodity prices) and position accumulation risk (*i.e.*, accumulation of trading positions outside of traditional business hours). Although managing price risk is not a new concept in appropriate DCO/FCM risk management frameworks, risk associated with position accumulation arising outside of traditional business hours must be appropriately managed by DCOs, FCMs and their customers.

DCOs and FCM clearing members have always faced price risk from events happening outside traditional business hours (*e.g*., if a natural gas pipeline ruptures on a Saturday, the implicit price of natural gas will adjust in the marketplace and natural gas futures contracts will reflect those sentiments at the next market open). Accordingly, DCOs that appropriately incorporate tail risk into their risk models already manage weekend/holiday price risk (*i.e.*, if weekend periods historically involved significant price risk, such periods are incorporated into the stress testing that drives a DCO's margin model).[3]

Nodal Clear's 24/7 clearing and associated risk management has built upon its existing price risk tools new requirements to mitigate/prevent position accumulation risk that exceeds a specified risk tolerance. Those tools include implementing robust pre-trade risk controls (discussed in response to *Question 2* below). For 24/7 trading and clearing to be successful compared to "traditional" trading and clearing risk models, clearing on a 24/7 basis must incorporate such appropriate tools to address position accumulation over extended trading hours.

While 24/7 trading and clearing indeed introduces new risks, it also benefits markets and reduces risks by allowing customers to manage real time exposure emanating from underlying/spot markets in applicable exchange traded products. Before 24/7 clearing, weekend price moves due to negative news could not be managed (*e.g.*, by trading out of a position) over the weekend for applicable exchange traded products—instead addressing that volatility (and potentially absorbing larger losses) on the next applicable business day. With 24/7 trading and clearing, customers and FCMs now have additional opportunities to manage their exposure to those price movements in real-time.

Question 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, beyond those used in current markets? What novel risks would these controls aim to mitigate? Should FCMs require customers with open positions going into a weekend to prefund additional margin as a cushion against adverse price moves?*

Robust pre-trade risk controls (which, as explained above, are controls that apply before an order enters the matching engine), including real-time credit checks and margin sufficiency validations before order acceptance, are essential to managing the position accumulation risk arising from weekend trading. Nodal Clear accomplishes this via Pre-Trade Risk Limits ("PTRLs") which are margin-based pre-trade risk controls at the clearing member and customer level set by Nodal Clear. PTRLs implemented by Nodal Clear appropriately risk manage at the portfolio level by utilizing real-time customer level position monitoring while adjusting to reflect current exposure. In short, an order is automatically blocked from the exchange order book and cannot be executed if it does not meet the PTRL.

[3] DCOs and FCMs are also versed at managing risk during periods where financial settlement is not possible even before 24/7 clearing for margined futures. For example, this risk management process exists today for exchange trading on bank holidays.

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In consultation with the CFTC staff, Nodal Clear established additional risk measures to further address the risk associated with weekend trading. Specifically, Nodal Clear added Rules that provide for:

- **Alternative venue access -** Clearing members whose ratio of initial margin requirement for exchange contracts traded on the weekend to adjusted net capital exceeds 20%, averaged over the prior six months, to adopt, adhere to, and enforce risk management and other policies and procedures designed to provide a mechanism for hedging risk exposure to such exchange contracts. This mechanism must utilize an alternative venue, such as a spot market, that supports weekend trading. The purpose of this rule is to promote prudent risk management practices and ensure access to additional trading liquidity during weekend trading. *See* Nodal Clear Rule 3.5(r).

- **Prefunded double margin for incremental weekend positions or prefunded margin with negative mark to market -** Clearing members must limit customer weekend trading to either: (i) less than half of the customer's excess margin, or (ii) the full amount of the customer's excess margin, provided that unrealized losses are deducted from available funds and gains are not recognized until the first margin run following the weekend. This rule is designed to ensure that additional positions established over the weekend are sufficiently collateralized. *See* Nodal Clear Rule 3.5(s).

- **Guaranty fund deposit surcharge for clearing members that support contracts traded on the weekend -** This surcharge is intended to provide additional financial resources to Nodal Clear to address larger than expected market volatility during a potential position liquidation due to weekend trading for exchange contracts traded during the weekend. *S*ee Nodal Clear Rule 3.34.1(e).

As discussed above, successful clearing on a 24/7 basis must incorporate appropriate risk management tools to address weekend position accumulation risk. The requirements described above achieve an appropriate 24/7 clearing model for relevant exchange trading activity.

Question 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?*

As discussed in the response to *Question 1*, 24/7, DCO/FCM price risk management already happens in the traditional trading and clearing model. The challenge for 24/7 trading and clearing is managing the new risk from positions added over the weekend when there are no margin runs. Nodal manages this risk with PTRLs (described above), which effectively prevent the addition of risk to a portfolio beyond levels approved by the FCM and/or the DCO. Nodal's Rules further require that the additional risk of new weekend positions be "prefunded". It is important to note that such prefunding is only necessary if a customer chooses to add to positions on the weekend. Therefore, FCMs and the larger clearing community should not experience cash liquidity stress heading into the weekend if DCOs/FCMs adopt similar models.

Question 7: *Are there product types that are more reasonably suited to a 24/7 model? Are there others for which a 24/7 model would introduce risks which could not be adequately mitigated? What characteristics distinguish the first from the second set of products?*

In general, products with high liquidity, transparent pricing, and active underlying spot markets with global investor participation are well suited for 24/7 trading and clearing.

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Question 8: *What changes in market structure or operational capabilities (e.g., broader abilities to source and exchange collateral over weekends) could potentially mitigate risks associated with 24/7 markets? Are there forms of 24/7 trading which cannot or should not be allowed prior to these structural innovations?*

Until market-wide access to real-time collateral transfers, whether through digital solutions or broader payment infrastructure enhancements, is fully available and operationally supported by clearing members, 24/7 markets should be subject to margin-based pre-trade risk controls designed to manage weekend position accumulation risk.

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Nodal Clear appreciates the opportunity to respond to the RFC. If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

Respectfully submitted,

/s/ Demetri Karousos
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