Hyperliquid Policy Center

August 27, 2026

VIA ELECTRONIC SUBMISSION

Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Re: Innovation Advisory Committee (August 20, 2026 Meeting)

Dear Mr. Kirkpatrick:

Hyperliquid Policy Center ("HPC")[1] appreciates the opportunity to submit this statement in connection with the inaugural meeting of the Innovation Advisory Committee (the "Committee") held on August 20, 2026.[2] We commend the Commodity Futures Trading Commission (the "Commission" or "CFTC") for chartering a committee devoted to innovation in our derivatives markets, and we commend the Committee's members for a substantive discussion of the technologies and products now transforming them. The meeting reflected a premise we share and one the Chairman placed at the center of his remarks: that regulation and innovation go hand in hand and that clear rules of the road keep builders and markets in the United States.[3]

Although perpetual contracts were not a main focus of the meeting agenda, members raised them in each of the Committee's three sessions. That recurrence reflects the important position perpetual contracts now hold in global derivatives markets and the demand for them among American market participants. We submit this statement to offer our views on the role of perpetual contracts in the innovation agenda that the Committee was chartered to advance, the regulatory approach that may bring these markets onshore, and the contribution that onchain technology can make to the modernization of U.S. derivatives market infrastructure.

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1 HPC is an independent research and advocacy organization dedicated to advancing a clear, regulated path for Americans to access onchain markets, including those available on Hyperliquid. *See* Hyperliquid Policy Center, *About*, https://hyperliquidpolicy.org/about.

2 Innovation Advisory Committee, 91 Fed. Reg. 51,697 (Aug. 11, 2026).

3 Michael S. Selig, Chairman, CFTC, *Remarks at Innovation Advisory Committee Conference* (Aug. 20, 2026) [hereinafter "Chairman's Remarks"], https://www.cftc.gov/PressRoom/SpeechesTestimony/opaselig10.

I. Perpetual Contracts Are Central to the Commission's Innovation Agenda

Perpetual contracts belong at the center of the Commission's innovation agenda. The perpetual contract first found product-market fit in global digital asset markets, where it became the most actively traded type of derivative, and has since expanded into equities, commodities, and other traditional asset classes. Perpetual contract markets deployed through the Hyperliquid Improvement Proposal 3 ("HIP-3") framework have accumulated more than $500 billion in notional trading volume across more than 80 markets spanning commodities and equities.[4] The Commission's docket reflects the same trajectory, moving from approval of the first U.S.-listed perpetual futures contract on a digital commodity to requests for comment on perpetual contracts referencing energy commodities and compute.

The Committee's discussion addressed perpetual contracts in several respects. Members observed the following:

- Perpetual contracts account for most global digital asset trading volume, and American firms have largely been unable to offer them, leaving U.S. platforms at a disadvantage in one of the most rapidly emerging product markets in global derivatives;[5]
- Perpetual contracts are useful risk management tools that registered funds would benefit from holding alongside dated futures;[6]
- Perpetual contracts referencing equity securities sit at the intersection of the Commission's jurisdiction and the jurisdiction of the Securities and Exchange Commission ("SEC") and would benefit from continued coordination between the agencies;[7]

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4 *See* Comment Letter of Hyperliquid Policy Center and XYZ Ltd., 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) (Aug. 26, 2026), https://hyperliquidpolicy.org/hpctradecftcrfcresponse/2026-08-26_hpc_x_trade-xyz-_cftc_rfc_response.pdf [hereinafter "HPC/trade[XYZ] Perpetuals RFC Response"].

5 CFTC, *Innovation Advisory Committee Meeting* at 00:44:22 (remarks of Tyler Winklevoss, Gemini) (Aug. 20, 2026), https://www.youtube.com/watch?v=9rTCARzj98I [hereinafter "IAC Meeting Webcast"].

6 IAC Meeting Webcast, *supra* note 5, at 00:56:35 (remarks of Don Wilson, DRW).

7 IAC Meeting Webcast, *supra* note 5, at 00:39:50 (remarks of Brian Armstrong, Coinbase). HPC has addressed the classification of perpetual contracts referencing equity securities in a comment letter responding to the agencies' joint request for comment on the application of the "swap" and "security-based swap" definitions. *See* Comment Letter of Hyperliquid Policy Center, Joint Request for Comment on Further Definition of "Swap" and "Security-Based Swap" and on Alternative Compliance (RIN 3038-AF71; File No. S7-2026-21) (Aug. 24, 2026), https://hyperliquidpolicy.org/productdefinitions/2026-08-24_hpc_product_definitions_comment.pdf.

- Perpetual contracts referencing private companies approaching public listings can give retail participants regulated price exposure to growth that is now concentrated in private markets;[8] and

- Rising investment in data centers is generating demand for instruments that hedge the cost of compute, a demand that the Commission's request for comment on the listing of compute derivatives contracts, published the day after the meeting, takes up directly by asking whether perpetual compute futures would offer advantages over dated futures contracts and provide commercial risk management features that existing products cannot.[9]

Perpetual contract markets abroad continue to grow without the participation of U.S. market participants and without the benefits that accompany U.S. oversight of derivatives markets. These markets trade continuously and now span core global commodity classes, including energy and metals. That growth reflects demand for products Americans cannot yet lawfully trade, and the Commission has already begun to change that.

II. Perpetual Contracts Serve the Risk Management Needs of Market Participants

Perpetual contracts have features that differentiate them from traditional dated futures. A perpetual contract provides continuous price exposure to an underlying asset with no expiration date, no rollover, and no delivery. The funding rate performs the same anchoring function for a perpetual contract that expiration performs for a dated future. At regular intervals, the contract's trading price is compared against a reference price, and funding payments flow between longs and shorts in whichever direction draws the trading price back toward the reference price.[10] A dated contract relies on expiration to achieve convergence once, at settlement. A perpetual contract relies on the funding rate to maintain a continuous economic incentive toward convergence, at every funding interval.

The design of a perpetual contract serves market participants whose needs dated futures leave unmet. Many commercial exposures have no calendar end. An airline's fuel consumption, an investment fund's portfolio exposure, and a frontier AI developer's compute costs run

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8 IAC Meeting Webcast, *supra* note 5, at 02:17:50 (remarks of Tushar Jain, Multicoin Capital). HPC and trade[XYZ] have identified key considerations for onshoring pre-IPO perpetual contract markets in a comment letter to the SEC. *See* Comment Letter of Hyperliquid Policy Center and XYZ Ltd., IPO Modernization (File No. CLL-16) (Aug. 18, 2026), https://hyperliquidpolicy.org/ipocommentletter/20260818hpc-x-tradexyz-ipo-modernization-comment.pdf.

9 IAC Meeting Webcast, *supra* note 5, at 02:04:40 (remarks of Raghu Yarlagadda, FalconX); Request for Comment on the Listing of Compute Derivatives Contracts, 91 Fed. Reg. 54,259, 54,264 (Aug. 21, 2026) (RIN 3038-AF77).

10 For a more comprehensive description of the funding rate mechanism, see HPC/trade[XYZ] Perpetuals RFC Response, *supra* note 4; Statement of Hyperliquid Policy Center in Connection with the Meeting of the Agricultural Advisory Committee (Aug. 7, 2026), https://hyperliquidpolicy.org/CFTCAACmeetingstatement/2026-08-07-hpc-cftc-aac-meeting-statement-.pdf.

continuously, while a dated future expires on a fixed date. Hedging a continuous exposure with dated contracts therefore requires managing a roll cycle across contract months. That cycle is burdensome and complex, as it introduces timing and volatility risk with every roll, and the contract selection, roll timing, and delivery mechanics it demands are barriers to entry for many participants. A perpetual contract eliminates that unnecessary and expensive machinery. The hedger holds one continuous position for as long as its exposure runs.

Perpetual contracts can also complement dated futures rather than displace them. Perpetual contracts can serve a differentiated set of market participants—those who need an instrument matched to continuous exposures—while dated futures continue to serve traditional constituencies whose risks align with fixed calendar dates. Together the two product types expand both participation and product choice in our markets. Our recently published research, *Perpetual Futures as Complements to Dated Futures*, examines that relationship empirically,[11] and our comment letter on the Commission's request for comment on 24/7 trading and perpetual contracts referencing energy commodities develops these points in full, including a commercial hedging use case and a functional description of the margin, liquidation, and default management architecture that supports onchain perpetual contract markets.[12] The intersection of these novel markets with established derivatives markets presents research questions that merit rigorous study, and we will continue to pursue that research as these markets develop.

III. The Commission's Innovation-Forward Approach Is Bringing These Markets Onshore

Congress designed the Commodity Exchange Act ("CEA") to be future-proof. The statute defines "commodity" to include almost all goods, articles, services, rights, and interests that may underlie a derivative contract, grants the Commission exclusive jurisdiction displacing the patchwork of state laws that once threatened the earliest exchanges, and directs the agency to promote responsible innovation.[13] The Commodity Futures Modernization Act of 2000 replaced prescriptive rules for trading venues with outcome-based "Core Principles," giving market participants flexibility in how they satisfy regulatory objectives. The CFTC today oversees approximately half of the global notional derivatives market, and the United States' derivatives markets are the envy of the world.[14] They will remain so by embracing new technology and novel products under clear rules.

Members recounted the costs of the prior era of regulation by enforcement in detail. Firms innovating at the frontier could not know in advance whether their conduct was lawful, and capital, talent, and trading volume moved to jurisdictions that offered clearer answers. The consensus of the meeting was that regulatory clarity determines where these markets develop,

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11 *See* Hyperliquid Policy Center, *Perpetual Futures as Complements to Dated Futures* (Aug. 21, 2026), https://hyperliquidpolicy.org/blog/perpetual-futures-as-complements-to-dated-futures.

12 HPC/trade[XYZ] Perpetuals RFC Response, *supra* note 4.

13 *See* 7 U.S.C. §§ 1a(9), 2(a)(1)(A), 5(b); Chairman's Remarks, *supra* note 3.

14 Chairman's Remarks, *supra* note 3.

and the Commission has rightly acted on that lesson through rulemaking, guidance, and public engagement rather than enforcement.

The Commission's phased approach to perpetual contracts demonstrates the value of regulatory clarity. The Commission approved the first U.S.-listed perpetual futures contract in May, published a policy statement addressing the listing of perpetual contracts, and issued staff guidance addressing continuous trading.[15] Its comment period on extending the product class to physically delivered and storable energy commodities closed this week, and we filed a joint comment with trade[XYZ] in that proceeding.[16] U.S. exchanges today list perpetual futures under Commission oversight and are competing for volume that once had nowhere to trade but offshore. The Commission's recent experience with prediction markets demonstrates that regulatory clarity moves markets onshore. Once trading venues had the regulatory clarity to bring these products to market, trading volume on CFTC-regulated exchanges grew rapidly, as market participants sought the benefits that accompany the U.S. regulatory framework.[17] There is every reason to expect the same result for perpetual contracts.

The Commission's current regulatory approach has also produced an unprecedented era of competition among exchanges. As discussed at the meeting, the Commission regulated 16 designated contract markets ("DCMs") in 2003. It regulates 30 today, with 17 new applications pending. The number of contracts traded under Commission regulation has grown from 2,100 in 2023 to 6,700 today.[18] No period in the history of the U.S. derivatives markets has given market participants more venues, more products, or more choice. Clear registration pathways, principles-based oversight, and self-certification lower barriers to entry, and new entrants compete by listing products that serve demand incumbents have left unmet. Perpetual contracts listed on U.S. exchanges are the newest instance of that pattern, and this era of exchange competition reflects the framework operating as Congress designed it.

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15 Order Approving KalshiEX LLC BTCPERP Futures Contract (May 29, 2026); Policy Statement Concerning the Listing of Perpetual Contracts, 91 Fed. Reg. 33,160 (June 3, 2026); CFTC Staff Letter No. 26-17, *Staff Interpretation Regarding the Categorization of Deribit Perpetuals as Foreign Futures and No-Action Position Regarding Digital Commodities and Payment Stablecoins Deposited to Margin Customer Positions with a Foreign Broker Under a Right of Re-Use* (May 29, 2026); CFTC Staff Letter No. 26-16, *Staff Advisory on 24/7 Trading, Clearing, and Settlement* (May 29, 2026).

16 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 (June 25, 2026); HPC/trade[XYZ] Perpetuals RFC Response, *supra* note 4.

17 *See* Pew Research Center, *Trading Volume on Prediction Markets Has Soared in Recent Months* (May 27, 2026), https://www.pewresearch.org/short-reads/2026/05/27/trading-volume-on-prediction-markets-has-soared-in-recent-months/; The Block, *Polymarket, Polymarket US and Kalshi Volume (Monthly)*, https://www.theblock.co/data/decentralized-finance/prediction-markets/polymarket-and-kalshi-volume-monthly (last visited Aug. 27, 2026).

18 IAC Meeting Webcast, *supra* note 5, at 00:07:00 (remarks of Committee Chair Walt Lukken, FIA).

IV. Onchain Technology Can Modernize Market Infrastructure Within the Existing Framework

Members described throughout the meeting the properties that onchain infrastructure can bring to regulated markets. Execution on a public blockchain is transparent and verifiable, giving every participant the same view of the market and equal access to order book data. Margining and default management run programmatically and continuously rather than on batch cycles, and continuous margining and collateral movement together reduce counterparty credit and settlement risk. Records are immutable and independently verifiable as native features of the technology. Every market, order, and position produces a public record, which yields a complete and permanent audit trail of trading activity. These properties advance the resiliency, operational integrity, and customer protection objectives at the heart of the CEA and the Commission's regulations.

Integrating onchain technology into regulated markets does not require a ground-up rebuild of the CEA or the Commission's regulations. The principles-based framework regulates functions and outcomes, and it affords registrants ample discretion to choose the technology through which they satisfy the CEA's Core Principles. Registrants have long deployed third-party technology, including matching engines, execution algorithms, and risk and margin engines, to perform regulated functions.[19] Public blockchains are the newest generation of that market infrastructure technology, with transparency and verifiability guarantees that earlier generations lacked. Members made the corresponding point in the discussion of artificial intelligence that regulation should address the function performed and the behavior observed rather than the tool employed, and that point applies with equal force to market infrastructure.

Targeted guidance can accomplish most of the near-term work of integrating onchain technology into regulated markets. Registrants need clarity on how they may use onchain protocols to perform execution and matching, margining and settlement, custody and segregation, system safeguards, and recordkeeping consistent with the Core Principles, and we have offered targeted recommendations on each in our response to the Commission's fintech request for information.[20] The Chairman's direction to staff to explore rules codifying a market structure for digital assets under existing authorities, and to engage with developers of onchain finance protocols on lawful offerings in the United States, proceeds from the same premise and

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[19] *See, e.g.*, CFTC Letter No. 06-29 (Oct. 24, 2006); CFTC Letter No. 04-15 (Mar. 22, 2004) (registration relief for independent software vendors supplying trading-related technology deployed by registrants); Comment Letter of Phantom Technologies, Inc. and Hyperliquid Policy Center, Request for Information: Identifying Regulations to Facilitate Innovation and Competition to Financial Products and Services for Fintech Firms (RIN 3038-ZA24) (July 9, 2026), https://hyperliquidpolicy.org/cl/hpcphantomcftc-fintechrfi-response20260709.pdf [hereinafter "HPC/Phantom RFI Response"].

[20] HPC/Phantom RFI Response, *supra* note 19.

warrants the industry's full support.[21] The same purpose-fit approach can extend to onchain derivatives markets, including markets for perpetual contracts.

Confirmation that developing or contributing to onchain infrastructure, standing alone, does not trigger registration would give developers the certainty to build in the United States, and permitting registrants to integrate those technologies would mean that market participants gain access through regulated channels.[22] Each of these measures is conducive to onshoring novel products and technologies, and together they would ensure that the next generation of market infrastructure develops in the United States and that "American regulation keep[s] pace with American innovation."[23]

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V. Conclusion

HPC thanks the Commission for convening the Committee and thanks the Committee's members for a substantive discussion of the innovation now underway in our markets. We look forward to continued engagement and welcome the opportunity to provide research, technical documentation, or any other assistance useful to the Committee, its members, or the staff.

Respectfully submitted,

/s/ *Jake Chervinsky*
Jake Chervinsky
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Hyperliquid Policy Center

/s/ *Brad Bourque*
Brad Bourque
Senior Counsel
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[21] Chairman's Remarks, *supra* note 3.

[22] *See* HPC/Phantom RFI Response, *supra* note 19.

[23] Chairman's Remarks, *supra* note 3.