May 21, 2025

Submitted via CFTC Portal

Mr. Christopher J. Kirkpatrick
Secretary
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street
Washington, DC 20581

Re: Request for Comment on Trading and Clearing Derivatives on a 24/7 Basis (Release Number 9068-25)

Dear Mr. Kirkpatrick:

Cboe Global Markets, Inc. ("Cboe") appreciates the opportunity to provide input to the Commodity Futures Trading Commission ("CFTC" or "Commission") regarding its request[1] for comment on the trading and clearing of derivatives on a 24-hour, seven days a week basis ("24/7"). As an operator of four CFTC-registered entities consisting of two designated contract markets ("DCMs") (Cboe Futures Exchange, LLC and Cboe Digital Exchange, LLC), a swap execution facility ("SEF") (Cboe SEF, LLC), and a derivatives clearing organization ("DCO") (Cboe Clear US, LLC), Cboe is well suited to reply with a holistic perspective on the ramifications of a transition to 24/7 derivatives trading and clearing.

Beyond the general comments below, Appendix I includes Cboe's feedback with respect to the specific questions asked by the Commission.

Cboe Futures Exchange, LLC ("CFE") has been operating on a 23-hour, five days a week basis ("23/5") since 2014 for Cboe Volatility Index ("VIX") futures and more recently for additional products such as Mini VIX futures and bond index futures.[2] 23/5 in these products is only possible with the support of The Options Clearing Corporation, which serves as the central counterparty ("CCP") to CFE for these products. Similarly, Cboe Digital Exchange ("CDE") offers financially settled bitcoin and ether futures on a 23/5 basis with the support of Cboe Clear U.S., LLC ("CCUS") for central clearing. These products are being migrated from CDE to trade on CFE and will continue to be cleared by CCUS. Products on both CFE and CDE open at 5pm CT Sunday-Thursday and are available to trade until 4pm CT Monday-Friday with one hour of maintenance daily between 4pm-5pm CT (with modified schedules for certain holidays).

Cboe understands the desire to extend trading hours to weekends and supports this natural evolution. Risks remain prevalent when markets are closed, and the availability of well-functioning markets over the weekend will help market participants manage such risks. However, it is important to ensure that time-tested investor safeguards and processes are not compromised. The existing futures commission

[1] Request for Comment on Trading and Clearing Derivatives on a 24/7 Basis Release Number 9068-25) (Apr. 21, 2025).
[2] Cboe Global Markets, "U.S. Futures Trading Hours" https://www.cboe.com/about/hours/us-futures/.

merchants' ("FCM") intermediated clearing model is a structure that has been stress-tested through multiple financial crises over decades. It is this time-tested experience that better serves investors and the market alike. When extending trading hours to weekends, it is important that the entire industry is collectively considering potential issues and how to address them. Operational resilience, liquidity management, collateral management, and regulatory monitoring, amongst other issues, are critical areas that need to be adequately thought through by exchanges, clearing houses, FCMs and other market participants.

Cboe notes that it will be important for the CFTC to maintain a principles-based approach to addressing the above areas. Exchanges and clearinghouses require flexibility to adapt processes in order to accommodate weekend trading hours, and principles-based application of CFTC rules will be important in this regard. For example, there are likely multiple ways to ensure funding needs are met over the weekend. This could range from prefunding requirements to tokenized collateral to extending Fedwire hours or other risk management tools.

In addition, as exchanges and clearinghouses move toward 24/7, it is important that market participants clearly explain how they are going to address potential risks. As Cboe noted with respect to the FTX DCO proposal, transparency is especially important when assessing proposals with material market implications.[3] Although weekend trading does not raise existential questions, market operators' plans for addressing potential risks should be explained in a thorough and transparent manner.

In Cboe's view, this transparency is essential. There is often limited information with respect to how industry participants are addressing potential concerns with 24/7 trading and clearing. Questions easily emerge such as how are default funds and obligations being considered for weekends and holidays? Will FCMs be allowed to support regular trading hours only? Will there be residual risk to an FCM that does not support weekend trading hours? How will auto-liquidation features work? Are affiliate FCMs involved? What is the risk to the affiliate DCO or DCM? In our view, it would be beneficial to the entire industry if there was additional transparency with respect to how participants intend to address various risks. As such, we would be supportive of a CFTC-organized industry roundtable or an advisory committee designed to bring transparency to potential issues and solutions stemming from this transition. Altogether, Cboe recommends that the Commission prioritize a principles-based approach to address potential issues stemming from 24/7 while ensuring that time-tested investor safeguards remain in place.

Cboe thanks the Commission for considering its comments regarding 24/7 trading and clearing of derivatives and welcomes the opportunity to discuss these comments further.

Sincerely,

/s/ Patrick Sexton

Patrick Sexton
EVP, General Counsel, and Corporate Secretary
Cboe Global Markets, Inc.

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[3] Cboe's letter in response to the CFTC Request for Comment on FTX Request for Amended DCO Registration Order (May 9, 2022).

Appendix I

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

Some risks presented to DCO and FCM members by clearing within a 24/7 or near 24/7 framework include no downtime system requirements, potential liquidity constraints, and potential inability to move cash or securities collateral. To mitigate these issues, DCOs and FCMs need to be allowed to prioritize risk mitigation solutions that work best for them rather than a one-size-fits-all approach.

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?**

Potential risk controls to consider include a thorough pre-trade risk analysis of a customer's account balance as well as real-time monitoring of p&l with the option to enable some form of automated liquidation of positions. Prefunding arrangements and/or additional margin requirements could also be considered, but FCMs should have flexibility to address potential risks. However, it may be prudent for FCMs that are affiliates of a DCO or DCM to have more robust requirements than traditional FCMs as the interconnected nature of these affiliate FCMs may present unique risks to the DCO and DCM that are not present when the FCM is unaffiliated and the DCO and DCMs operate via an intermediated model.

3. **Do the current risk disclosures provided by FCMs to customers adequately address risks associated with 24/7 trading? Should the Commission's standard customer risk disclosure template required by Regulation 1.55 be revised to explicitly address 24/7 trading? What additional risk disclosures should be included in the standard template?**

Today's FCM risk disclosures generally cover risks such as incurring losses that impact the ability to hold a position and the use of leverage. Additional language regarding 24/7 trading could be beneficial.

4. **Is auto-liquidation of customer positions an acceptable and prudent risk mitigant for FCMs that hold open positions for customers during weekends and other periods of time when customers cannot make margin deposits? Does auto-liquidation present other risks to the market or market participants?**

Cboe does not believe auto-liquidation should be prohibited, but there are potential risks, including market disruptions. Cboe is also concerned by the lack of transparency when DCO or DCM affiliated FCM's utilize auto-liquidation features. As Cboe stated in response to the FTX DCO proposal, it is important that market participants demonstrate that an auto-liquidation mechanism will control the risk of cascading defaults. "With the current intermediated model, intermediated margin calls act as a multi-level shock-absorber. CCPs can identify increased market risk and issue intra-day margin calls that are *satisfied by well capitalized clearing member FCMs. FCMs can absorb such margin calls (ensuring, in doing so, that they never use any one customer's assets to satisfy another customer obligations) and, in turn, seek funds from relevant customers as necessary (and alternatively sourcing necessary funds from their own capital, in the form of 'residual interest')."*[4]

Cboe believes it may be beneficial if firms were required to allow customers to opt-in to auto-liquidation. It is also important that the industry is aware how affiliated FCMs are utilizing such features and whether there is potential risk to the affiliate DCM or DCO.

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 risks associated with 24/7 trading vs. the risks associated with the current market hours differ in that currently, firms are limited in their ability to manage risk over the weekend. Weekend trading and clearing could help firms more effectively manage risk but allowing them to utilize one of the most effective risk management tools available (i.e., reducing the size of their position).

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?**

Cboe encourages the Commission to support enhanced transparency with respect to how affiliate FCMs are supporting affiliate DCOs/DCMs with weekend trading. Whether by supporting or guaranteeing margin payments or auto-liquidation features or other risk control mechanisms, there should be greater transparency in how these mechanisms may impact the operations of the DCO/DCM. For example, there should be clear rules on how affiliates can guarantee margin for clients over weekends.

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?**

We believe most financial assets can adapt to a 24/7 or near 24/7 framework and this is beneficial to investors as it provides them with increased hedging opportunities.

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?**

Greater access to collateral resources, such as tokenized collateral, could help mitigate risks associated with 24/7 markets; however, the existence of tokenized collateral should not be a prerequisite for 24/7 or near 24/7 trading and clearing.

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

Cboe is not aware of any Commission regulations that would hinder 24/7 markets.

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[4] Id.

10. **Are the Commission's existing customer protection, financial integrity, net capital, and financial reporting requirements for FCM adequate for a 24/7 marketplace? If not, what should the Commission consider to enhance the above requirements?**

Yes, Cboe believes the existing regulatory framework is adequate for the introduction of a 24/7 framework.

<u>**DCMs and SEFs**</u>

1. **Continuous trading requires a high-availability systems architecture with active failover, hot-swappable components, and load balancing. What generally accepted standards and best practices should DCMs and SEFs follow when developing and maintaining such systems?**

High-availability systems architecture should be prioritized regardless of a transition to a 24/7 framework. It is up to each venue to decide what is appropriate for them regarding managing adjustments due to the lack of downtime. It may be prudent to revisit industry standards around uptime, redundancy, and RTO.

2. **Without windows for regular updates, patches, and upgrades, DCMs and SEFs must maintain a live deployment capability, with robust rollback mechanisms in the event of faulty updates. What generally accepted standards and best practices should DCMs and SEFs follow when developing and maintaining such a capability?**

Each DCM and SEF will have robust practices specifically applicable to them but two ways to maintain adequate capabilities include cyclical maintenance periods and advanced notice of maintenance activity.

3. **The lack of a planned maintenance window may increase the chance of unscheduled disruptions, which are more difficult to control and message to participants. What measures should DCMs and SEFs take to reduce the likelihood and frequency of such disruptions and mitigate their impact?**

While it is not necessarily the case that a limited maintenance window will lead to an increase in unscheduled disruptions, policies, procedures, software, and infrastructure processes should be updated to reduce the likelihood of potential disruptions.

4. **How can DCMs and SEFs ensure that they are adequately staffed to detect and respond to market anomalies and technical events at all hours? What procedures and contingencies should be in place for DCMs and SEFs to coordinate with service providers and other third parties during trading hours where those third parties may be thinly staffed? Is it acceptable for certain technical and compliance staff to be on-call?**

There would be a mix of on-call staff as well as staff monitoring the function of markets in real-time.

5. **Does 24/7 trading introduce any new or different considerations with respect to DCM and SEF self-regulatory practices, including in the areas of trade practice surveillance and market surveillance?**

Cboe does not believe 24/7 trading introduces anything new or novel with respect to market surveillance.

6. **DCMs and SEFs are required to conduct certain types of system safeguards testing pursuant to Core Principles 20 and 14, respectively.**

a. **How should DCMs and SEFs approach business continuity-disaster recovery testing in a high-availability environment?**

Business continuity and disaster recovery testing is completed using a segregated environment explicitly built for business continuity and disaster recovery. This environment can be activated as-needed independent of the production environment and testing could be executed to demonstrate readiness while maintaining high-availability of the production environment.

b. **How should DCMs and SEFs approach penetration testing and vulnerability scanning in a high-availability environment?**

Penetration testing and vulnerability scanning are executed in a non-destructive and non-invasive manner. In addition to this, these activities are executed during lower-volume time periods further supports making these activities minimally impactful on systems. This approach allows Cboe to maintain the required security posture while supporting performance and availability requirements of our high-availability environments.