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July 31, 2026	**NOVIG** **PUBLIC COMMENT**	**RIN** 3038-AF73

Data Reporting Requirements for Certain Event Contracts

Comments on Proposed Amendments to CFTC Data

GENERAL COMMENTS

NOVIG

Comment of Novig: Data Reporting Requirements for Certain Event Contracts

RIN 3038-AF73; 91 Fed. Reg. 40,102 (July 1, 2026)

July 31, 2026

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

Re: Data Reporting Requirements for Certain Event Contracts, RIN 3038-AF73

Dear Mr. Kirkpatrick:

Novig appreciates the opportunity to comment on the Commodity Futures Trading Commission's notice of proposed rulemaking concerning Data Reporting Requirements for Certain Event Contracts, 91 Fed. Reg. 40,102 (July 1, 2026) (the "Proposal"). Novig is a designated contract market that lists event contracts of the type the Proposal would define as Covered Event Contracts. Novig therefore writes from the perspective of a registrant that would be required to implement the proposed reporting framework and of an exchange responsible for operating an effective market-surveillance program.

Novig agrees with the Commission on two important points. First, the current series of staff no-action letters should be replaced with a durable Commission rule. Second, Covered Event Contracts should not be routed through the reporting architecture in parts 43 and 45. These contracts are standardized, exchange-traded, and fully collateralized. The Commission already receives detailed market and transaction data directly from designated contract markets, and the public already receives transaction information directly from the exchanges on which the contracts trade. The Proposal correctly recognizes that applying the swap data repository framework to these contracts would impose substantial expense without producing useful additional information.

The Commission should not, however, finalize the Proposal in its current form. The Proposal combines the appropriate elimination of SDR reporting with a series of incremental requirements relative to the reporting framework under which the Commission has overseen these markets for nearly nine years. Those additions include routine large-trader reporting under part 17, new universal customer-information requirements, changes to settlement reporting, and additional reporting mechanics across parts 16 through 18. The Commission identifies general purposes that trader-identifying and ownership-and-control information can serve, but it does not demonstrate that the existing reporting framework has failed, identify a market or enforcement harm attributable to the absence of the proposed reports, separate information already available

under § 16.02 from information that is genuinely incremental, or explain why narrower alternatives would be inadequate.

The principal issue is therefore not whether additional information could be useful in the abstract. Additional information will almost always have some potential use. The relevant question is whether the Commission has shown that the particular information is needed, that it is not already available through existing reports or targeted requests, that the proposed collection will materially improve a specified regulatory function, and that the same benefit cannot be achieved through a less burdensome approach. The Proposal does not make that showing.

The clearest example is proposed § 16.03(g). The Proposal would require every trader, regardless of account size or activity, to provide occupation and employer information, and would require the DCM to collect, maintain, protect, and in some circumstances transmit that information through the reporting chain. This is not merely the standardization of information universally collected today. It is a new universal collection mandate. The Commission does not show how often occupation or employer information has been needed during its nearly nine years of supervising these markets, identify a matter in which the absence of that information impaired surveillance, estimate the full cost of collecting and maintaining it, or examine whether sampling, activity thresholds, dollar thresholds, risk-based triggers, targeted requests, or a combination of those approaches would achieve the same regulatory purpose at materially lower cost.

Nor should the requirement's character be obscured by the Proposal's practice of describing occupation and employer, together with names and addresses, as "trader-identifying information": a name identifies a trader; an employer characterizes him, and the two belong to different regulatory functions requiring separate justification.

Novig respectfully recommends that the Commission decline to adopt the Proposal as written and issue a new proposal. Novig wishes to be clear about its position. Novig has no objection to a reporting regime designed specifically for event contracts; it would welcome one, and a comprehensive one. Its objection is to the Proposal's architecture, which assembles an event contract regime by cross-reference — grafting these contracts onto reporting provisions written for other markets over five decades and stitching the graft together with contract-specific conditions, exceptions, and provisos. A reproposal should preserve the exemption from parts 43 and 45 and direct exchange publication, and it should replace, for Covered Event Contracts, the overlapping structures of §§ 16.00, 16.01, and 16.02 and part 17 with a single, self-contained reporting rule tailored to these markets — one built from a fresh, evidence-based assessment of what the Commission actually needs, and containing only requirements that are necessary, reasonable, and demonstrably used.

I. The Commission Has Not Demonstrated That the Incremental Burdens Are Justified

Section 15(a) of the Commodity Exchange Act requires the Commission to consider the costs and benefits of its actions in light of the protection of market participants and the public, market efficiency and financial integrity, price discovery, sound risk management, and other public-interest considerations.[1] The Commission has also evaluated the Proposal under Executive Orders that call for reasoned assessment of regulatory costs, consideration of alternatives, and selection of approaches that avoid unnecessary burden.[2] Those requirements are not satisfied merely by showing that the Proposal is less burdensome than applying the full swap-reporting framework.

The Proposal's economic analysis begins from a formal regulatory baseline under which Covered Event Contracts may be subject to parts 43 and 45. From that baseline, the proposed exemption produces substantial savings. That is a valid reason to exempt these contracts from SDR reporting, but it does not establish that each additional obligation included in the replacement regime is justified. The Commission itself also recognizes a de facto baseline consisting of the reporting framework that has operated under the Staff Event Contract Reporting No-Action Letters. Relative to that operational baseline, the Proposal imposes new systems, information-collection, transmission, and compliance burdens.[3]

The Commission should evaluate those incremental burdens separately. Savings created by eliminating an unsuitable reporting regime do not establish the benefits of a different requirement. For example, the fact that an exchange will avoid millions of dollars in potential SDR fees does not demonstrate that daily part 17 position reports are necessary. Nor does it establish that every retail customer should be required to provide occupation and employer information. Each requirement should be supported by an identified regulatory need, an explanation of the information the Commission currently lacks, an account of how the new information will address that need, and an analysis of less burdensome alternatives.

The Proposal does not supply that analysis. It describes the general functions of large-trader and ownership-and-control reporting in traditional futures markets. Those functions include assessing the activities and potential market power of individual traders, enforcing position limits, monitoring market integrity, identifying owners and controllers of accounts, looking through omnibus accounts, and linking accounts across exchanges.[4] These are legitimate regulatory

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[1] 7 U.S.C. § 19(a); 91 Fed. Reg. 40,102, 40,113-14 (July 1, 2026).

[2] See Exec. Order No. 12866, § 1(b)(6), 58 Fed. Reg. 51,735 (Oct. 4, 1993); Exec. Order No. 13563, § 1(b), 76 Fed. Reg. 3821 (Jan. 21, 2011); Exec. Order No. 14192, 90 Fed. Reg. 9065 (Feb. 6, 2025); 91 Fed. Reg. at 40,133.

[3] 91 Fed. Reg. at 40,115-21 (discussing the regulatory and de facto baselines and costs associated with modifications to the staff no-action framework).

[4] Id. at 40,108-09.

interests. The problem is that the Proposal does not connect those general interests to evidence from the Covered Event Contract markets that the Commission has actually supervised.

The Commission has received event-contract data in the part 16 format for nearly nine years. It states that §§ 16.01 and 16.02 provide granular market and transaction data, that part 16 reporting is sufficient to support the CEA's objectives, and that using those reports in place of part 45 will not diminish the quality or granularity of the information needed for market and financial surveillance.[5] The Commission also states that it has extensive experience using this format for market monitoring, analysis, and surveillance, and that the format is sufficient to obtain the transaction information necessary to support the Commission's mission.[6]

In light of that record, the Proposal should identify any respect in which the existing reports have proved inadequate. It does not identify a surveillance review that could not be completed, an investigation that was delayed, an abusive practice that could not be detected, an account that could not be identified, or a cross-market exposure that could not be reconstructed because part 17 reports were unavailable. It does not identify any instance of market harm that routine part 17 reporting would have prevented or materially reduced. It does not compare the timeliness or accuracy of an analysis performed from § 16.02 data with the same analysis performed from part 17 data. It does not identify the particular data fields that were missing in any actual matter.

The Commission's publicly described experience does not fill this gap. In February 2026, the Division of Enforcement described two matters involving trading on a registered prediction market. In one, the exchange acted after learning that a political candidate had traded in a contract concerning his own candidacy. In the other, the exchange investigated unusually successful trading, identified the trader's employment relationship with the subject of the contract, and imposed disgorgement, a penalty, and a suspension. The Commission explained that the exchange's internal enforcement program handled both matters and emphasized the existing duties of DCMs to maintain audit trails, conduct surveillance, and enforce their rules.[7] The Proposal does not contend that part 17 reporting would have prevented either matter, produced information that the exchange lacked, or improved the resulting investigations.

This does not establish that the Commission will never need additional ownership or control information. It does establish that the Commission has an evidentiary record from which it could evaluate the issue, including years of submitted data, its own surveillance activity, exchange referrals, and completed enforcement matters. A data-reporting proposal should be based on that record. General descriptions of how part 17 functions in other markets are not a substitute for an

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[5] Id. at 40,107-08.

[6] Id. at 40,115-16.

[7] CFTC Division of Enforcement, *CFTC Enforcement Division Issues Prediction Markets Advisory*, Release No. 9185-26 (Feb. 25, 2026).

analysis of what information is missing in these markets and what regulatory result the proposed burden is expected to improve.

II. The Commission's Own Analysis Shows That § 16.02 Already Provides Much of the Information That Routine Part 17 Reporting Would Supply

The Proposal's analysis of reporting thresholds demonstrates the capabilities of the existing transaction data. The Commission used § 16.02 data to estimate the positions and daily trading volume of unique traders across Covered Event Contracts, determine how many traders would exceed various position and volume thresholds, and calculate how the proposed threshold would affect the number of reportable accounts. Exhibit 3 expressly states that it was constructed from transaction data the Commission already receives under § 16.02.[8]

That analysis is important because part 17 position reporting would require exchanges, FCMs, clearing members, and foreign brokers to create, test, maintain, reconcile, and correct a separate reporting stream. The Commission's own work shows that, at least for positions and trading volume, it can already perform the relevant aggregation from data in its possession. The Proposal does not explain why the Commission's ability to derive that information is inadequate, why an additional daily file is needed, or what surveillance outcome would improve if reporting parties perform the aggregation instead of the Commission.

The proposed calibration illustrates the same absence of reasoned analysis. The precedent the Commission itself identifies is its 2004 determination establishing a reporting level of 125,000 contracts for binary options paying a maximum of ten dollars, equivalent to maximum payout exposure of $1.25 million. The Proposal acknowledges, in footnote 93, that the comparable level for one-dollar event contracts would be 1,250,000 contracts, and observes that a threshold at that level would obviate position reporting for many contract markets.[9] It nevertheless proposes a threshold of 125,000 contracts. The Proposal does not explain why the difference in maximum contract payout supports a threshold equal to one-tenth of the notional-equivalent threshold suggested by the precedent it invokes, or connect that departure to an identified surveillance deficiency in Covered Event Contract markets. Novig does not offer this as an argument for a different number; it offers it as evidence that the number, like the requirement it serves, was not derived from an identified regulatory need.

There may be categories of information that § 16.02 does not always provide. The Commission specifically identifies beneficial ownership, account control, omnibus-account look-through,

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[8] 91 Fed. Reg. at 40,120-21 (describing Exhibit 3 and stating that the Commission constructed it using transaction data received under § 16.02).

[9] 91 Fed. Reg. at 40,110 & n.93; see Final Rule, Reporting Levels and Recordkeeping, 69 Fed. Reg. 76,392, 76,394 (Dec. 21, 2004).

natural-person ownership of legal entities, and cross-DCM account linkage.[10] Those potential differences should define the analysis. The Commission should identify which of those fields it does not currently receive, the frequency with which the information has been unavailable, and then critically, the circumstances in which that absence has impaired a regulatory function, and finally the minimum additional reporting necessary to close the demonstrated gap.

The Proposal instead adopts the broader part 17 structure without showing why narrower approaches would be insufficient. It does not meaningfully evaluate, among other possibilities:

1. requiring a persistent trader and account identifier that permits the Commission to link § 16.02 records across contracts and DCMs;
2. requiring ownership-and-control information only when an account exceeds a justified threshold, without requiring duplicative daily position reports that can be derived from transaction data;
3. obtaining detailed business, employment, control, and relationship information through a targeted, appropriately scoped request process designed into the event contract reporting rule itself, invoked when a contract, trading pattern, or investigation makes the information relevant;
4. imposing omnibus-account look-through requirements if and when Covered Event Contract markets actually develop omnibus structures that prevent the Commission from identifying underlying traders;
5. requiring a DCM or intermediary to provide additional information in response to a specific surveillance trigger; or
6. standardizing a limited set of customer-identification fields in § 16.02 rather than importing the full legacy reporting structure.

These alternatives are not speculative departures from the Commission's existing tools. Parts 18 and 21 already permit targeted requests for additional trader and account information. The Commission also recently applied the same principle in another reporting context. On July 17, 2026, it sunset routine part 20 position reporting for physical commodity swaps after concluding that market participants should not be subject to costly and duplicative reports that do not improve regulation. It retained recordkeeping and appropriately scoped special-call authority so that the Commission would continue to have access to necessary information.[11] A comparable approach deserves direct consideration here.

The alternatives discussed in the Proposal do not answer these questions. The Commission principally compares the Proposal with full application of swap reporting, application of the

[10] Id. at 40,108-09.

[11] CFTC, *CFTC Sunsets Routine Large Trader Reporting Requirements for Physical Commodity Swaps*, Release No. 9269-26 (July 17, 2026).

ordinary 25-contract and 50-contract thresholds, SDR-only reporting, or registration of a DCM or affiliate as an SDR.[12] Those alternatives are substantially more burdensome or poorly matched to the market. Showing that the Proposal is preferable to them does not show that the Proposal is preferable to a targeted modification of the reporting framework that has operated successfully for nearly nine years.

The Commission should not finalize routine part 17 reporting based on the current record. A reproposal should distinguish between information that can already be generated from § 16.02 and information that is genuinely unavailable. It should then propose only the fields and reporting events necessary to obtain the latter.

III. The Commission Has Not Justified Requiring Every Trader to Disclose Occupation and Employer Information

Proposed § 16.03(g) is the clearest instance in which the Proposal imposes a substantial new burden without developing the record necessary to justify it. The provision would require a DCM to obtain, for every customer, the trader's name, physical address, email address, phone number, occupation, and employer, as well as the names of persons who guarantee the account or hold a financial interest of ten percent or more. The DCM would have to maintain that information throughout the life of the Covered Event Contract and for at least five years after the contract's final termination.[13]

Before addressing the merits of proposed § 16.03(g), Novig objects to how the Proposal frames it. The provision is presented throughout the release as a requirement to collect "trader-identifying information," and under that single label the Proposal bundles fields of categorically different character: a customer's name, address, email, and phone number on one hand, and his occupation and employer on the other. The first group identifies — it allows a regulator to associate trading activity with a particular person, a function no one disputes is legitimate. The second group does not identify anyone; it profiles them. Occupation and employer are collected to support inferences about what a person might know, whom he might know, and what outcomes he might influence. That is a different regulatory function, a different intrusion on the customer, a different data-security exposure for the registrant, and a different question under section 15(a) — and the Proposal never analyzes it as different. The label does the work the analysis should have done: because employment disclosure travels inside "identifying information," it passes through the preamble's justifications, the cost-benefit discussion, and the burden estimates without a single sentence addressed to it specifically. That framing is not appropriate for a proposal of this consequence. The Commission is proposing, for the first time, to condition every American's access to a federally regulated market on disclosure of his employment, retained by the exchange for years after his last trade. A mandate of that

[12] 91 Fed. Reg. at 40,114-15, 40,122-23.

[13] Id. at 40,112-13.

character should be proposed under its own name, supported by its own record, and weighed against its own alternatives — the analysis Parts III.A through III.C below show the Proposal does not contain. It should not reach the Code of Federal Regulations as an unexamined passenger inside a definition.

The Commission acknowledges that § 16.02 does not presently require DCMs to obtain this information. It explains that DCMs generally collect identifying information for customers and that intermediaries collect some ownership-and-control information for certain traders under the large-trader regime. But the Proposal does not establish that DCMs or intermediaries currently collect occupation and employer information for every participant in Covered Event Contract markets. To the contrary, the Proposal recognizes that DCMs that do not collect all of the enumerated information will have to begin doing so and may incur costs associated with its collection and transmission.[14] This is therefore not simply a technical clarification or the standardization of a universal existing practice. It is a new, market-wide obligation to collect and retain personal information from every customer.

A. The Commission Has Not Established a Need for Universal Collection

The Commission identifies legitimate surveillance purposes for occupation and employer information. It states that trader-identifying information may assist in detecting wash trading, investigating possible insider trading, and conducting cross-market surveillance.[15] Those purposes may justify the Commission's ability to obtain occupation and employer information when the information is relevant. They do not establish that universal collection at onboarding, followed by continuing maintenance and extended retention, is necessary.

The Commission has supervised these markets under the existing reporting framework for nearly nine years. The Proposal does not state how often the Commission or a DCM has needed occupation or employer information during that period. It does not state how often such information was unavailable when requested. It does not identify a surveillance review, referral, investigation, or enforcement matter that was delayed or impaired because the Commission lacked a trader's occupation or employer. It does not identify market harm that universal advance collection would have prevented. And it does not attempt to estimate how often occupation or employer information collected from the entire population of traders would be consulted or prove material to a regulatory decision.

The publicly described matters discussed above reinforce the need for that analysis. In the matter involving a trader employed by the subject of a contract, the exchange identified unusually successful trading, investigated the trader, discovered the employment relationship, and imposed discipline. The Proposal does not say that the existing framework prevented the exchange or the

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[14] Id.

[15] Id. at 40,112-13.

Commission from obtaining the relevant employment information, or that universal collection would have produced a different or earlier outcome.[16] That matter may support preserving a strong and prompt mechanism for obtaining employment information when trading creates a reason for inquiry. It does not, without more, support collecting occupation and employer information from every person who trades every Covered Event Contract.

Nor does the Commission distinguish among the very different uses it invokes. A stable, persistent trader identifier may be necessary to detect wash trades or aggregate trading across markets. Occupation and employer information are not necessary to identify that two accounts belong to the same person. They may become relevant after surveillance identifies unusual success, suspicious timing, a relationship to the settlement source, or another factual basis for examining possible informational advantage. The Proposal treats these different needs as though they all require the same universal data set, but it does not explain why.

B. The Proposal Does Not Analyze the Actual Burden

The burden is significant in kind and potentially significant in amount. A universal occupation-and-employer mandate requires more than adding two blank fields to an account-opening page. DCMs and intermediaries would need to determine what information must be provided, define acceptable responses, modify onboarding and account-maintenance systems, map fields between firms, transmit information across intermediated structures, create exception and correction processes, protect the resulting data, and determine how and when it must be refreshed. Because the information would be associated with trading records and retained for an extended period, the requirement would also enlarge the body of personal information exposed to cybersecurity, privacy, access-control, and breach-response risks.

The Proposal does not meaningfully estimate any of those costs. It states that systems maintained by FCMs and foreign brokers "may accommodate" additional information and, from that premise, estimates that the cost of updating information flows will be de minimis for most reporting parties.[17] A statement that a system may be capable of modification is not an estimate of the cost of modifying it. The same could be said about almost any proposed data field. The relevant questions are what must be changed, how many firms must change it, what testing and reconciliation will be required, how often the information must be updated, how many exceptions the field will generate, and what continuing security and compliance obligations follow from maintaining it. The Proposal does not answer them.

The difficulty is not merely technical. "Occupation" and "employer" are not stable or self-defining data points. The Commission does not explain what should be collected for a retiree, student, homemaker, independent contractor, gig worker, person with several employers,

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[16] See supra note 7.

[17] Id. at 40,118-19.

owner of a closely held business, temporarily unemployed person, or customer whose employment changes after the account is opened. It does not address whether a general occupation is sufficient, whether a legal employer name is required, whether subsidiaries and affiliates must be identified, or how frequently a DCM must ask customers to update the information. A field that is easy to add but difficult to define and maintain can produce substantial cost and unreliable data at the same time.

There is also a direct customer burden. The proposal would condition access to a regulated market on disclosure of employment information even for customers making small, fully collateralized trades. Some customers will not understand why the exchange is asking. Some will provide incomplete or inaccurate answers. Some will abandon onboarding simply out of discomfort with disclosing their employer and occupation. The Commission does not estimate that friction, consider its effect on competition and participation, or explain why the burden is justified for accounts whose size and activity make it unlikely that the information will ever be reviewed.

The interaction between proposed § 16.03(g) and existing § 16.02 adds another unexamined consequence. Section 16.02 requires a DCM to transmit trader-identifying information if the DCM maintains it. Proposed § 16.03(g) would require the DCM to obtain and maintain the enumerated information for every trader. The combined provisions would therefore make transaction reporting routinely identifiable to every customer and require occupation and employer information to be maintained in a manner capable of association with those records, however small the customer's account. That may be the intended design. The Proposal does not clearly describe the resulting information flow or evaluate its full operational and privacy consequences.[18] An economic analysis that does not surface the principal consequence of the proposed provision interacting with the existing rule has not weighed that consequence.

C. The Commission Does Not Evaluate Less Burdensome Alternatives

The absence of an alternatives analysis is particularly important because several obvious alternatives could provide much or all of the claimed regulatory value at materially lower cost. The Commission does not meaningfully evaluate any of them.

First, the Commission could require basic identifying information and a persistent trader identifier for every account, while collecting occupation and employer information only when a trader crosses an absolute dollar-exposure, position, trading-volume, or profit threshold. That approach would preserve universal account attribution while focusing the more intrusive collection on accounts whose activity is more likely to matter to surveillance.

Second, the Commission could use a relative threshold, such as the largest specified percentage of traders by dollar exposure, volume, concentration, or profitability in a market. A relative

[18] 17 C.F.R. § 16.02; 91 Fed. Reg. at 40,112-13.

threshold would adjust to the size and liquidity of the contract rather than applying the same universal collection mandate to a ten-dollar participant and the largest trader in the market.

Third, the Commission could combine absolute and relative thresholds. For example, information could be required when an account exceeds a specified dollar amount or falls within the most active or concentrated percentage of traders in a contract. A combined approach would avoid leaving large accounts unreviewed in a small market while preventing universal collection in active retail markets.

Fourth, the Commission could require occupation and employer information in response to objective surveillance triggers, including unusual profitability, trading immediately before a material event, concentration in a contract concerning the trader's employer or industry, repeated trading in contracts associated with a particular organization, or activity that otherwise suggests access to nonpublic information or influence over an outcome.

Fifth, the Commission could preserve or refine a targeted request mechanism. Parts 18 and 21 already provide authority to obtain additional trader and account information. A self-contained event contract reporting rule could establish a prompt, standardized request process under which a DCM or intermediary must obtain and provide occupation, employer, beneficial ownership, control, or relationship information when the Commission identifies a contract, trading pattern, account, or investigation that makes the information relevant.

Sixth, before imposing universal collection, the Commission could conduct a random or stratified sampling program. A sample could include randomly selected traders, the most active traders, unusually profitable traders, traders in contracts with heightened informational risk, and a control group. Sampling would allow the Commission to test how frequently occupation and employer information is accurate, how often it reveals a relationship relevant to surveillance, what it costs to collect and maintain, and whether it materially changes regulatory outcomes. Random sampling alone may not be a complete substitute for targeted inquiry into suspected misconduct. It is nevertheless an obvious means of testing the premise that universal collection produces sufficient value to justify its cost.

Seventh, the Commission could combine these approaches: persistent identification for all traders; automatic occupation and employer collection for accounts exceeding justified absolute or relative thresholds; risk-triggered collection for particular contracts or trading patterns; targeted requests for specific surveillance matters; and a sampling program to test whether the calibration remains appropriate. That type of layered framework is common sense. It would give the Commission the information it needs when the need is greatest, without requiring every retail participant to supply information that the Commission has not shown it will use.

The Commission need not adopt any particular alternative suggested here without further study. It does, however, need to analyze them. The fact that universal collection may be administratively simple for the Commission does not make it the least burdensome reasonable

approach for the market. Section 15(a) requires the Commission to consider the costs and benefits of the action it actually proposes, and the Executive Orders invoked in the Proposal require consideration of alternatives that avoid unnecessary burden. The Proposal cannot satisfy those obligations by comparing universal collection only with collecting nothing.

D. Any Reproposal Should Be Based on Evidence About Use, Cost, and Data Quality

A reproposal should begin with evidence. The Commission should disclose, at least in aggregated form, how often occupation or employer information has been requested in Covered Event Contract surveillance and enforcement matters; how often it was unavailable; how often it affected the outcome of a review; which offices use it; and whether it could have been obtained through a targeted request without impairing the investigation. It should obtain cost information from DCMs, FCMs, foreign brokers, clearing members, and technology vendors regarding onboarding changes, data mapping, validation, updating, retention, security, and customer support.

The Commission should also define what it expects the data to mean and how current it must remain. A universal collection is not useful merely because every field contains text. If occupation and employer information is inconsistently defined, voluntarily phrased, or years out of date, the Commission may receive a large data set that creates the appearance of completeness without reliably supporting surveillance. The Commission should evaluate accuracy, update frequency, and false-positive and false-negative rates before concluding that universal collection is superior to targeted collection from accounts for which the information is actually relevant.

On the current record, proposed § 16.03(g) should not be finalized. A reproposal should require only the information necessary to assign a persistent and reliable trader identifier to every account. Occupation, employer, detailed control relationships, and comparable personal information should be collected under justified dollar or activity thresholds, objective risk triggers, sampling, targeted requests, or a carefully supported combination of those methods, unless the Commission can demonstrate with evidence that universal collection produces a material surveillance benefit that those less burdensome approaches cannot provide.

The same discipline should be applied to settlement reporting. The Commission acknowledges that DCMs currently provide the relevant settlement information, generally on a monthly basis, and proposes to require additional daily transmission through § 16.01.[19] The Commission should explain why daily transmission is necessary for information that becomes relevant when a contract settles. An event-driven report submitted upon settlement, or a standardized continuation of the existing periodic file, may provide the same information with less expense and fewer error-correction obligations.

[19] 91 Fed. Reg. at 40,107 n.52, 40,117-18.

IV. Reporting Through an SDR Would Add Cost Without Any Benefit

The Commission should retain the Proposal's conclusion that Covered Event Contracts should not be reported through an SDR. On the record presented, SDR intermediation would perform no incremental regulatory or public-transparency function that cannot be performed through direct reporting to the Commission and standardized publication by the DCM.

SDR reporting was designed for bilateral swap markets in which no exchange possesses and publicly displays a complete record of standardized trading; the repository exists because, in those markets, it is the only place the market becomes visible. Covered Event Contracts trade on DCMs. The market is visible before the trade, on a public order book, and after the trade, on the exchange's website. The exchange already possesses every transaction, reports it directly to the Commission, and publishes it to the public. Placing an SDR between the exchange and anyone does not create one datum of information. It creates another connection, another data transformation, another validation and reconciliation cycle, another point of failure, and another fee — a fee for transporting data from where it is already published to a place no one will look for it.

For the public these markets actually serve, the comparison is not close. The exchange website is where participants already obtain market information; it is free, immediate, and readable by a retail customer. The Commission can require that the same information be searchable, downloadable, and machine-readable through a public API or equivalent standardized means of access. The SDR public tape is none of these things. It is built for interest-rate and credit derivatives professionals, formatted in harmonized data elements that require specialized knowledge to decode, and, for the retail participants who make up the overwhelming majority of these markets, effectively unusable. Routing event contract data through an SDR would not bring transparency to the public; it would take information the public already receives in usable form and add a copy the public cannot use. There is no record evidence that anyone would consume it: the Commission's own request for comment asks whether and how SDR data for Covered Event Contracts is even used by interested parties,[20] and nine years of growth in these markets, with price discovery, research, journalism, and aggregation all running on direct exchange publication, supplies the answer.[21]

What SDR reporting would add is cost, friction, errors, and zero benefit. The Commission estimates that modifying systems to comply with part 45 technical requirements could cost between $24,000 and $73,225 per reporting party before ongoing per-report burdens, and that at an illustrative fee of $0.005 per transaction, annual SDR reporting fees could exceed $5 million for a large DCM offering Covered Event Contracts.[22] Millions of dollars a year, per exchange, to

[20] Id. at 40,116.

[21] Id. at 40,111-12.

[22] 91 Fed. Reg. at 40,115-16 & nn.135-36.

pay a third party to receive data the exchange already holds and republish data the exchange already publishes — much of it through part 45 fields the Proposal concedes do not apply to these contracts and whose reporting infrastructure "would not lead to the reporting of any useful information."[23] A per-transaction fee is also the quite likely the absolutely worst-designed possible levy for this market structure: it taxes trade count rather than value, falling hardest on the high-volume, small-notional markets at issue and on the new entrants trying to build them, and it is ultimately paid by retail participants in the spread.

The appropriate reproposal should therefore require direct publication by the DCM in a standardized, machine-readable, freely downloadable format, with a public API or equivalent means of access. Common fields, identifiers, time standards, and retention periods can make data comparable across exchanges without inserting a fee-charging repository into the reporting chain. The Commission should reject the SDR-only alternative and the DCM-as-SDR alternative in the same terms: each would impose substantial recurring costs, while the present record identifies no incremental regulatory or transparency benefit sufficient to justify them under section 15(a).

V. A Reproposal Should Replace the Legacy Cross-Reference Structure with a Single Reporting Rule Designed for Event Contracts

The Proposal also illustrates a broader problem with the Commission's reporting architecture. Sections 16.00, 16.01, and 16.02 were adopted for different purposes and at different times. They require clearing-member, market-level, transaction-level, order, reference, and supporting data through different reports and processes. Part 17 then adds position and ownership-and-control reports. There are areas in which these reports contain overlapping information, use different identifiers or timing conventions, or require reporting parties to transmit an aggregation that may be derived from more granular data already submitted.

The Commission itself recognizes redundancy in particular circumstances. For exclusively self-cleared contracts, it states that DCMs would not be required to submit clearing-member reports under § 16.00(c) because the reports would be redundant.[24] That conclusion illustrates the need to examine the interaction among the reporting streams by reference to the information each actually provides, rather than simply applying each legacy provision in turn. The Proposal also would move settlement information that the Commission already receives in a separate file into a different reporting process and schedule. These examples demonstrate why the Commission should examine the reporting system as a whole rather than adding obligations one provision at a time.

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[23] Id. at 40,106-07.

[24] Id. at 40,109.

Novig wishes to be unmistakable about its position, because it is easy to mischaracterize a comment that opposes particular requirements as a comment that opposes reporting. Novig has no objection to a reporting regime designed specifically for event contracts. It would welcome one, and a comprehensive one: a regime that gives the Commission complete visibility into these markets is in the interest of every exchange whose business depends on their integrity. What Novig objects to is the method the Proposal employs to get there — grafting event contracts onto reporting provisions written for other markets across five decades, and stitching the graft together with contract-specific cross-references, conditional switches, and provisos: § 16.03(b)(1) toggling obligations on clearing structure, §§ 17.00(j) and 17.01(f) allocating part 17 duties reporting party by reporting party, § 16.03(g) feeding newly mandated data into § 16.02's conditional. The result is a regime no one would design from a blank page: multiple overlapping streams, several vintages of format and identifier conventions, and a compliance perimeter that can be mapped only by reading half a dozen parts of the Commission's regulations against one another, each modified by event-contract-specific exceptions.

The reproposal should take the opposite approach. It should withdraw Covered Event Contracts from §§ 16.00, 16.01, and 16.02 and part 17 altogether and adopt a single, self-contained event contract reporting rule, designed from a fresh assessment of what the Commission actually needs for these markets. The core of that rule is already evident from the Commission's own experience: one daily transaction-and-order submission from which positions, trading volume, and prices can be derived; an event-driven submission containing the information necessary to confirm settlement; one public dissemination standard; one recordkeeping provision; and one appropriately scoped process for obtaining additional information when a specific surveillance interest arises. Every field in the rule should be justified the same way: necessary to an identified regulatory function, reasonable in the burden it imposes on the markets that must supply it, and demonstrably used by the Commission. A regime built on those principles would be simpler to comply with, simpler to enforce, simpler to explain, and more complete than the Proposal's patchwork — comprehensiveness and tailoring are complements here, not tradeoffs, because a rule written for these markets can cover them fully without carrying fields designed for markets they do not resemble.

Novig has not attempted in this comment to catalogue every overlap, inconsistent definition, timing difference, identifier issue, or duplicative field in §§ 16.00, 16.01, 16.02, and part 17. A complete field-level analysis is one that the Commission is best suited to do, and is outside the scope of this current proposal.

Further, it is axiomatic that the Commission should only require data to be reported if it is used. If there are data fields that are not used, the Commission should not require that data to be reported.

To design the new rule, the Commission should publish a reporting map that identifies, for each data element currently required:

1. the report in which the element is currently submitted;
2. the regulatory and technical definition applied to the element;
3. the office or division that uses it;
4. the surveillance, enforcement, analytical, or publication function it serves;
5. the frequency with which it is used;
6. whether it can be derived reliably from another submission;
7. whether a different report contains the same or substantially similar information; and
8. the consequence, supported by evidence, if the field were eliminated or obtained only upon request.

The elements that survive that examination belong in the new rule; the elements that do not should not be carried forward on inertia. The recent part 20 order demonstrates that the Commission can eliminate routine reporting when a broader data framework provides the necessary information, while retaining records and appropriately scoped request authority for circumstances in which additional detail is actually needed.[25]

Conclusion

The Commission is correct that the current no-action-letter framework should be replaced by a durable rule and that Covered Event Contracts should not be subjected to parts 43 and 45. Those conclusions do not support finalizing the remainder of the Proposal without a data-based showing that each incremental burden is necessary.

The Commission has nearly nine years of experience receiving part 16 data for these markets. It has used § 16.02 data to reconstruct trader positions and volume and to calibrate the very part 17 thresholds proposed in this rulemaking. It states that part 16 data is sufficient to support its mission and will not diminish the quality or granularity of surveillance information. The Proposal nevertheless does not identify an actual market harm caused by the absence of routine part 17 reporting, an investigation or surveillance function that failed because existing data was insufficient, or a reason that persistent identifiers and appropriately scoped, targeted information requests would not address any demonstrated gap. Most strikingly, it would require every trader to disclose occupation and employer information without showing how often those fields have been needed, estimating the full cost of collecting and maintaining them, or explaining why random or stratified sampling, dollar and activity thresholds, risk-based triggers, targeted requests, or a combination of those approaches would be insufficient. It likewise does not justify daily settlement reporting against event-driven or periodic alternatives.

The Commission should decline to finalize the Proposal and should issue a new proposal. Novig would welcome what that reproposal should contain: a comprehensive reporting regime designed

[25] CFTC Release No. 9269-26, supra note 11.

specifically for event contracts — not the Proposal's patchwork of cross-references into and exceptions from provisions written for other markets, but a single, self-contained rule, built from a fresh assessment of these markets, in which each requirement is necessary to an identified regulatory function, reasonable in the burden it imposes, and demonstrably used by the Commission. The reproposal should preserve direct reporting to the Commission and direct public dissemination by exchanges, reject SDR intermediation, identify with specificity any information that the Commission does not already receive or cannot derive, and support each field with evidence of its regulatory use. Done that way, the resulting regime would be both leaner and more complete than the Proposal — and these markets, whose value depends on their integrity, would be better regulated for it.

Novig appreciates the Commission's consideration of these comments.

Respectfully submitted,

Novig