Hyperliquid Policy Center

trade[XYZ]

August 26, 2026

VIA ELECTRONIC SUBMISSION

Mr. Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Request for Comment on the Extension of Standard Futures Contracts to 24/7 Trading and on Perpetual Contracts Referencing Physically Delivered or Storable Energy Commodities (RIN 3038-AF75)

Dear Mr. Kirkpatrick:

Hyperliquid Policy Center ("HPC") and XYZ Ltd. ("trade[XYZ]") appreciate the opportunity to comment on the Commodity Futures Trading Commission's ("CFTC" or the "Commission") Request for Comment on the Extension of Standard Futures Contracts to 24/7 Trading and on Perpetual Contracts Referencing Physically Delivered or Storable Energy Commodities (the "RFC").[1]

HPC is an independent research and advocacy organization dedicated to advancing a clear, regulated path for Americans to access onchain markets, including markets for perpetual contracts on Hyperliquid.[2] Hyperliquid is a general-purpose layer-one blockchain that supports onchain financial activity, including the trading of derivatives such as perpetual contracts.[3]

trade[XYZ] is a private limited company and developer of the XYZ Protocol, the first third-party deployment of perpetual contract markets referencing traditional asset classes, including equities, equity indices, commodities, and foreign exchange, on the Hyperliquid blockchain. trade[XYZ] deployed the XYZ Protocol in October 2025 under Hyperliquid Improvement Proposal 3 ("HIP-3"), which enables builders to deploy perpetual contract markets on Hyperliquid's onchain infrastructure. Since launch, trade[XYZ] has deployed more than 80 trade[XYZ] markets, including markets directly relevant to this RFC, such as those referencing

1 Request for Comment on the Extension of Standard Futures Contracts to 24/7 Trading and on Perpetual Contracts Referencing Physically Delivered or Storable Energy Commodities, 91 Fed. Reg. 38,334, 38,334 (June 25, 2026) [hereinafter "RFC"].

2 *See* Hyperliquid Policy Ctr., *About*, https://hyperliquidpolicy.org/about (last visited Aug. 24, 2026).

3 The description of Hyperliquid in this submission is summary and high level in nature and is based on the current state of Hyperliquid. Additional information regarding Hyperliquid is available in the protocol's public documentation, available at: https://hyperliquid.gitbook.io/hyperliquid-docs.

crude oil (*e.g.*, West Texas Intermediate ("WTI") and North Sea Brent Crude Oil ("Brent")) and natural gas (*e.g.*, Henry Hub Natural Gas ("Henry Hub")).

trade[XYZ] submits this comment letter with HPC to share its operational experience as an active deployer of onchain perpetual contracts referencing traditional asset classes, including energy commodities, and to assist the Commission in evaluating the product structure, risk-management architecture, and market integrity features relevant to the RFC's questions.

The RFC raises questions that go to the core of modern derivatives market structure. This comment letter focuses on perpetual contracts, including their advantages, hedging utility, risk-management architecture, and the regulatory framework needed to accommodate them. It addresses 24/7 trading where it bears on the operation and value of perpetual instruments. HPC and trade[XYZ] believe the Commission's inquiry is well-timed: perpetual contracts already trade widely in foreign markets open to non-U.S. participants across a range of traditional asset classes, including energy commodities, and the question for the Commission is not whether these products will exist, but whether American commercial participants and markets will have regulated access to them.[4]

This letter is organized as follows:

- **Part I** provides an overview of perpetual contracts as a complement to dated futures, including how they work, their hedging and utility advantages, real-world energy use cases, and trade[XYZ]'s operational experience deploying commodity perpetuals.[5]

- **Part II** discusses how 24/7 trading enhances the value proposition of perpetual contracts, including through continuous price discovery and risk management, and through the onchain infrastructure that supports continuous surveillance and operational resilience.[6]

- **Part III** analyzes the legal and regulatory framework for perpetual energy contracts, including anti-manipulation safeguards and customer-protection disclosures.[7]

- **Part IV** presents HPC and trade[XYZ]'s conclusions and recommendations, including a principles-based regulatory approach supported by empirical data.

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4 *See* Michael S. Selig, Chairman, CFTC, *What American Crypto Asset Perpetuals Mean for the Future of Crypto*, CoinDesk Op-Ed (May 29, 2026), https://www.cftc.gov/PressRoom/SpeechesTestimony/seligstatement052926.

5 Part I relates principally to RFC Questions 32–37 and 60–62 by addressing use cases, contract structure, margining, and liquidation.

6 Part II discusses the 24/7 operational and market-structure issues raised in RFC Questions 1–31.

7 Part III addresses selected reference-price, convergence, manipulation, clearing, and customer-protection issues raised in RFC Questions 38–67, including RFC Questions 39, 41, 50–53, and 60–64.

I. Perpetual Contracts as a Risk Management Tool That Complements Dated Futures

A. How Perpetual Contracts Work

Perpetual contracts are derivatives that allow market participants to obtain or hedge price exposure to an underlying reference asset and are designed to maintain price parity with that asset's spot price. Like dated futures, perpetual contracts employ margining and can provide leverage. Participants post initial margin to open a position and must meet ongoing maintenance margin requirements to keep the position open and avoid liquidation.

Unlike a dated future, a perpetual contract has no expiration, no settlement date, no rollover obligation, and no physical delivery. Positions may be held indefinitely so long as sufficient margin is maintained. In the absence of expiry, perpetual contracts are priced at frequent intervals by a periodic funding rate mechanism designed to keep the contract price aligned with and consistently converging to a specified spot reference price. Funding is a periodic payment between long and short positions that adjusts the economic incentives for holding a position.[8] When the perpetual contract trades above the reference price, funding flows from longs to shorts; when it trades below the reference price, funding flows from shorts to longs. The funding rate is determined pursuant to a published formula for each market and applied periodically to open positions, rather than separately negotiated between individual counterparties.

In the perpetual contract markets described in this letter, funding is not a fee: no venue, deployer, or intermediary collects any portion of it. It is distinct from variation margin, which reflects changes in the value of the position itself. Funding payments transfer cash between market participants, but do not reallocate the underlying price risk represented by their positions: longs remain exposed to losses if the reference asset falls, shorts remain exposed to losses if it rises, and both remain subject to margin and liquidation risk.

B. Hyperliquid and trade[XYZ]'s Perpetual Contract Markets

Hyperliquid is a general-purpose layer-one blockchain that supports financial applications. All core exchange and clearing functions, including trade execution, order matching, margin calculation, liquidation, funding payments, and settlement, are executed onchain through its core execution engine and native state-transition logic, HyperCore. Hyperliquid's consensus mechanism, HyperBFT, finalizes blocks in sub-second time, so that a trade executes and settles in a single state transition against pre-funded collateral, with no settlement window that accumulates counterparty risk and no reconciliation between separate trading and settlement record systems. Accordingly, every order, fill, cancellation, settlement, margin adjustment, and programmatic liquidation is verifiable and recorded directly on the blockchain, with no off-chain matching, reconciliation, or intermediation. All positions are pre-funded, and portfolio margining can unify a user's spot and perpetual positions for greater capital efficiency.

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[8] trade[XYZ], *Funding*, https://docs.trade.xyz/perp-mechanics/funding.

trade[XYZ] perpetual contracts follow the structure described in Part I.A above and are cash-settled in USDC, a U.S.-dollar denominated stablecoin, with price convergence maintained through an hourly funding rate capped at ±4 percent per hour. Funding payments flow directly between longs and shorts through the protocol; neither the deployer nor the protocol collects any portion. The division of functions follows the HIP-3 architecture. trade[XYZ], as deployer of the XYZ Protocol, defines market specifications upon market deployment, including the referenced asset, reference price sources, maximum leverage, and open interest caps; all deployer actions are recorded onchain and independently auditable. All matching, execution, clearing and settlement, margining, liquidation, and funding logic is inherited from HyperCore, and the deployer cannot unilaterally modify those functions.

trade[XYZ] markets operate 24/7 through a two-mode reference price system. During underlying market hours, the reference price is derived from external pricing drawn from institutional liquidity providers and real-time data sources. Pricing shifts to an algorithmic internal pricing mechanism derived in part from actual order book activity when external pricing is unavailable, such as during off-hours or weekends.[9] Reference price updates are clamped to a fixed maximum per tick, and XYZ Protocol-enforced discovery bounds limit how far prices may move from the last externally derived reference price. The mark price used for margining, liquidation, order triggers, and unrealized profit and loss is computed as the median of three components, one of which HyperCore derives independently from the live order book, so no single input, including the deployer's own reference price feed, can unilaterally determine it.[10]

trade[XYZ]'s operational record demonstrates this architecture functioning at scale. Since deployment in October 2025, trade[XYZ] markets have accumulated more than $500 billion in cumulative trading volume and sustain approximately $4 billion in open interest, with more than 440 million individual fills across over 80 listed markets. trade[XYZ] is the first and largest third-party deployer of perpetual contract markets on Hyperliquid: as of July 2026, trade[XYZ] markets represent more than 30 percent of open interest and nearly half of monthly perpetual contract volume across the entire Hyperliquid network. To trade[XYZ]'s knowledge, trade[XYZ] markets are the world's largest 24/7 onchain perpetual contract markets referencing traditional assets. This growth has been accompanied by market-structure innovations designed for continuous trading of traditional assets, including the two-mode reference price system and discovery-bounds safeguards described above.

These innovative products, however, remain unavailable to Americans. No trade[XYZ] market is offered to U.S. persons, and the trade.xyz interface applies geoblocking, wallet screening, and related access controls for U.S. users and other restricted jurisdictions.

C. Perpetual Contract Markets Complement Dated Futures Markets and Expand Product Choice

Dated futures serve an important risk management function in physical commodity markets, such as energy, because they support delivery-month price discovery, term-structure

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[9] trade[XYZ], *Overview*, https://docs.trade.xyz/perp-mechanics/overview; trade[XYZ], *External Price*, https://docs.trade.xyz/perp-mechanics/external-price; trade[XYZ], *Oracle Price*, https://docs.trade.xyz/perp-mechanics/oracle-price.

[10] trade[XYZ], *Mark Price*, https://docs.trade.xyz/perp-mechanics/mark-price.

formation, commercial hedging against specific maturities, physical settlement, and position-limit administration. Perpetual contracts serve a different function: they provide a single, non-expiring instrument for participants seeking continuous exposure rather than exposure tied to a specific delivery month.

A perpetual contract is not designed to replace the tools a commercial hedger uses to manage exposure at a specific maturity, and it does not support the calendar-spread and term-structure strategies that are central to many dated futures markets; those functions remain the province of the dated futures contract. A perpetual contract adds a way to hold or adjust continuous exposure without selecting and rolling among maturities, and to do so during hours when the dated market is closed. That the two instruments serve different needs is a reason they can coexist, not a reason to treat the perpetual contract as a marginal substitute for the incumbent.

A perpetual contract's design differences yield concrete, differentiated advantages for many market participants, including:

Liquidity concentration. Because perpetual contracts do not expire, trading interest concentrates in a single instrument rather than fragmenting across contract months. In dated futures markets, liquidity clusters in the front month of short-dated contracts, while longer-dated contracts exhibit wider spreads and thinner books. A perpetual contract aggregates interest that would otherwise be dispersed across a maturity ladder into one order book, supporting deeper liquidity and tighter spreads.

Elimination of roll friction. Users of dated futures must periodically exit and re-establish positions in contracts with later maturities to maintain exposure, requiring a series of costly transactions. These transactions occur inside a fixed window that imposes venue fees on both legs, operational overhead, and timing risk. Rolling also forces large participants to telegraph their intentions, risking adverse price movement during the roll window. The timing risk alone is substantial: during the April 2026 WTI roll window, identical roll transactions executed four days apart differed in cost by more than $835,000 on $10 million notional.[11] A perpetual contract eliminates the roll event entirely, allowing participants to maintain continuous exposure without this periodic operational and economic burden.

[11] *See* Hyperliquid Policy Ctr., *Perpetual Futures as Complements to Dated Futures* (Aug. 21, 2026), https://hyperliquidpolicy.org/blog/perpetual-futures-as-complements-to-dated-futures (worked example using hourly quotes for the expiring and next-month Chicago Mercantile Exchange ("CME") WTI contracts during the April 2026 roll window, finding that executing a roll on Monday, April 13 at 2:00 UTC would have cost roughly $950,000, while an identical transaction completed on Friday, April 17 at 20:00 UTC would have cost roughly $110,000) [hereinafter "HPC Study"].

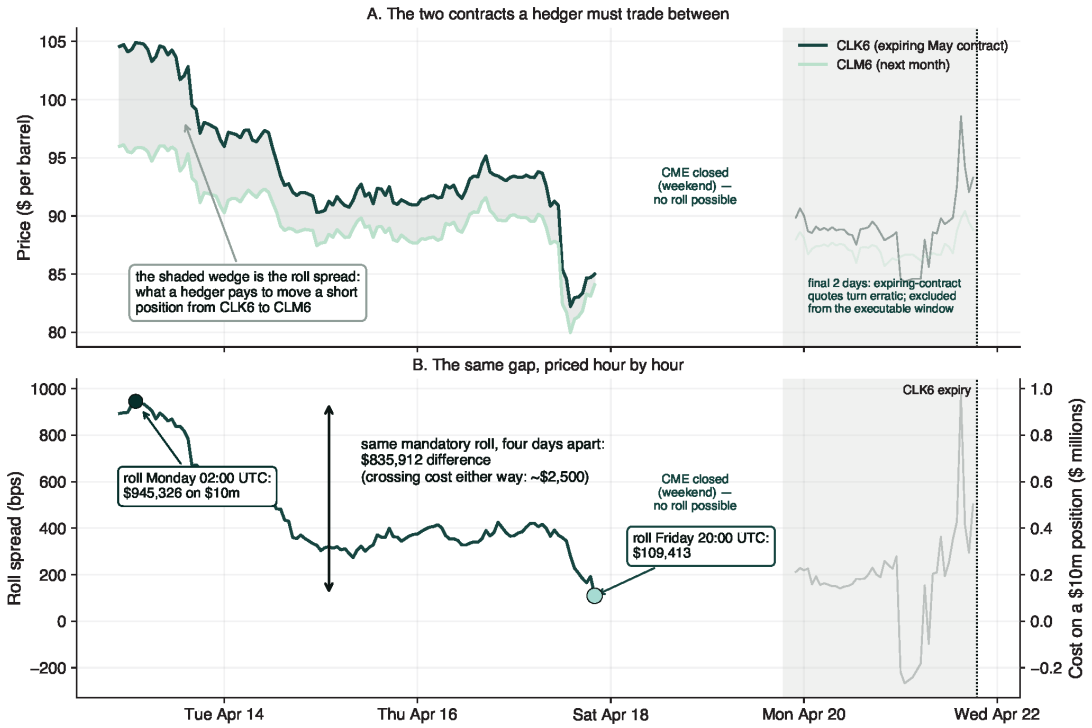


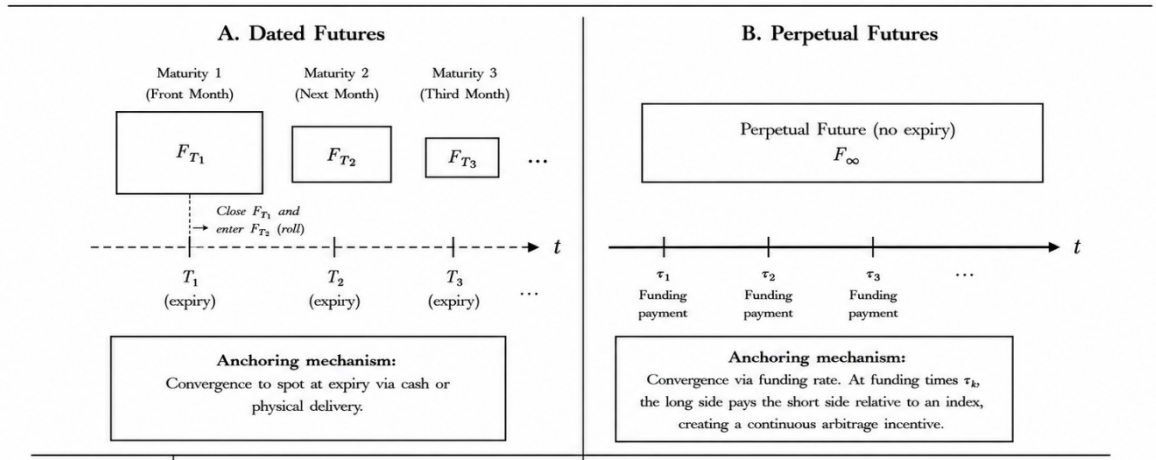
Figure 1. *Roll-timing worked example, April 2026. Using the April 2026 WTI roll, identical roll transactions executed four days apart differed in cost by more than $835,000 on $10 million notional, a timing exposure a perpetual contract position never incurs.*

Open-ended exposure without maturity selection. For a participant whose exposure is continuous or does not correspond to a single delivery month, a perpetual contract permits the participant to maintain or adjust a single position without repeatedly selecting among contract maturities.

Access at smaller scale. Standard contract units can price smaller hedgers out of dated futures markets. The benchmark WTI contract trades in 1,000-barrel units, roughly $70,000 notional at recent prices, so a hedger with exposure below or between contract multiples must over-hedge, under-hedge, or forgo hedging. Perpetual contracts have much smaller minimum contract sizes (typically, one unit of the reference commodity) and trade on a single order book, permitting positions sized to actual exposure. Trading records from the trade[XYZ] crude oil ("xyz:CL") market bear this out: median trade sizes during benchmark off-hours run near $1,300, roughly two orders of magnitude below the median CME WTI trade. That difference indicates that a layer of participants is transacting at scales existing dated futures contracts are not designed to accommodate. Activity at that scale is better understood as new demand for risk transfer than as volume diverted from the benchmark; participants transacting near this size are generally not the large commercial and financial firms that account for the bulk of benchmark trading.[12]

[12] *See* Ryan Weeks, Spe Chen & Muyao Shen, *The $500 Billion Experiment to Build 24/7 Markets on Blockchain*, Bloomberg (Aug. 24, 2026), https://www.bloomberg.com/news/articles/2026-08-24/the-500-billion-experiment-to-build-24-7-markets-on-blockchain (observing that trade[XYZ]'s markets "draw on a different pool of participants and liquidity from the traditional crude futures markets they are being compared

This accessibility is more likely to draw new participation into risk transfer, with associated benefits to price discovery, rather than to redistribute existing flow.



Anchoring mechanism	Convergence to spot at expiry via cash or physical delivery.	Convergence via funding rate. At funding times τ_k, the long side pays the short side (or vice versa) relative to an index, creating a continuous arbitrage incentive.
Time exposure	Finite. Exposure ends at expiry; maintaining a position requires rolling into a new maturity.	Infinite (no expiry). Position can be maintained without roll-related interruption.
Liquidity structure	Fragmented across contracts with a maturity ladder. Liquidity is typically highest in the front month and declines with maturity.	Concentrated in a single contract (no maturity ladder), creating deeper, more continuous liquidity.
Contract granularity	Minimum contract size imposed by the exchange.	No minimum contract size.

Notes: F_{T_i} *denotes the price of a dated futures contract expiring at time* T_i. F_∞ *denotes the price of the perpetual futures contract.* τ_k *denotes funding times at fixed intervals (e.g., every 8 hours).*

Figure 2. *Dated futures and perpetual futures compared. Both anchor the derivative price to the underlying (dated futures through convergence to spot at expiry, perpetual futures through a periodic funding rate that creates a continuous arbitrage incentive), but they differ in time exposure, liquidity structure, and contract granularity.*

These are complementary advantages, and early empirical evidence supports this view. Following the launch of the trade[XYZ] crude oil perpetual contract, CME WTI reopening quality showed no statistically significant deterioration across opening gaps, first-30-minute volatility, spreads, or stabilization times, and busier perpetual contract trading weekends did not predict wider reopening spreads or slower stabilization.[13] The Commission need not choose between dated futures and perpetual contracts; the relevant question is whether a regulatory framework can accommodate both, preserving the strengths of each.

D. Commercial Hedging Use Case: Airline Fuel Exposure

The airline industry illustrates both the utility and the limitations of a continuously available perpetual energy contract. Airlines sell tickets months in advance at fixed prices while purchasing fuel over time at prevailing prices, creating an ongoing mismatch between revenues and a material operating expense. The International Air Transport Association ("IATA")

with" and that "[p]rofessional oil traders said they watch them as a sentiment proxy, not necessarily as forecasts of where Brent or West Texas Intermediate will reopen.").

[13] HPC Study, *supra* note 11, § 4.2.

projected that jet fuel would account for 31.4 percent of airline operating expenses in 2026.[14] IATA also reported that airlines globally have hedged roughly one-third of expected 2026 fuel consumption and that many hedge crude-oil prices rather than jet-fuel prices, leaving residual exposure to changes in the crack spread.[15]

A WTI-linked perpetual contract would not eliminate the basis risk between crude oil and jet fuel. It could, however, provide a supplemental means of adjusting crude-oil exposure between scheduled hedge transactions or during periods when the relevant dated-futures market is closed. The potential costs are easiest to see over a weekend market closure. During the weekend of March 6, 2026, when the WTI benchmark reopened 15.8 percent above its Friday close, a simulated perpetual contract hedge would have reduced the reopening loss on a $10 million crude oil position from $1.58 million to roughly $62,000 net of funding and transaction costs.[16] The perpetual contract would complement, not replace, maturity-specific hedges, refined-product contracts, or other instruments designed to track the airline's actual fuel costs.

Actual weekend use of oil-linked perpetuals during the Iran conflict is discussed in Part II.A below.

E. Responding to Concerns About Perpetual Contracts

The RFC poses a series of questions about how perpetual contracts referencing energy commodities would perform in practice, including whether they converge reliably to the reference price, how they behave under stress, and what their trading means for the benchmarks they reference. Other interested parties have framed these questions as concerns, arguing against the expansion of U.S.-regulated perpetual contracts to other asset types. HPC and trade[XYZ] believe that the record to date is instructive, and address each question in turn:

1. Price Discovery and Convergence

One longstanding concern reflected in the RFC is whether convergence with an underlying commodity price can be achieved and maintained given a perpetual contract's lack of a terminal settlement event or physical delivery. This concern assumes that convergence requires a terminal event. It does not. Dated futures converge through the approach of a terminal delivery date: as expiration nears, arbitrage between the futures price and the deliverable commodity forces the prices together. A perpetual contract achieves convergence through its funding rate, which imposes a periodic cost on whichever side pushes the contract price away from the reference. That cost gives traders a continuous incentive to trade against the deviation, pulling the contract back towards the reference. The result is continuous, rather than terminal,

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[14] Int'l Air Transp. Ass'n, *Middle East Disruptions and High Fuel Prices Halve Airline Industry Profitability* (June 7, 2026), https://www.iata.org/en/pressroom/2026-releases/06-07-middle-east-disruptions-high-fuel-prices-halve-airline-industry-profitability/.

[15] *Id.*

[16] HPC Study, *supra* note 11, § 4.1.3 (simulating a short perpetual position against a long $10 million crude oil exposure across the CME WTI March 6, 2026 weekend closure).

convergence, enforced at every funding interval, and it has demonstrated empirical effectiveness at scale.[17]

The funding mechanism does more than create a theoretical incentive. In practice, the available data indicates that it anchors the perpetual contract price to the CME benchmark even while the benchmark is closed. Across sampled weekend closures in the xyz:CL market, larger funding-rate premiums were consistently followed by smaller ones; the direction of the final off-hours premium matched the direction of the subsequent benchmark reopening move in nearly 75 percent of weekends and in nearly every weekend on which the premium was large; and the premium consistently reverted toward the benchmark reference price rather than drifting away from it. That is the signature of an anchoring or discovery mechanism, not of untethered divergence.[18]

trade[XYZ]'s operational data demonstrates this anchoring behavior:

Figure 3. *Illustrative example comparing the basis during the three weekends prior to the first Iran strikes (February 7-8, 14-15 and 21-22) and the basis during the conflict (February 28 - March 1 and March 7-8, 14-15, 21-22 and 28-29). The data shows that xyz:CL generally remained centered around its oracle during both pre-conflict and conflict-period weekends. There were, though, larger and temporary divergences during the weekends of the conflict period in March.*

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[17] The funding rate convergence mechanism is documented in the academic literature. *See, e.g.*, Guillermo Angeris et al., *A Primer on Perpetuals*, SIAM J. Fin. Math. (2023) (deriving funding-rate conditions under which a perpetual contract tracks its reference price), https://arxiv.org/abs/2209.03307; Damien Ackerer, Julien Hugonnier & Urban Jermann, *Perpetual Futures Pricing*, Mathematical Finance (2026), https://onlinelibrary.wiley.com/doi/full/10.1111/mafi.70018. For additional discussion of the funding rate as a convergence mechanism, *see* Hyperliquid Policy Ctr., *Comment on Joint Request for Comment on Further Definition of "Swap" and "Security-Based Swap" and on Alternative Compliance* pt. II.B (Aug. 24, 2026), https://hyperliquidpolicy.org/productdefinitions/2026-08-24_hpc_product_definitions_comment.pdf.

[18] HPC Study, *supra* note 11, § 4.3.1 (analyzing weekend funding-rate behavior in the crude oil market and finding that premiums reverted toward the reference price and anticipated the direction of benchmark reopening moves).

Weekend prices in the xyz:CL market have also closely anticipated where the benchmark WTI contract reopened. The xyz:CL market has traded alongside the CME benchmark market since January 2026. Through 19 sampled weekend closures of the CME benchmark, the price movement in the xyz:CL market during the closure closely matched the movement in the benchmark from its Friday close to its Sunday reopening. In nearly 75 percent of weekends, the xyz:CL perpetual contract's weekend price was closer to the benchmark's actual reopening price than the benchmark's Friday close price.[19] The longer record in bitcoin perpetual contract markets shows the same relationship. Bitcoin perpetuals have traded alongside CME bitcoin futures since 2017, and across 205 weekend closures, weekend returns in the major offshore perpetual contract markets matched the CME reopening return nearly one for one.[20]

A perpetual contract that trades alongside a benchmark also raises the question whether the perpetual contract degrades that benchmark. Two analyses of CME benchmark data find no such effect. The first compares each CME WTI reopening after the xyz:CL launch against the reopening quality that WTI's pre-launch history would predict for a weekend move of the same size. Post-launch reopenings met or exceeded that standard, with reopening spreads modestly narrower than predicted and prices stabilizing faster. The same held true on the two largest weekend moves of the Iran conflict period. The second analysis compares WTI over the same months against corn and wheat, two CME markets with no actively traded perpetual contract counterpart, and finds no statistically significant measure of reopening quality on which WTI fared worse.[21] The oil and grain benchmarks also tracked one another closely before the launch, so the comparison is not being driven by a pre-existing divergence, and busier perpetual contract trading weekends did not predict wider reopening spreads or slower stabilization. Taken together, these analyses provide affirmative evidence against the concern that a perpetual contract trading alongside the benchmark degrades it.

Dated futures markets face convergence stresses of their own. Convergence is an objective of contract design, not an automatic result, and the April 2020 WTI episode illustrates the point.[22] The negative settlement that month arose at the physical-delivery point, as an expiring contract approached delivery into constrained storage at Cushing, Oklahoma. A well-designed, cash-settled perpetual contract avoids these expiration-specific frictions. Because holders can never demand delivery, the contract cannot become a source of pressure on

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[19] *Id.* § 4.1.2 (comparing weekend prices in the crude oil perpetual contract market against subsequent benchmark reopening prices and finding the weekend price was the more accurate forecast of the reopening in most sampled weekends).

[20] *Id.* § 4.1.1 (finding that weekend returns in offshore bitcoin perpetual contract markets closely matched CME bitcoin futures reopening returns across more than 200 weekend closures).

[21] *Id.* § 4.2 (examining CME WTI reopening quality following the crude oil perpetual contract launch against the benchmark's own pre-launch history and against grain markets with no perpetual contract counterpart, and finding no statistically significant deterioration).

[22] The April 20, 2020 negative settlement in the expiring May WTI contract arose from constrained storage at the Cushing, Oklahoma delivery point as the contract approached physical delivery, and was resolved through expiration and delivery while later-dated contracts continued to trade at positive prices. *See* CFTC Div. of Mkt. Oversight & Off. of the Chief Economist, *Interim Staff Report: Trading in NYMEX WTI Crude Oil Futures Contract Leading up to, on, and around April 20, 2020* (Nov. 23, 2020), https://www.cftc.gov/media/5296/InterimStaffReportNYMEX_WTICrudeOil/download.

deliverable supply at any delivery point, and it cannot create the delivery-point congestion that produced the April 2020 WTI event. The absence of expiration also removes roll risk; a trader who wants to keep a position open never has to exit an expiring contract and re-enter a later one, a forced transaction that carries timing risk and exposure to whatever market conditions prevail during the roll window.

2. Retail Participation and Consumer Protection; Suitability

A concern is that perpetual contracts, particularly those offering leverage, may disproportionately attract retail participants who lack the sophistication to understand the risks, including the funding costs and possibility of automated close-out, meaning that perpetuals may be a tool for sophisticated participants to extract value from unsophisticated ones.

A pre-funded market structure caps a participant's maximum loss at the collateral posted. A participant cannot lose more than that collateral, and no participant ends a losing trade owing debt to an intermediary. A combination of product design, disclosure, and educational resources may also narrow the gap between sophisticated and less experienced participants, including:

- **Leverage limits calibrated by asset class**, established at the product level and applied uniformly across market participants.

- **Automatic close-out of positions** when account equity falls below maintenance margin, under transparent rules before losses can exceed posted collateral.

- **Discovery bounds for off-hours periods**, which limit how far a contract's mark price can move from the reference price recorded at the underlying market's close.

- **Market integrity safeguards**, including pre-announced oracle and settlement rules with disclosed changes, disclosure of deployer discretion, complete audit trails, and controls on manipulation, conflicts, and trading by deployers and affiliates while aware of material nonpublic information.

- **Customer education programs and educational tools** that explain funding mechanics, leverage, and liquidation features of perpetual contracts so that participants may better understand and use them.

Onchain market structure also provides inherent protections for market participants. Margin requirements, liquidation triggers, and funding calculations are enforced programmatically and on identical terms for every account, so there are no privileged users, and the market satisfies the spirit of the impartial access requirement applicable to DCMs by default. Collateral is checked in real time on every trade, so no participant can take on exposure beyond what its posted collateral covers, and no participant ends a losing trade owing additional sums. Every order, fill, and liquidation is recorded on a public ledger, so any participant can verify that the rules were applied to its account exactly as disclosed. These structural properties, combined with the design, disclosure, and educational measures described above, advance the consumer protection and market integrity objectives that the CEA and the Commission's rules exist to secure.

F. Risk Management: The Onchain Margin and Close-Out Architecture

Perpetual contracts require robust margining and default-management mechanisms, particularly in a 24/7 environment where there is a need for continuous operational coverage. Hyperliquid's architecture illustrates that these functions can be performed continuously, automatically, and transparently.

Continuous, pre-funded margining. Participants on Hyperliquid pre-fund collateral in U.S. dollar-denominated stablecoins before any position can be opened. No intermediary is exposed to daylight overdrafts or overnight credit calls. Margin levels are continuously reassessed on every trade and every reference price update so that undercollateralized positions are addressed in real time rather than at the next scheduled margin call.

This contrasts with the traditional clearing model, which generally relies on business-day settlement cycles supplemented by intraday settlement authority.[23] Although initial margin and other financial resources are designed to cover exposure arising between settlements, significant market movements can create additional variation margin and liquidity needs before the next settlement cycle. In a 24/7 market, that timing mismatch is especially consequential during weekends and holidays, when prices may continue to move even though traditional payment systems used to transfer margin and settlement funds may be unavailable.

This design speaks directly to the concern that continuous trading can create risk over a weekend faster than collateral can be moved to cover it. Because positions are pre-funded and margin is reassessed continuously, there is no margin call that must wait for a financial institution to open, and no interval during which an intermediary carries uncollateralized exposure.

Programmatic market liquidation, backstop liquidation, and auto-deleveraging. These mechanisms serve distinct functions within the risk-management waterfall, and illustrate new ways of implementing traditional risk management concepts.

The first stage of liquidation within the Hyperliquid risk waterfall is programmatic market liquidation. On all Hyperliquid markets, including trade[XYZ] markets, when an account's value falls below its maintenance margin requirement, the protocol first attempts to close the under-margined participant's own positions by automatically submitting market orders to the order book. If the orders are filled in full or in part and the account satisfies the margin requirements, the participant retains remaining collateral.[24]

Backstop liquidation is a second, separate, intermediate default-management step and is currently applicable in trade[XYZ]'s markets for cross-margin enabled assets. In these instances, if market liquidation is insufficient and account value falls below two-thirds of the applicable maintenance margin, the position may be subject to backstop liquidation. In that event, the position is automatically taken over by a backstop liquidator, which assumes the risk of managing or closing it.[25] By absorbing eligible distressed positions before they generate additional losses,

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[23] *See* 17 C.F.R. §§ 39.13(g), 39.14(b).

[24] trade[XYZ], *Liquidation Mechanics*, https://docs.trade.xyz/risk-and-margining/liquidation-mechanics.

[25] trade[XYZ], *Liquidation Mechanics*, https://docs.trade.xyz/risk-and-margining/liquidation-mechanics; trade[XYZ], *Auto-Deleveraging*, https://docs.trade.xyz/risk-and-margining/auto-deleveraging.

the backstop is intended to reduce bad debt and decrease the likelihood that the market will need to resort to auto-deleveraging ("ADL").

In the rare event that a close-out does not fully resolve the shortfall or for positions in markets that do not support cross margin, ADL reduces offsetting profitable positions as a backstop loss-allocation mechanism. ADL is the last residual solvency mechanism used in international perpetual contract markets. It is akin to a traditional clearinghouse's "partial tear-up" of contracts: a last resort mechanism in which profitable positions are reduced or terminated to eliminate the exposure left by a defaulting participant. ADL, like a partial tear-up, occurs only in extreme market events, when market liquidation and, where applicable, backstop liquidation have not eliminated the exposure of an undercollateralized account.[26] In trade[XYZ]'s markets, the system is set to deleverage the most profitable and leveraged positions first, where positions are closed at the previous mark price against the insolvent side of the market.[27]

The existence of a residual loss-allocation mechanism is not unique to perpetual contract markets; any derivatives clearing architecture must provide a means of restoring a balanced book when ordinary liquidation and other available default-management resources prove insufficient. Where traditional discretionary or mutualized backstops are unavailable or impracticable, ADL provides that final solvency safeguard through a pre-specified, non-discretionary allocation rule, serving a function analogous to the mandatory recovery tools contemplated for traditional clearinghouses when market-based measures fail.

Taken together, these stages are built to contain stress rather than amplify it. The backstop liquidator absorbs a distressed position before its full size must be worked through the order book, lowering the chance that one close-out pushes the price down and triggers further close-outs. ADL, when reached, closes positions at the previous mark price rather than at a stressed print. Discovery bounds add a further check during off-hours by capping how far the mark price can move in thin periods and by preventing liquidation where a position's liquidation price falls outside the active bounds.

In practice, automated liquidation to the order book has resolved 97.9 percent of the approximately $4.04 billion in notional value liquidated across trade[XYZ] markets. The two tail mechanisms, backstop liquidation and ADL, together account for the remaining 2.1 percent of liquidated notional. That distribution reflects a well-functioning risk waterfall. As with end-of-waterfall tools in traditional clearing infrastructure, the tail mechanisms exist to backstop extreme scenarios and are rarely invoked.

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[26] Comm. on Payments & Mkt. Infrastructures & Bd. of the Int'l Org. of Sec. Comm'ns, *Recovery of Financial Market Infrastructures* § 4.5, at 24–27 (2014), https://www.bis.org/cpmi/publ/d121.pdf (Section 4.5 explains that, after a participant default, a central counterparty should first try to restore a matched book through voluntary sales, auctions, or buy-ins, but must maintain pre-agreed mandatory tools, such as forced allocation or contract tear-up, if those market-based measures fail); *see also* ISDA, *Partial Tear-Up: Comparison to Other Rebalancing Tools and How the Tool Could Evolve* (May 28, 2021), https://www.isda.org/a/vxDgE/Partial-Tear-Up.pdf (comparing matched-book restoration tools and concluding that partial tear-up is the fairest tool with the best incentive structure).

[27] trade[XYZ], *Liquidation Mechanics*, https://docs.trade.xyz/risk-and-margining/liquidation-mechanics; trade[XYZ], *Auto-Deleveraging*, https://docs.trade.xyz/risk-and-margining/auto-deleveraging.

These features are aimed precisely at the procyclical dynamic that concerns critics of automated liquidation in thin markets, the worry that forced selling into a shallow weekend book drives prices further from fundamental value and triggers a cascade of further liquidations. Staged liquidation that absorbs a distressed position before it reaches the order book, close-outs priced at the previous mark rather than a stressed print, and bounds that cap off-hours displacement are designed to interrupt that dynamic rather than feed it.

Provable solvency. All collateral and position data are recorded near-instantly and immutably on a public ledger, and any user, researcher, or regulator can independently confirm at any moment that total liabilities do not exceed total collateral. This provides continuous solvency assurance that traditional intermediaries can offer only through periodic audits.

II. 24/7 Trading and Its Relationship to Perpetual Contracts

Perpetual contracts and 24/7 trading are market structure innovations that, while not dependent on one another, show how markets increasingly operate globally. One of the benefits of perpetual contracts as a risk management tool is that they provide an open-ended trading environment, limiting some of the operational inefficiencies of dated futures. 24/7 trading extends those risk management efficiencies across the calendar.

A. Continuous Access Reduces Gap Risk for Perpetual Contract Users

Energy markets are exposed to geopolitical events, weather disruptions, infrastructure failures, shipping interruptions, production decisions, sanctions developments, and other material shocks that can and regularly do occur outside traditional trading hours. When markets are closed, participants with existing exposure (*e.g.,* commercial hedgers, fund managers, and individual traders) have no regulated venue through which to reduce risk, post additional collateral, close positions, or rebalance. The resulting price adjustment is compressed into the next market open, generating gap risk, exaggerated moves, wider spreads, and reduced execution quality.

The 2026 Iran conflict provides a compelling and recent illustration. On February 28, 2026, a Saturday, joint U.S.-Israeli strikes against Iran commenced. Oil markets were closed. By the time futures markets reopened on Sunday evening, Brent had already moved sharply higher as the conflict halted energy exports from the Middle East and disrupted Gulf shipping and production. By March 9, Brent touched nearly $120 per barrel, a 55 percent increase from pre-war levels and one of the largest monthly oil price surges in modern history.

The consequences for commercial airline participants were severe and immediate. Within weeks, jet fuel prices doubled. United Airlines cut roughly 5 percent of planned flights; airline shares fell between 4.6 percent and 6.6 percent in a single trading session.[28] The carriers

[28] *See* Clement Charpentreau, *Airlines Face a Fuel Hedging Reckoning as Iran Conflict Reshapes Flying Costs*, AeroTime (Apr. 3, 2026), https://www.aerotime.aero/articles/airline-fuel-hedging-iran-conflict-crisis; Nathan Risser, Nicholas Lua & Alex Longley, *Jet Fuel's War Surge Vindicates Airlines Who Stuck With Hedging*, Bloomberg (May 21, 2026, 10:52 AM EDT, corrected May 22, 2026, 2:33 PM EDT), https://www.bloomberg.com/news/articles/2026-05-21/jet-fuel-s-war-surge-vindicates-airlines-who-stuck-with-hedging.

that did hedge (*e.g.*, Ryanair at $77 per barrel, Lufthansa at pre-crisis rates) weathered the shock.[29] Those that did not were faced with price dislocation exposure, with no ability to adjust their positions during the critical weekend hours when information was arriving and prices were moving.

That reality is not a one-off feature of the Iran conflict. Whenever a critical mass of information arrives while markets are closed, the opening print does not reflect an orderly price-discovery process; rather, it reflects the simultaneous, compressed reaction of every market participant to events that unfolded over the closure. A continuous market would absorb that information incrementally, producing a smoother, more accurate price path and letting participants manage their exposure as events unfold rather than after the fact. The September 2019 attack on Saudi Arabia's Abqaiq and Khurais facilities likewise occurred on a Saturday. When markets reopened, Brent jumped as much as 19 percent intraday and WTI as much as 15 percent, among the largest single-day moves on record.[30]

Recent reporting also provides concrete examples of traders using continuously available oil-linked perpetual contracts during the Iran conflict. The *Wall Street Journal* reported that, while traditional energy investors waited for futures markets to reopen, overseas traders were trading WTI-linked perpetuals on Hyperliquid; on one Saturday evening, approximately twenty hours before mainstream derivatives markets reopened, trade[XYZ]'s WTI perpetual contract traded at approximately $96 per barrel, compared with the $90.90 Friday closing price for conventional oil futures.[31] A subsequent *Journal* report stated that trade[XYZ]'s WTI-linked contract traded at approximately $102 per barrel as of 6:20 p.m. ET on Saturday, March 14, while the traditional U.S. oil benchmark had closed Friday at $98.71 and was not scheduled to resume trading until 6:00 p.m. ET Sunday.[32] The *Financial Times* likewise reported that the Iran war prompted a surge of activity in trade[XYZ]'s oil-linked contracts as traders sought exposure to turbulent energy markets outside weekday trading hours and on weekends.[33] A *Bloomberg News* analysis of trade[XYZ] contract data during the conflict found that the contracts broadly tracked traditional oil prices during less volatile stretches and gave a live reading of market sentiment while conventional futures markets were closed.[34] Another *Journal* article described a hedge-fund commodities trader who, after learning on a Saturday that airstrikes against Iran had been

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29 *See* Clement Charpentreau, *Airlines Face a Fuel Hedging Reckoning as Iran Conflict Reshapes Flying Costs*, AeroTime (Apr. 3, 2026), https://www.aerotime.aero/articles/airline-fuel-hedging-iran-conflict-crisis.

30 *See* U.S. Energy Info. Admin., *Today in Energy: Oil Prices Rise Following Attacks on Saudi Arabian Oil Infrastructure* (Sept. 2019), https://www.eia.gov/todayinenergy/detail.php?id=41413.

31 Vicky Ge Huang, *The Hottest New Crypto Trade Is 24/7 Oil Futures*, Wall St. J. (Mar. 13, 2026), https://www.wsj.com/finance/commodities-futures/oil-futures-perpetual-contracts-d5496e5a.

32 Vicky Ge Huang, *24/7 Oil Futures Hold Steady Above $100*, Wall St. J. (Mar. 14, 2026, 6:35 p.m. ET), https://www.wsj.com/livecoverage/us-israel-iran-war-news-2026/card/24-7-oil-futures-hold-steady-above-100-mMeJKN5KlJ6iaI8FUhGv.

33 Nikou Asgari & Jill R. Shah, *US Agrees 'Perpetual' Futures Trading After Offshore Hyperliquid's Huge Growth*, Fin. Times (May 30, 2026), https://www.ft.com/content/7aeef922-6d26-4a65-97b1-751c36440bf0.

34 Weeks et al., *supra* note 12.

announced, used Hyperliquid to close most of an existing oil-derivatives position before the conventional crude-oil market reopened.[35]

trade[XYZ]'s own market data shows the same pattern.[36] Over the weekend of February 28, the first weekend of the conflict, trade[XYZ]'s WTI perpetual contract, xyz:CL, rose 4.6 percent while dated futures markets were closed, and the dated market reopened 2.0 percent above the perpetual contract's pre-reopen level. Measured from the Friday close to the post-reopen price, roughly two-thirds of that weekend's move in that market had already occurred onchain before dated futures resumed trading. This is especially noteworthy because discovery bounds limited further price discovery in the first weekend prior to a more dynamic implementation in subsequent weekends.

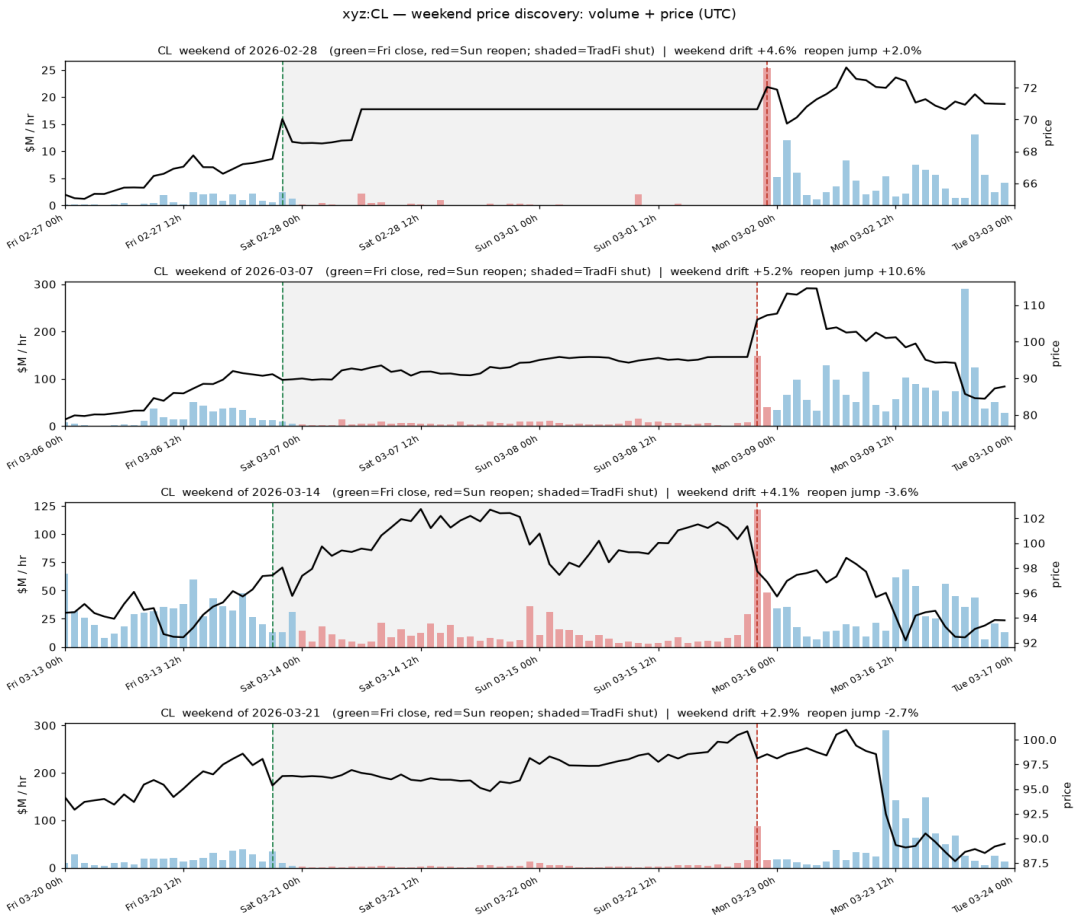

Figure 4. xyz:CL*, weekend price discovery, February 28–March 21, 2026. Each panel shows hourly volume and price across a CME closure, with the Friday close and Sunday reopen marked. Weekend moves are largely sustained through the reopen rather than reversed.*

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35 Vicky Ge Huang, *This Crypto-Trading Platform Is Emerging as Wall Street's Convenience Store*, Wall St. J. (June 2, 2026), https://www.wsj.com/finance/currencies/this-crypto-trading-platform-is-emerging-as-wall-streets-convenience-store-012e050c.

36 Internal trade[XYZ] market data, February–March 2026. Weekend price changes are measured from the Friday close of the underlying dated futures market to the trade[XYZ] price immediately before the Sunday reopen; reopen gaps are measured from immediately before to shortly after the dated market's Sunday reopen.

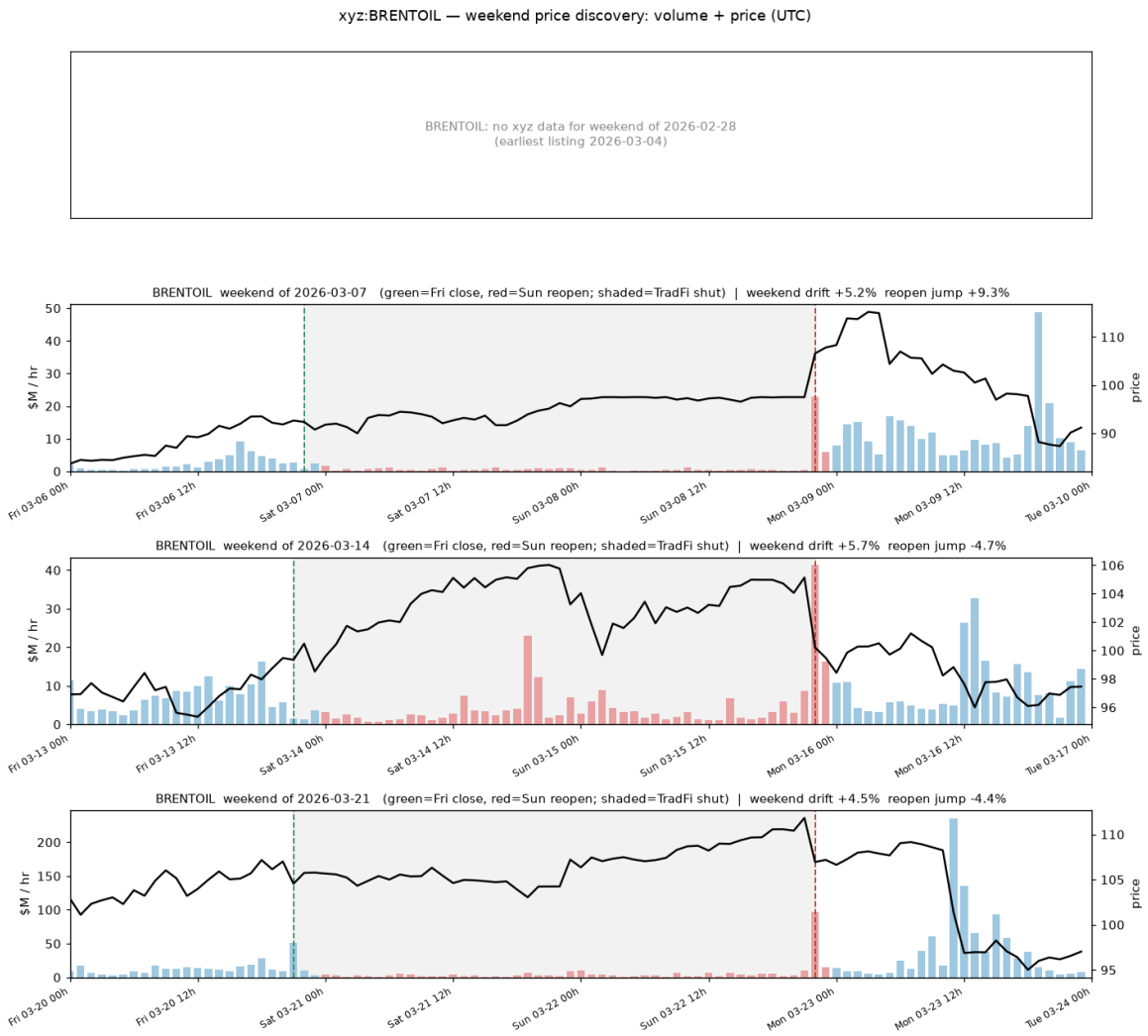

Figure 5. *XYZ Brent perpetual contract, weekend price discovery. The Brent market (listed March 4, 2026) shows the same pattern across the March weekend closures: prices discovered while the benchmark was closed were largely confirmed at the reopen.*

Weekend activity deepened as the conflict continued. Hourly weekend volumes in xyz:CL grew from roughly $1–2 million in late February to peaks above $30 million by mid-March. These volumes should be measured against the right baseline. During weekend and overnight hours every dated energy market is closed, so the alternative to this activity is not a deeper venue but no venue at all. Off-hours volume is a fraction of peak weekday volume in every market, including long-established ones, and the more than tenfold growth of weekend volume within weeks shows the demand that a venue open in those hours can serve.

Across trade[XYZ] markets, weekend price changes carry information rather than noise. Weekend price moves do not predict a reversing gap at the reopen: a pooled regression of reopen gaps on weekend price changes across trade[XYZ] markets yields a slope of -0.08 with an R^2 of 0.007. Weekend moves in trade[XYZ] commodity and foreign exchange markets were also largely sustained through the reopen rather than given back. Prices discovered on trade[XYZ]

markets over the weekend largely anticipated where the underlying market reopened, and weekend moves did not systematically reverse.

This bears on a concern sometimes raised about off-exchange or off-hours venues: that they segment order flow and, by drawing off uninformed trading, leave the reference market less informative. The weekend flow documented here does not fit that description. It is information-rich, with its moves confirmed by the benchmark at the reopen rather than reversed, which is consistent with the long-standing finding that trading outside core hours, though lighter, tends to be more informative because it is concentrated among participants acting on new information.[37] Weekend perpetual contract trading is adding price discovery during hours when the benchmark produces none, not stripping informed flow away from it.

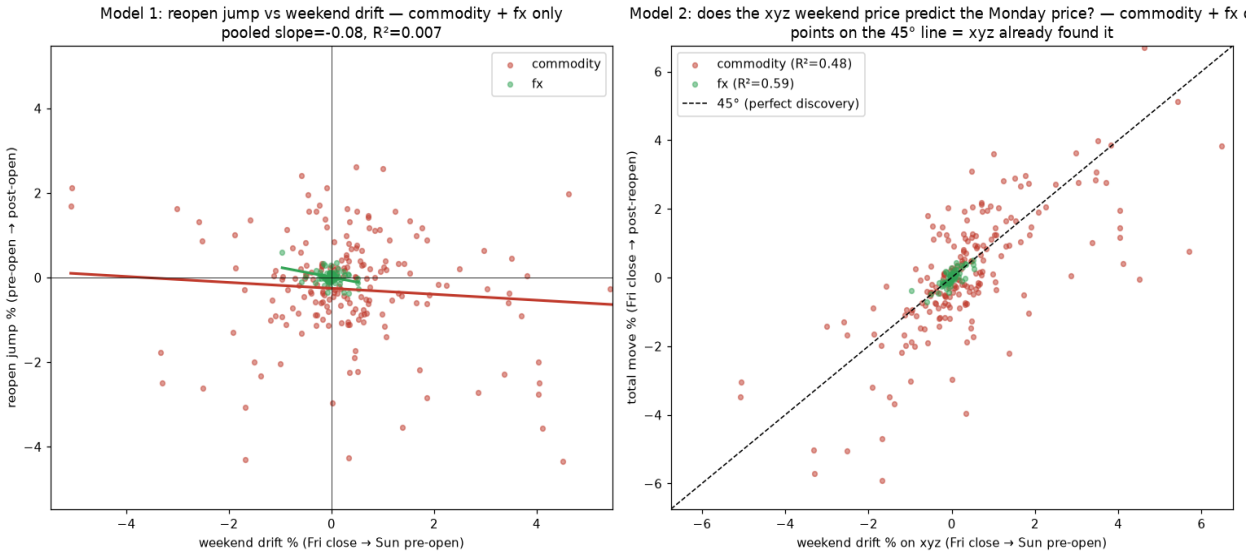

Figure 6. *Weekend price changes carry pricing information. Left: reopening jumps are essentially unrelated to the preceding weekend drift (pooled slope near zero), so weekend moves do not systematically reverse. Right: the total move from Friday close through the reopen tracks the weekend move on the perpetual contract, indicating that off-hours trading anticipates where the benchmark reopens. Commodity and foreign-exchange markets shown.*

B. Weekend Price Formation Does Not Create a Benchmark-Manipulation Channel

The Supplemental Release[38] asks whether a smaller, continuously traded contract that references, or is heavily correlated with, the same underlying crude oil market could create incentives for participants to build a position before the benchmark closes for the weekend, trade over the weekend in a manner that moves prices, and influence price formation when the benchmark reopens, potentially including contributing to negative prices.

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[37] *See* Michael J. Barclay & Terrence Hendershott, *Price Discovery and Trading After Hours*, 16 Rev. Fin. Stud. 1041 (2003).

[38] Request for Comment on the Extension of Standard Futures Contracts to 24/7 Trading and on Perpetual Contracts Referencing Physically Delivered or Storable Energy Commodities, 91 Fed. Reg. 47,158, 47,158 (July 28, 2026) (the "Supplemental Release").

First, as a mechanical matter, a perpetual contract referencing the benchmark does not feed the benchmark's settlement; the reference runs from the benchmark to the perpetual contract. Both instruments respond to the same underlying information, and what continuous trading changes is when that information is expressed, incrementally as events unfold rather than all at once in a single print when the market reopens. If weekend trading were pushing the perpetual contract away from fundamentals, the benchmark would gap back toward its prior level when it reopened. As discussed in Part II.A above, the data shows no such pattern: weekend price moves did not systematically reverse at the reopening, and the benchmark instead reopened near the levels trade[XYZ] markets had already reached.

Second, the same weekend trading that the Supplemental Release identifies as a risk also serves price formation. When information can be traded against as it arrives, the reopening price reflects a path that has already absorbed the weekend's news, rather than a discontinuous jump in which every participant reacts at once to two days of accumulated events. A venue that is open during those hours lets prices track true market conditions more closely across the closure. More continuous opportunity to trade tends to make the benchmark's reopening more accurate, not less, which is a contribution rather than a threat to sound price formation.

Third, the Supplemental Release's concern presumes smaller-scale contracts may be more susceptible to price distortions, but resistance to distortion comes from depth and safeguards rather than size. Both strengthen as a market grows: a deeper, more continuous market is harder to move, and the structural controls that constrain off-hours influence scale with it. For example:

- Discovery bounds cap how far the mark price can travel while the benchmark is closed;
- The mark price is computed as the median of independent inputs, so no single feed—including the deployer's own reference—can set it;
- The funding rate is capped and is sampled and averaged over the hour, so a transient print cannot move it; and
- The full order and execution history is public and available for cross-venue surveillance in real time.

These protections do not depend on the contract remaining small, and a larger, well-surveilled continuous market is a better complement to the benchmark than a thin one.

Fourth, the specific pre-positioning strategy the Supplemental Release describes, establishing benchmark futures or related trade-at-settlement positions before the close and then trading the weekend to influence the reopen, is a cross-market scheme of the kind existing surveillance frameworks were built to detect. A perpetual contract listed on a registered exchange would be subject to the same tools the Commission and the exchanges apply to any listed contract, including large-trader reporting, exchange-level market surveillance, and information-sharing arrangements that permit positions to be viewed across venues, and the benchmark and trade-at-settlement legs of the strategy already occur in fully surveilled markets. Onchain transparency then supplements those tools. Where a perpetual contract is traded

onchain, the contract's full position and order history is public and can be correlated in near real time with benchmark and trade-at-settlement positioning.

Finally, contract design forecloses the remaining scenario, that weekend trading could contribute to negative prices. As discussed in Part I.E, the negative print in April 2020 was a delivery-point phenomenon: an expiring, physically deliverable contract met constrained storage at Cushing, Oklahoma as delivery approached. A cash-settled perpetual contract has no expiration and no delivery obligation, and therefore cannot create the delivery-point congestion that produced that outcome, provided its margin, liquidation, and funding models are built to remain coherent when the reference price is at or below zero.

C. Onchain Infrastructure: Continuous Surveillance and Operational Resilience by Design

A threshold question for any 24/7 market is whether surveillance and operational resilience can keep pace with continuous activity. For traditional exchange operators, extending from 23/5 to 24/7 is principally a question of staffing, vendor support, and system capacity during nights, weekends, and holidays. Onchain infrastructure offers a structurally different answer.

On Hyperliquid, every order, transfer, margin change, and programmatic liquidation is publicly verifiable in real time and written to an immutable blockchain record. This transaction-level record is a feature of the system's architecture rather than a compliance overlay, and it exceeds in several respects what end-of-day or even intraday reporting can offer. Because anyone, including the Commission, can run a read-only or validating node, supervisory access shifts from batch-file reviews delivered after the trading day to real-time state inspection, without imposing new reporting burdens on market participants.

A market that trades around the clock must be surveilled around the clock. Onchain transparency facilitates that surveillance by default. Although onchain infrastructure is not the only way to achieve 24/7 surveillance and resilience, existing onchain perpetual contract markets show that the challenges are solvable, and that operational models already exist.

D. The CEA Already Supports 24/7 Trading

The Core Principles governing designated contract markets ("DCMs") and derivatives clearing organizations ("DCOs") are agnostic as to when trading occurs and afford registrants "reasonable discretion" in how they demonstrate compliance. Real-time monitoring, risk management, and system safeguards create compliance obligations that apply regardless of trading hours.[39] Where regulations assume traditional hours, such as business continuity and disaster recovery ("BCDR") timelines tied to "the next business day," the gaps are narrow and technical, suitable for targeted guidance rather than wholesale revision.

Onchain infrastructure, with the benefits described above, provides continuous surveillance capability well suited to 24/7 operations without imposing new reporting burdens. The reasonable discretion the CEA affords registrants should encompass the choice of

[39] *See generally* 17 C.F.R. Parts 38 and 39 (Core Principles).

technology used to meet Core Principle obligations. A registrant that satisfies its surveillance, recordkeeping, and risk-management obligations through the use of onchain infrastructure is merely demonstrating compliance with the Core Principles through a different technology. Permitting registrants that choice would open our markets to benefit from the efficiencies of onchain infrastructure, including continuous verifiability, automated margining, and real-time settlement, within the full protections of the CEA and the Commission's regulations.

The RFC also raises that 24/7 trading occurs when traditional fiat payment systems are unavailable. The Commission should therefore continue to support recognizing tokenized collateral, including stablecoins and tokenized U.S. Treasuries, as eligible margin.[40]

III. Legal Framework for Perpetual Energy Contracts

A. The Regulatory Landscape

On May 29, 2026, the Commission issued an order permitting KalshiEX, LLC to list a perpetual contract referencing the spot price of bitcoin, and contemporaneously issued the Policy Statement Concerning the Listing of Perpetual Contracts.[41] The Order's analysis rested in substantial part on characteristics of the bitcoin spot market, namely its continuous, broadly distributed, transaction-based trading and the resulting continuous observability of a reference price. The Policy Statement expressly stated that perpetual contracts referencing asset classes not contemplated by the Order, including energy products, would be evaluated on their own terms in coordination with the Commission.[42] The Order did not write on a blank slate: U.S. DCMs had already listed perpetual and perpetual-style contracts through self-certification, including the first U.S. perpetual bitcoin future in April 2025 and 24/7 perpetual-style futures employing a funding-rate mechanism in July 2025.[43]

B. Default Management and Recovery: Functional Comparison to Part 39

Onchain perpetual contract markets' liquidation, backstop, and ADL mechanisms are the features most relevant to the application of the Commission's Part 39 requirements. Part 39 requires a DCO to maintain default rules and procedures that let it act promptly to contain losses and liquidity pressures, including "the prompt transfer, liquidation, or hedging" of a defaulting

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40 *See* CFTC Staff Letter No. 25-39, *Tokenized Collateral Guidance* (Dec. 8, 2025), https://www.cftc.gov/csl/25-39/download; CFTC Staff Letter No. 25-40, *Framework for Digital Asset Margin Collateral* (Dec. 8, 2025), https://www.cftc.gov/csl/25-40/download (no-action position permitting futures commission merchants to accept certain digital assets, including payment stablecoins, as margin collateral); *see also* CFTC Staff Letter No. 26-05, *Staff No-Action Position Regarding Digital Assets Accepted as Margin Collateral* (Feb. 6, 2026), https://www.cftc.gov/csl/26-05/download; CFTC Market Participants Division & Division of Clearing and Risk, *Frequently Asked Questions Concerning Registrant and Registered Entity Activities Relating to Crypto Assets and Blockchain Technologies* (Mar. 20, 2026), https://www.cftc.gov/media/13521/Registrant%26RegisteredEntity_FAQs032026/download.

41 91 Fed. Reg. 33,160 (June 3, 2026).

42 *Id.* at 33,161-62.

43 *See* Press Release, Bitnomial Exchange, *Bitnomial Launches First-Ever U.S. Perpetual Futures* (Apr. 23, 2025) (self-certified perpetual bitcoin future; trading began April 28, 2025); Coinbase, *Coming July 21: US Perpetual-Style Futures* (July 2025) (describing a nano bitcoin contract with a five-year expiration, 24/7 trading, and an hourly funding-rate mechanism).

member's positions, and may provide for allocating those positions to other clearing members.[44] For systemically important DCOs and DCOs subject to Subpart C, Regulations 39.35 and 39.39 further require ex ante plans for allocating uncovered losses, meeting settlement obligations despite liquidity shortfalls, replenishing depleted resources, and maintaining viable recovery and orderly wind-down options.[45]

For onchain perpetual contract markets, this framework underscores that liquidation is only the first layer of risk management; a market must also address how residual positions and losses will be handled if ordinary liquidation proves insufficient. The onchain backstop liquidator and ADL mechanism address residual risk at two different points in the default management sequence: the backstop liquidator addresses liquidation risk by assuming eligible distressed positions and seeking to close them through the order book, while ADL protects market solvency as a final safeguard by automatically reducing profitable positions on the opposing side, selected deterministically, if order book liquidation does not fully resolve the remaining shortfall.[46] These mechanisms therefore provide a useful basis for evaluating how automated, transparent onchain infrastructure may be used to advance objectives reflected in Regulations 39.35 and 39.39, including allocation of uncovered losses and liquidity shortfalls, continued settlement, replenishment of depleted resources, and operational continuity.[47] In the onchain model, these mechanisms allocate a shortfall within the affected market, against the profitable positions on the other side of the same product, rather than mutualizing it across a shared guarantee fund. Participants in unrelated products are therefore not exposed to a given market's tail risk, and a market that trades and clears continuously need not spread its default risk onto members who do not take part in it.

Though the backstop and ADL mechanisms would not alone establish compliance with Part 39's governance, financial-resource, rulemaking, recovery-planning, and regulatory-oversight requirements applicable to a registered DCO, these tools, when appropriately tailored, can offer new levels of efficiency and transparency in meeting the Part 39 requirements.[48]

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44 *See* 17 C.F.R. § 39.16(c)(2)(ii)–(iii) (2025) (requiring a DCO's default rules to address the prompt transfer, liquidation, or hedging of a defaulting clearing member's positions and permitting the auction or allocation of those positions to other clearing members).

45 *See* 17 C.F.R. §§ 39.35(a)–(b), 39.39(a)(3), (b)–(e). Regulations 39.35 and 39.39 apply to systemically important DCOs and DCOs that elect to become subject to Subpart C. *See id.* §§ 39.30–.31.

46 *See* trade[XYZ], *Liquidation Mechanics*, https://docs.trade.xyz/risk-and-margining/liquidation-mechanics (describing the onchain backstop liquidator for cross-margin-enabled trade[XYZ] assets); trade[XYZ], *Auto-Deleveraging*, https://docs.trade.xyz/risk-and-margining/auto-deleveraging (describing ADL as a final safeguard that closes profitable opposite-side positions to prevent bad debt and preserve system solvency).

47 *See* 17 C.F.R. § 39.35(a)–(b) (2026) (requiring explicit rules and procedures for allocating uncovered credit losses, meeting settlement obligations despite uncovered liquidity shortfalls, and replenishing financial and liquidity resources used during a stress event); 17 C.F.R. § 39.39(a)(3), (b)–(c) (defining recovery to include actions addressing uncovered credit losses, liquidity shortfalls, and depleted resources as necessary to maintain viability as a going concern, and requiring plans addressing threats to the DCO's obligations and critical operations).

48 *See* 17 C.F.R. § 39.35(a)–(b) (2026) (requiring rules and procedures addressing uncovered losses, liquidity shortfalls, continued settlement, and replenishment of financial and liquidity resources); 17 C.F.R. § 39.39(a)(3), (b)–(e) (requiring viable recovery and wind-down plans, evaluation of recovery options and stress scenarios, supporting financial resources, and plans to raise additional resources).

C. The Benchmarking Challenge

RFC Question 39 identifies four principal candidate reference sources for an energy perpetual contract: the listing DCM's own futures price, a futures price at a third-party DCM, an assessed or surveyed physical price, or a composite index.

Each presents different reliability and manipulation considerations, for example:

- A reference based on the listing DCM's own futures contract may permit direct surveillance but may create circularity or cross-product incentives;
- A third-party futures reference may provide additional independence but requires reliable access, information sharing, and continuity arrangements;
- A physical-price assessment may reflect relevant cash-market information but may be published only at defined intervals and may depend on methodological judgment; and
- A composite may reduce dependence on any single source but requires transparent constituent, weighting, governance, and fallback rules.

No source should be treated as categorically sufficient without evidence concerning liquidity, transaction frequency, concentration, independence, and susceptibility to manipulation. Historical practice suggests, though, that the reference-price problem for an energy perpetual contract is more tractable than these tradeoffs imply. Existing physical-price assessments already anchor round-the-clock derivatives trading, composite construction can combine sources so that no single input controls, and derivatives markets have long priced instruments against benchmarks published only at intervals.

Price reporting agency assessments. Physical crude oil price discovery occurs primarily through bilateral negotiations assessed by price reporting agencies ("PRAs") such as S&P Global Platts ("Platts"). Platts publishes benchmark crude oil assessments based on its Market-on-Close ("MOC") methodology, which assesses bids, offers, and transactions during a defined composite window.[49] These narrow-window assessments serve as reference prices for trillions of dollars in physical contracts, over-the-counter ("OTC") derivatives, and exchange-traded instruments globally.[50]

The fact that the underlying assessment occurs during a narrow window has not prevented the Commission from approving futures contracts that trade approximately 23 hours

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[49] *See* S&P Global Commodity Insights, *Platts Market-on-Close: Guide to the Assessment Process*, https://www.spglobal.com/commodityinsights/en/our-methodologies/market-on-close; IOSCO, *Principles for Oil Price Reporting Agencies* 5–6 (Oct. 2012), https://www.iosco.org/library/pubdocs/pdf/IOSCOPD391.pdf.

[50] *See* IOSCO, *Principles for Oil Price Reporting Agencies* 1 (Oct. 2012), https://www.iosco.org/library/pubdocs/pdf/IOSCOPD391.pdf.

per day referencing those prices.[51] The extension to 24/7 does not introduce a qualitatively different reference-price challenge.

Reference prices drawing from multiple sources. A perpetual contract need not rely on a single point-in-time assessment. Reference prices can be constructed as composites drawing from: (i) the prevailing futures price on the relevant benchmark contract (*e.g.*, NYMEX WTI), which is moving to 24/7 availability for certain contract sizes;[52] (ii) PRA assessments at defined intervals; and (iii) time-weighted or volume-weighted averages designed to resist manipulation during lower-liquidity periods.

Established precedent. The derivatives industry has long priced instruments against benchmarks published at intervals: the secured overnight financing rate ("SOFR") is published once daily at approximately 8:00 a.m. Eastern Time[53] and natural gas indices are published as daily or monthly averages.[54] The context for perpetual contracts referencing energy commodities differs in degree (*i.e.*, funding rates require more frequent reference-price observations) but not in kind.

D. Anti-Manipulation Safeguards for Perpetual Energy Contracts: How Onchain Architecture Can Be Adapted

A core concern underlying the RFC questions is whether perpetual contracts on energy commodities, particularly during overnight and weekend periods of reduced liquidity, may be susceptible to manipulation.

The principles underlying trade[XYZ]'s approach to anti-manipulation, complemented by safeguards native to Hyperliquid's architecture, such as multi-source pricing, pre-trade controls, dynamic price bands, and transaction-level transparency, are well-developed, tested, and not asset-class-specific. They are architectural features that can be calibrated to the particular risks and market structure of energy commodities and offer structural protections that go beyond what traditional compliance overlays alone can provide.

Multi-source pricing calibrated to energy market structure. In trade[XYZ] markets, reference prices are computed across multiple independent price sources, and the mark price is calculated as the median of multiple independent inputs, including the reference price, the onchain mid-price, and the median of the best bid, best ask, and last trade.

For energy perpetual contracts, this same multi-source methodology is used already for trade[XYZ] markets. The median-based aggregation also makes it significantly more difficult and costly for any single participant to influence the reference price, because doing so would

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[51] CME Grp., *CME Group Holiday and Trading Hours*, https://www.cmegroup.com/trading-hours.html#tradeDate=2026-09-07.

[52] Press Release, CME Grp., *CME Group Adds Smaller-Sized, 24/7 Contracts for WTI Crude Oil and Gold* (June 11, 2026), https://www.cmegroup.com/media-room/press-releases/2026/6/11/cme_group_to_expand247tradingforwticrudeoilandgold.html.

[53] *See* Federal Reserve Bank of New York, *Secured Overnight Financing Rate Data*, https://www.newyorkfed.org/markets/reference-rates/sofr.

[54] *See* U.S. Energy Information Administration, *Natural Gas Spot and Futures Prices*, https://www.eia.gov/dnav/ng/ng_pri_fut_s1_d.htm.

require simultaneously moving prices across multiple independent, deep, and regulated sources. The sourcing and weighting methodology is not static and can evolve. This could entail, for instance, drawing from inputs most relevant to the underlying energy markets (*e.g.*, the prevailing NYMEX WTI futures price, PRA assessment prices during their publication windows, and volume-weighted averages from other regulated energy trading venues) and dynamic, time-based weighting methodologies.

Discovery bounds constrain manipulation risk. trade[XYZ] markets employ temporal discovery bounds, configured by the deployer and enforced by the protocol, that constrain the mark price movement within a defined range around a reference price. During sessions with external pricing, the reference price is based on the last externally-derived price. During sessions with internal pricing, the reference price for markets is initially based on the last externally derived reference price (*e.g.*, the Friday close for assets that follow weekday market hours).

The initial range of a discovery bound generally corresponds to the inverse of the contract's maximum leverage; for example, xyz:CL's 20× maximum leverage produces a ±5 percent range around the last external reference price. For certain markets, when the reference price reaches 90 percent of the distance to the applicable boundary, the reference price can re-anchor at that boundary and a new ±5 percent range is established. As an example, xyz:CL permits two re-anchorings in each direction, after which the outer boundary becomes a hard cap until external pricing resumes. Thus, from an initial reference price of $100, the maximum upward and downward bounds are approximately $115.76 and $85.74, respectively.[55]

Discovery bounds provide a rules-based safeguard against abrupt or potentially manipulative off-hours price movements by limiting the mark price's instantaneous displacement, conditioning any expansion of the range on movement in the reference price, and capping the total permitted displacement. They also protect a position from liquidation where its liquidation price lies outside the active bounds. The mechanism does not eliminate manipulation or reopening risk, but it permits controlled off-hours price discovery while limiting the ability of an isolated extreme transaction to move the mark price without restriction.[56]

Funding rate design reflecting energy market periodicity. Funding rates on Hyperliquid are currently calculated based on the divergence between the perpetual contract price and the multi-source reference price, applying payments at regular intervals.[57] Deployers further have the ability to set multipliers to increase or decrease the applicable funding rate inherited from Hyperliquid. Therefore, for perpetual contracts referencing energy commodities, the funding rate methodology could be adapted to account for the periodicity of physical energy price assessments. During the PRA assessment window, for example, funding calculations could anchor directly to the assessed price, providing a strong convergence mechanic when the most reliable physical market data is available. During off-assessment hours, funding could reference the multi-source futures-derived price, with a dampening mechanism to avoid excessive

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55 trade[XYZ], *Discovery Bounds*, https://docs.trade.xyz/perp-mechanics/discovery-bounds (describing the leverage-based discovery range, the 90 percent reference price trigger, two independent re-anchorings in each direction for WTIOIL, and the resulting maximum range from an initial $100 reference price).

56 *See id.* (explaining that discovery bounds restrict the mark price during internal pricing sessions and prevent liquidation where a trader's liquidation price lies outside the active bounds).

57 *See* Hyperliquid Documentation, *Funding*, https://hyperliquid.gitbook.io/hyperliquid-docs/trading/funding.

volatility in funding payments during periods of thinner liquidity. This layered approach would maintain continuous convergence while respecting the reality that the information content of the reference price varies throughout the day.

Funding-interval manipulation. Funding rate design is an important line of defense against manipulation of the type RFC Question 41 describes. Funding rates on Hyperliquid make such a strategy difficult to execute and cap any potential payoff that could result. The premium is calculated from impact bid and ask prices, sampled every five seconds, and averaged over the hour, so influencing the funding rate generally would require sustained distortion of order-book prices rather than a single transient trade. Funding is also capped at 4 percent per hour, limiting the funding-payment component of any manipulation strategy. Cross-market surveillance can help address residual risk, where a trader seeking gains through related positions outside the funding payment itself, which the transaction-level transparency native to Hyperliquid can help facilitate.[58]

Pre-trade risk controls calibrated for energy market volatility. Contract parameters, including maximum leverage and open interest limits, are hard-coded, pre-trade limits that cannot be overridden or circumvented.[59] These parameters can be calibrated to reflect the higher volatility and geopolitical sensitivity of energy prices, including the potential for sudden, large price dislocations driven by supply shocks, sanctions, or conflict. Dynamically anchored price bands, which on trade[XYZ] markets currently prevent orders at prices disconnected from prevailing conditions, can similarly be calibrated with wider tolerances during active trading hours and narrower bands during off-peak periods, functioning as an around-the-clock circuit breaker adapted to the energy market's liquidity profile.

Transaction-level auditability for energy market surveillance. The transparency native to onchain infrastructure makes manipulative trading patterns, spoofing, layering, wash trading, and other abusive strategies more detectable than in traditional markets, where order-level audit trails are available only to the exchange operator and, upon request, to regulators. For energy perpetual contracts, this transparency would enable the Commission, self-regulatory organizations ("SROs"), and market participants themselves to monitor in real time for trading activity that is correlated with physical supply disruptions, assessment-window manipulation, or cross-market strategies designed to influence the reference price. The public nature of the onchain record also creates a deterrent effect: market participants know that their activity is visible, traceable, and permanent.

Cross-market surveillance integration. A regulated energy perpetual contract would exist alongside deeply liquid NYMEX futures, PRA-assessed physical markets, and OTC derivatives. Effective surveillance requires monitoring not just the perpetual contract in isolation, but the relationships among these markets. Onchain infrastructure facilitates this integration: because the perpetual contract's entire order and execution history is publicly available, surveillance systems, whether operated by the listing market, an SRO, or the Commission, can correlate onchain perpetual contract activity with concurrent activity in the related dated futures and

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[58] *Id.*

[59] *See* Hyperliquid Labs Pte. Ltd., *Comment on Request for Comment on Trading and Clearing of Derivatives on a 24/7 Basis* (May 21, 2025), https://comments.cftc.gov/Handlers/PdfHandler.ashx?id=35634.

physical markets, identifying cross-market manipulation strategies that would be more difficult to detect in fragmented, opaque market structures.

E. Customer Protection: Disclosure for Perpetual Energy Contracts

Perpetual contracts introduce risks that differ from dated futures, and targeted disclosures may assist retail participants in understanding those differences before engaging in trading activity.[60] The Commission should consider requiring product-specific disclosures addressing, at a minimum:

- **Funding rate risk.** Holding a perpetual contract position is not cost-free. Accumulated funding payments can materially erode position value even if the underlying price moves favorably. This should be disclosed with illustrative dollar-impact examples over various holding periods.

- **Automatic liquidation and tear-up risk.** Unlike a traditional margin call, where the participant typically receives a demand and a grace period, liquidation on an onchain platform can occur within seconds and is irreversible. In a volatile energy market, this can mean rapid and total loss of posted collateral.

- **Leverage risk.** A participant using 10x leverage on a $100 position has $1,000 of notional exposure; a 10 percent adverse move eliminates the entire initial margin.

- **Reference-price risk.** The reference price may be derived from assessments or composite indices and may not perfectly track real-time conditions during all hours.

- **Self-custody risk.** On non-custodial platforms, participants are solely responsible for the security of their private keys; loss of access may result in permanent, irrecoverable loss of assets.

- **Settlement-asset risk.** Where contracts are margined and settled in a stablecoin, participants bear the risk that the settlement asset deviates from its reference currency.

A well-designed disclosure framework, combined with appropriate leverage limits, position-size limits, and mandatory margin requirements, can protect retail participants while preserving access.

[60] *See* 91 Fed. Reg. at 38,339.

IV. Conclusion and Recommendations

The Commission's RFC reflects a forward-looking engagement with two of the most significant structural questions facing U.S. derivatives markets: whether continuous trading can improve price discovery and risk management, and whether perpetual contracts can serve legitimate commercial functions in markets organized around dated futures.

HPC and trade[XYZ] believe the answer to both is yes, and support appropriate safeguards. 24/7 trading addresses the structural reality that market-moving events do not observe business hours. Perpetual contracts complement dated futures by providing a continuously available, non-expiring instrument for participants managing ongoing price exposures.

Drawing on the foregoing analysis, HPC and trade[XYZ] respectfully recommend that the Commission:

- **Adopt a technology-neutral, principles-based framework.** The Commission should evaluate perpetual energy contracts and 24/7 trading under the same principles-based approach that has governed U.S. derivatives markets through every prior structural evolution, from open-outcry pits to electronic matching, from bilateral OTC markets to centrally cleared swaps.[61] Rather than prescribing specific technologies or organizational forms, the Commission should require listing markets to demonstrate that their proposed market structure satisfies the Core Principles' substantive requirements.

- **Reaffirm and build upon CFTC Staff Letter No. 26-16 by confirming that 24/7 trading is permissible in the context of perpetual contracts.**[62] The Commission should issue a Staff Advisory or comparable guidance clarifying that DCMs and DCOs may offer 24/7 trading and clearing, provided they demonstrate compliance with applicable Core Principles and CFTC regulations. The existing framework is substantively sufficient; what the market needs is a clear, affirmative signal that continuous operation is recognized as consistent with the regulatory structure.

- **Clarify the application of time-bound requirements.** The Commission should provide guidance on the definition of "business day" as it applies to time-sensitive regulatory requirements for continuously operating markets, including BCDR recovery targets, settlement timing, and reporting deadlines. These are narrow, technical questions suited to targeted guidance.

- **Recognize digital assets and tokenized collateral as eligible margin.** Truly functional 24/7 margined trading requires the ability to post and transfer collateral at any time. The Commission should facilitate recognition of stablecoins and tokenized versions of traditional eligible collateral, including U.S. Treasury securities and money market fund shares, as eligible margin for cleared derivatives.

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61 *See* 7 U.S.C. § 7(d)(1)(B).

62 *See* CFTC Staff Letter No. 26-16, *Staff Advisory on 24/7 Trading, Clearing, and Settlement* (May 29, 2026), https://www.cftc.gov/PressRoom/PressReleases/9239-26.

- **Recognize non-custodial and onchain market structures where they meet Core Principles.** The Commission should confirm that regulated DCMs, DCOs, and FCMs may use onchain infrastructure for execution, margining, clearing, settlement, default management, custody and segregation, and recordkeeping where applicable Core Principles requirements are satisfied. This approach would permit regulated markets to obtain the transparency, automation, collateral mobility, and settlement efficiencies of onchain infrastructure without treating software as a substitute for accountable regulated entities. Onchain mechanisms support atomic settlement, which reduces processing steps and counterparty and operational risks, and may provide standardized, near-real-time regulatory data.[63]

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HPC and trade[XYZ] welcome the opportunity to discuss these comments in further detail and to continue their constructive engagement with the Commission on these important issues.

Respectfully submitted,

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/s/ *Collins Belton*
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On behalf of
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[63] *See* Yaiza Cabedo et al., *The Evolution of Financial Market Infrastructures in a Tokenized Economy* 22, 28 (IMF Working Paper No. 26/136, 2026), https://www.imf.org/-/media/files/publications/wp/2026/english/wpiea2026136-source-pdf.pdf.