



February 2, 2026

Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

Re: Request for Comment on the Direct Clearing of Derivatives by Retail Participants

Dear Mr. Kirkpatrick:

Better Markets¹ appreciates the opportunity to respond to the request for comment on the direct clearing of derivatives by retail participants.² The CFTC cannot allow derivative clearing organizations (DCOs) to provide for the clearing of derivatives to retail traders on a direct basis without sufficient regulatory safeguards. The request for comment itself recognizes that the direct clearing model presents heightened risks without the presence of a futures commission merchant (FCM) guaranteeing customers' financial obligations to the DCO and engaging in risk-management tasks such as know-your-customer (KYC) and anti-money laundering (AML).

The CFTC must recognize that direct clearing was championed by FTX and Sam Bankman-Fried before the firm collapsed and Bankman-Fried went to prison. As the CFTC knows, FTX's implosion erased \$8 billion in customer savings.³ Bankman-Fried was convicted of fraud, conspiracy, and money laundering, and received a 25-year sentence.⁴

Before FTX's implosion, Bankman-Fried sought "the ability to clear his customers' margin-backed derivatives contracts directly without traditional intermediaries."⁵ This meant that "traders would not need to go through an FCM to trade and clear a Bitcoin futures contract on

¹ Better Markets is a non-profit, non-partisan, and independent organization founded in the wake of the 2008 financial crisis to promote the public interest in the financial markets, support the financial reform of Wall Street, and make our financial system work for all Americans again. Better Markets works with allies—including many in finance—to promote pro-market, pro-business, and pro-growth policies that help build a stronger, safer financial system that protects and promotes Americans' jobs, savings, retirements, and more.

² <https://www.cftc.gov/PressRoom/PressReleases/9158-25>.

³ David Yaffe-Bellany and J. Edward Moreno, *Sam Bankman-Fried Sentenced to 25 Years in Prison*, N.Y. Times (Mar. 28, 2024), <https://www.nytimes.com/2024/03/28/technology/sam-bankman-fried-sentenced.html>.

⁴ *Id.*

⁵ Jesse Hamilton, *FTX's Bankman-Fried Pitches CFTC on Directly Clearing Customers' Crypto Swaps*, CoinDesk (May 25, 2022), <https://www.coindesk.com/policy/2022/05/25/ftxs-bankman-fried-pitches-cftc-on-directly-clearing-customers-crypto-swaps>.

FTX but could simply make the trade and clear it directly on FTX’s platform.”⁶ FTX, as a DCO, “would then be directly exposed to the credit risk of traders in Bitcoin futures.”⁷

At a roundtable to discuss direct clearing, Bankman-Fried excoriated critics of his proposal. He accused those critics of “‘condescendingly’ talking about protecting users who he maintained know much more than many of the experts the CFTC invited.”⁸

“There is some irony in some of the statements made by people attempting to protect those who know massively more than they do about the topic and who understand these products extremely well,” Bankman-Fried said late in the day.⁹

Of course, as it turned out, the people who used FTX’s products did in fact need protecting.

Now, as the request for comment states, DCOs that offer direct clearing “have become more numerous, and more active, in recent years in large part due to the growing interest in, and availability of, prediction and other event-type markets.” Much like crypto, prediction markets are touted as an “innovation” in the financial markets.¹⁰ Yet prediction markets are nothing more than casinos,¹¹ and the same concerns that were raised with respect to FTX’s proposal to directly clear its customers’ Bitcoin futures trades exist with respect to prediction markets.

In our comment letter on FTX’s direct clearing proposal, we said that our foremost concern was that the proposal “will facilitate and greatly increase retail trader speculation in the extraordinarily risky cryptocurrency futures markets, and that it will be based more on enticing, if not predatory, digital engagement practices and slick marketing than informed financial decision making.”¹² Prediction markets already use gamified platforms that blur the line

⁶ Better Markets, *FTX Application to CFTC For Direct Trading and Clearing* (May 24, 2022), <https://bettermarkets.org/analysis/ftx-application-to-cftc-for-direct-trading-and-clearing/>.

⁷ *Id.*

⁸ Hamilton, *supra* note 5.

⁹ *Id.*

¹⁰ Nicola M. White, *CFTC to Craft New Prediction Market Rules, Chairman Says*, Bloomberg (Jan. 29, 2026), <https://www.bloomberg.com/news/articles/2026-01-29/cftc-to-craft-new-rules-for-prediction-markets-chairman-says>.

¹¹ Benjamin Schiffrin, *Predictably, “Prediction Markets” Are Just Casinos*, Better Markets (Jan. 26, 2026), <https://bettermarkets.org/analysis/predictably-prediction-markets-are-just-casinos/>.

¹² Better Markets, Comment Letter re: Request for Comment on FTX Request for Amended DCO Order (May 11, 2022), https://bettermarkets.org/BetterMarkets_Request_for_Comment_FTX_Request_for_Amended_DCO_Regis_tration_Order.pdf.

between investing and gambling and pose tremendous risk for investors.¹³ Direct clearing without sufficient regulatory safeguards will only exacerbate the risks prediction markets pose.

Conclusion

We hope these comments are helpful as the Commission considers this matter.

Sincerely,

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¹³ Benjamin Schiffrin, *Five Years After GameStop, Crypto, Prediction Markets, and 24/7 Trading Make Meme Stocks The Least of Retail Investors' Troubles*, Better Markets (Jan. 27, 2026), <https://bettermarkets.org/analysis/five-years-after-gamestop-crypto-prediction-markets-and-24-7-trading-make-meme-stocks-the-least-of-retail-investors-troubles/>.