May 21, 2025

Via Electronic Mail

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

Re: CFTC Staff Request for Comment on 24/7 Trading

Dear Mr. Kirkpatrick:

MFA[1] appreciates the opportunity to comment on the Commodity Futures Trading Commission ("**CFTC**" or "**Commission**") staff ("**Staff**") request for comment on the trading and clearing of derivatives on a 24/7 basis.[2] We support the Commission's broader initiative to clarify the application of CFTC rules to the digital asset ecosystem and to foster market innovation more generally in the financial markets.

We particularly appreciate that the Staff is seeking to become better informed regarding the potential uses, benefits, and risks of trading on a 24/7 basis in the derivatives markets. While common in the digital assets markets, 24/7 trading is less common in the traditional derivatives markets. Making trading available at all times—or the majority of times—raises significant operational and regulatory issues that the Commission must address before permitting 24/7 trading in regulated markets to become commonplace. We are concerned that if the CFTC or other regulators move too quickly to 24/7 trading before the infrastructure and market participants are fully prepared, there could be unintended consequences that might negatively impact the liquidity and efficiency of the U.S. financial markets.

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1 Managed Funds Association (MFA), based in Washington, D.C., New York City, Brussels, and London, represents the global alternative asset management industry. MFA's mission is to advance the ability of alternative asset managers to raise capital, invest it, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and hybrid funds, that employ a diverse set of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors diversify their investments, manage risk, and generate attractive returns throughout the economic cycle.

2 Request for Comment on Trading and Clearing Derivatives on a 24/7 Basis, Rel. No. 9068-25 (Apr. 21, 2025), available at: https://www.cftc.gov/PressRoom/PressReleases/9068-25. The Staff also requests comment on "perpetual" futures, which we are not addressing at this time. *See* Request for Comment on Perpetual Contracts in Derivatives Markets, Rel. No. 9069-25 (Apr. 21, 2025), available at: https://www.cftc.gov/PressRoom/PressReleases/9069-25.

Given the abbreviated comment period, we limit ourselves to flagging some of the most important issues for our members in the following. We would be happy to engage with the Staff to discuss in more detail the operational and regulatory issues associated with 24/7 trading in the derivatives markets.

Potential Issues with 24/7 Trading

Extending trading hours to 24/7[3] is a complex conundrum because it requires the entire rethinking and retooling of how trading systems currently operate. As the Staff recognizes, 24/7 trading raises a number of significant challenges, including issues relating to:

- System resilience,
- Operational continuity without downtime,
- Continuous market surveillance,
- Clearing and margin practices outside banking hours,
- Regulatory constraints, and
- Collateral management.

Each of these issues introduces multiple regulatory and operational challenges.

To begin with the settlement cycle, futures exchanges currently have daily settlement cycles in which there are specific, well-understood procedures for handling the valuation of positions and margin calls from members. There also are established procedures relating to the movement of cash and noncash collateral by settlement banks and custodians, which occur at predetermined times. Transitioning to 24/7 trading and clearing would require substantial changes to those procedures and operational adjustments by market participants, many of whom may not be equipped to handle the operational challenges of 24/7 trading.

In addition, expanding the trading and clearing hours on regulated markets may have unintended consequences unless the hours during which settlement banks and custodians are capable of moving funds and collateral are also increased. For example, unmargined risk may build up in accounts. This could lead to massive margin calls coming due as the banks are reopening for business.

Furthermore, trading volumes and liquidity tend to be lower—sometimes significantly lower—during nonbusiness hours than they are during business hours. The lack of trading volumes and liquidity could raise operational and even market manipulation concerns during nonbusiness hour trading, as a large position may move the market unexpectedly. For this reason, at a minimum, the Commission should

3 Trading and clearing on a "24/7 basis" has a number of different meanings. We understand that Staff is using, as a general definition of this term, trading and associated clearing that is active for the vast majority of weekend and holiday hours, but not necessarily without any pause or interruption.

consider permitting 24/7 trading only when there is enough trading volume and liquidity in the market to support the increased trading hours.

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MFA appreciates the opportunity to respond to the Staff's request for comment. We look forward to working with the Commission and its Staff to identify the operational and regulatory issues that need to be addressed before trading and clearing on a 24/7 basis is further permitted. Please do not hesitate to contact Matthew Daigler or the undersigned at (202) 730-2600 with any questions regarding this letter.

Sincerely,

/s/ Jennifer W. Han

Jennifer W. Han
Chief Legal Officer & Head of Regulatory Affairs
MFA