AEGIS MARKETS

October 2, 2026

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

RE: Notice of Proposed Rulemaking – Conflicts and Affiliations – RIN 3038-AF76 (91 FR 50926, August 6, 2026)

Dear Secretary Kirkpatrick,

AEGIS SEF, LLC dba AEGIS Markets ("AEGIS") submits these comments on the Commodity Futures Trading Commission's ("CFTC" or the "Commission") notice of proposed rulemaking (the "Proposal" or "NPRM") addressing conflicts of interest arising from affiliate relationships involving futures commission merchants ("FCMs"), swap execution facilities ("SEFs"), designated contract markets ("DCMs"), and derivatives clearing organizations ("DCOs").[1] AEGIS operates a SEF for uncleared bilateral commodity swaps and previously commented on related Commission releases in 2023 and 2024.[2]

Our comments here are limited to Part 37 and to the SEF-specific questions the Proposal raises; we do not address the Commission Regulation 1.52, DCM financial-surveillance, DCO-affiliate, or Rule 1.55 amendments because those provisions are not germane to the affiliate relationships relevant to AEGIS's SEF operations.

Summary of Comments

(1) Affiliations can provide important market benefits, as the NPRM and the Commission correctly recognize. A principles-based framework can address potential conflicts of interest while preserving the efficiencies, innovation, and competition that appropriately structured affiliate relationships can provide.

(2) The definition of "affiliate market participant" should distinguish between ownership and control and should not treat independently operated portfolio companies as affiliates solely because they share a common financial sponsor. *(Question 31, 91 FR at 50948)*

[1] Conflicts and Affiliations, 91 Fed. Reg. 50926 (Aug. 6, 2026), *available at* https://www.govinfo.gov/content/pkg/FR-2026-08-06/pdf/2026-15948.pdf.

[2] Letter from Andrew Furman, Chief Compliance Officer, on behalf of AEGIS SEF, LLC, to CFTC (Sept. 28, 2023), *available at* https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=73143&SearchText=aegis; Letter from Andrew Furman, Chief Compliance Officer, on behalf of AEGIS SEF, LLC, to CFTC (May 13, 2024), *available at* https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=73469&SearchText=aegis.

(3) The Commission should implement proposed Commission Regulation 37.1201(b) in a manner consistent with its stated principles-based approach to management of conflicts of interest. In particular, restrictions on shared personnel should turn on the functions those personnel perform rather than on prescriptive categories; personnel should be permitted to cease performing restricted SEF functions and subsequently perform functions for an affiliate market participant, and vice versa, subject to appropriate controls; and the Commission should eliminate its overly prescriptive guidance on office-space separation. *(Questions 32-34, 91 FR at 50948)*

(4) The non-public information standard applicable to SEFs should turn on whether sharing could confer an unfair informational, trading, or competitive advantage, rather than turning solely on whether the information has been publicly disseminated. (*Questions 32-33, 91 FR at 50948*)

(5) Given the differences in the market participants for SEFs and DCMs, and their respective execution methods, the affiliate principal trading firm prohibition and conditional market maker exception should remain limited to DCMs. (*Questions 36 and 43, 91 FR at 50948, 50954*)

I. The Commission Correctly Recognizes the Important Benefits that Affiliate Relationships Can Provide

In the Proposal, the Commission recognizes that affiliate relationships can provide efficiencies and support market structure innovation and competition.[3] AEGIS's experience illustrates how an appropriately structured affiliate relationship can permit complementary regulated businesses to operate while addressing potential conflicts.

AEGIS initially developed a technology-enabled marketplace to improve pricing and execution in commercial hedging markets that historically relied heavily on telephone, chat, and other manual processes. After the CFTC determined that AEGIS's swap-facilitation activities required SEF registration, AEGIS established separate regulated entities: AEGIS CTA, LLC continued to advise customers on their hedging programs, while AEGIS Markets became a registered SEF and operates the regulated execution platform. This structure allowed AEGIS to continue providing advisory services while offering customers and other market participants a regulated marketplace designed to provide transparent pricing and more efficient execution.

AEGIS's experience demonstrates why affiliate relationships should not be viewed as inherently problematic. Where potential conflicts are appropriately addressed, affiliated entities can provide complementary services and support market innovation and competition. The final rule should therefore retain a principles-based approach that addresses the conflicts presented by particular affiliate relationships without unnecessarily restricting structures that provide legitimate benefits to market participants.

[3] Proposal at 50927.

II. AEGIS Supports the Commission's Control-Based Definition for "Affiliate Market Participant" (Question 31)

AEGIS supports the Commission's decision to focus the definition of "affiliate market participant" on control rather than ownership alone. The conflicts addressed by the Proposal arise from the ability to direct or cause the direction of a registrant's management and policies. Accordingly, an ownership interest should not, standing alone, establish control for these purposes; the analysis should take into account the voting, governance, contractual, and other rights associated with that interest and whether those rights provide the holder with the requisite power to direct management or policies.

The proposed definition also raises a distinct issue for financial sponsors that hold controlling investments in multiple portfolio companies. Two portfolio companies may be under common control at the sponsor level while operating as entirely separate businesses, with separate management, personnel, systems, information, and commercial decision-making. In those circumstances, treating one portfolio company as an affiliate market participant of another solely because they share a controlling financial sponsor may sweep in relationships that do not present the conflicts the Proposal is intended to address.

AEGIS therefore recommends that the Commission confirm that (i) ownership alone does not establish control absent voting, governance, contractual, or other rights that confer the power to direct or cause the direction of management and policies, and (ii) common control arising solely through a financial sponsor should not, by itself, cause independently operated portfolio companies to be treated as affiliates for purposes of the "affiliate market participant" definition where appropriate separation exists between their personnel, systems, information, and commercial decision-making.

III. The Commission Should Implement Proposed Regulation 37.1201(b) Consistent with Its Principles-Based Approach (Questions 32-34)

Proposed Regulation 37.1201(b) would require a SEF to establish and maintain procedures to identify, address, and manage conflicts of interest involving an affiliate market participant. Those procedures would be required to address, at a minimum, specified areas of potential conflict, including the sharing of personnel and office space.

AEGIS supports the Commission's stated objective of taking a principles-based approach to these conflicts. As the Commission explains in the Proposal, a principles-based requirement allows an exchange to design and implement procedures suited to its particular structure and risk profile, rather than imposing prescriptive structural separation requirements. AEGIS agrees with that approach. Certain of the proposed minimum requirements, however, are more prescriptive than this principles-based framework would suggest. In particular, the categorical restrictions on shared personnel and the guidance regarding office-space separation could foreclose reasonable alternatives that address the relevant conflicts equally effectively.

The Commission should therefore retain the principles-based framework reflected in proposed Regulation 37.1201(b), while revising these specific requirements to focus on the functions and risks that give rise to potential conflicts and allowing SEFs flexibility to implement appropriate controls.

AEGIS agrees that SEF personnel who perform surveillance, investigative, enforcement, or other market regulation functions should not be shared with an affiliate market participant. However, the Proposal's categorical prohibition on sharing staff, subject to a narrow carve-out, is overly prescriptive and does not focus on the functions that create the potential conflict. As drafted, the Proposal would, for example, prohibit sharing a paralegal who maintains records while permitting the sharing of an accountant with far broader visibility into the business. The result could be to prevent affiliates from realizing legitimate operational efficiencies without a corresponding conflicts management benefit.

The Commission should adopt a functional approach instead. Personnel who perform market regulation functions should not be shared, while personnel who perform other functions, including legal, compliance, administrative, technology, and other corporate functions, should be permitted to be shared where appropriate, subject to written information barriers, access restrictions, and oversight. Any access to transaction-level information should be limited to what is reasonably necessary for the person to perform the permitted shared function.

AEGIS's own experience demonstrates that this type of functional separation can work in practice. AEGIS has maintained dedicated market regulation personnel while sharing certain non-market-regulation functions pursuant to documented arrangements and associated conflicts controls.

The Commission should also clarify that personnel may cease performing restricted SEF functions and subsequently perform functions for an affiliate market participant, and vice versa, subject to appropriate cooling-off periods, information barriers, access controls, and oversight.

Likewise, the Proposal's guidance regarding office-space separation is overly prescriptive. Rather than focusing on physical barriers, the guidance should focus on preventing unauthorized access to premises, systems, and information, in light of today's hybrid and remote work arrangements.

IV. The Definition of Non-Public Information Should Be More Appropriately Tailored (Questions 32-33)

The Proposal would require a SEF to maintain its applications and systems in a manner that prevents the sharing of "non-public information" with an affiliate market participant, subject to limited exceptions. Non-public information is defined for this purpose in the Proposal's

Acceptable Practices as "information which has not been disseminated in a manner which makes it generally available to the trading public."[4]

This formulation is broader than necessary to address the conflicts the Proposal is intended to prevent. It could encompass ordinary commercial, product-development, technology, and other information regardless of whether sharing that information could provide an affiliate market participant with an unfair informational, trading, or competitive advantage. Applied broadly, the standard could unnecessarily restrict legitimate collaboration among affiliated entities without providing a corresponding conflicts management benefit.

AEGIS therefore recommends that the Commission tailor the information-sharing restriction to encompass non-public information whose sharing could reasonably be expected to provide an affiliate market participant with an unfair informational, trading, or competitive advantage.

V. The Affiliate Principal Trading Restrictions Should Remain Limited to DCMs (Questions 36 and 43)

The Proposal would prohibit an affiliate principal trading firm from trading on an affiliated DCM, subject to a conditional exception for affiliate market-making activity under proposed Regulation 38.852(b) and (c). Among other conditions, the exception would require the affiliate market maker's orders to be subordinated to those of unaffiliated members at the same price and would require an interruptive, affirmatively acknowledged notice at the beginning of each trading session disclosing the affiliate relationship and the conditions applicable to the affiliate market maker. The Commission requests comment on whether and how this framework should extend to SEFs, including whether order-priority subordination is compatible with SEF execution methods and whether a per-trading-session notice is appropriate in markets limited to eligible contract participants ("ECPs").

AEGIS does not believe this framework should be extended to SEFs. The SEF market structure differs from the DCM market structure in ways that warrant different regulatory treatment.

First, every SEF participant is an ECP capable of evaluating a disclosed affiliate relationship. Given the sophisticated nature of SEF participants, the affiliate principal trading firm prohibition and conditional market maker exception should not apply to SEFs but remain limited to DCMs. Similarly, a per-trading-session notice would provide little additional benefit in an ECP-only market where the affiliate relationship has already been appropriately disclosed.

Second, the execution methods of SEFs would not be universally compatible with the affiliate principal trading framework. In an RFQ protocol, for example, the requesting party selects the counterparties from which it wishes to solicit quotes and may select among the

[4] *Id.* at 50991. "Non-public information" is not defined for purposes of the proposed regulatory requirement itself.

responsive quotes. An order-priority subordination requirement designed for orders competing for priority on a central limit orderbook would not fit this widely-used execution method and would run counter to the economic purpose of RFQs.

Conclusion

AEGIS supports the Proposal's overall approach and recommends several targeted revisions before adoption. The Commission should: (1) clarify that ownership alone does not establish control and appropriately address independently operated portfolio companies under common financial-sponsor control; (2) implement proposed Regulation 37.1201(b) consistent with its principles-based approach, including by taking a functional approach to personnel restrictions and avoiding prescriptive office-space requirements; (3) tailor the non-public-information restriction to information whose sharing could reasonably be expected to confer an unfair informational, trading, or competitive advantage; and (4) retain the DCM-only scope of the affiliate principal trading firm prohibition and conditional market maker exception and, if that framework is nevertheless extended to SEFs, exclude RFQ protocols and the per-trading-session notice requirement in ECP-only markets where the affiliate relationship has already been appropriately disclosed.

We appreciate the Commission's continued engagement and welcome the opportunity to discuss these points.

Submitted,



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