SUSQUEHANNA

Susquehanna International Group, LLP | 401 City Avenue | Bala Cynwyd, PA 19004 | sig.com

October 5, 2026

VIA ELECTRONIC SUBMISSION

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

Re: Conflicts and Affiliations (RIN 3038–AF76)

Dear Mr. Kirkpatrick:

Susquehanna International Group, LLP and its affiliated entities ("Susquehanna") appreciate the opportunity to submit these comments in response to the Commodity Futures Trading Commission's ("Commission") notice of proposed rulemaking regarding conflicts and affiliations ("Proposed Rule").

Susquehanna supports the Commission's objective of addressing conflicts that may arise when a principal trading firm trades on an affiliated designated contract market ("DCM"). The Proposed Rule recognizes that absent appropriate safeguards, these relationships may create risks not fully addressed by existing regulations and that additional protections are warranted. Susquehanna's comments focus on two principal areas. First, Susquehanna urges the Commission to further address the anticompetitive risks that can arise from affiliate market makers and ensure that unaffiliated market makers have a genuine and economically viable opportunity to compete. Second, Susquehanna requests that the Commission provide additional guidance on the Proposed Rule's definition of "control" to ensure that non-controlling minority investors are not inadvertently swept into the affiliate framework.

I. About Susquehanna

Susquehanna is a global quantitative trading firm that has been a leading market maker across asset classes—including equities, fixed income, commodities, and derivatives—for more than 35 years. In 2023, Susquehanna became the first quantitative trading firm to establish a dedicated prediction markets trading desk. Today, Susquehanna is an active participant in market maker programs on multiple DCMs and a leading provider of liquidity in prediction markets spanning finance, cryptocurrency, elections, culture, weather, sports, and other event-based outcomes. In that capacity, Susquehanna provides consistent two-sided liquidity that supports orderly markets, price discovery, and risk transfer.

Susquehanna holds an indirect minority ownership interest in Rothera Exchange and Clearing LLC ("Rothera E&C"), which operates a DCM and derivatives clearing organization ("DCO"). Rothera E&C is 90% owned by a joint venture between Susquehanna and Robinhood Markets, Inc. Miami International Holdings, Inc. holds the remaining 10% interest in Rothera E&C. A Susquehanna

trading affiliate operates as one of several market makers on Rothera E&C's exchange, on terms equal to those of other market makers on the exchange. Susquehanna's trading affiliate maintains separate personnel, offices, and information-technology systems from Rothera E&C.

II. Addressing Anticompetitive Conduct

Market makers—both affiliated and unaffiliated—are essential to well-functioning derivatives markets, including prediction markets. Market makers provide liquidity, tighten bid-ask spreads, support price discovery and hedging, and create depth in order books that allows markets to absorb imbalances without sharp price dislocations.

The Proposed Rule correctly recognizes that affiliate market makers may be particularly important to the creation and maintenance of new markets, such as prediction markets, where unaffiliated firms may be unwilling to commit capital in the absence of preexisting volume. In nascent markets, an affiliate market maker may be the only participant willing to provide the initial liquidity necessary to attract broader participation.

At the same time, absent appropriate safeguards, affiliate market makers may pose genuine risks, potentially creating both the means and incentive to misuse confidential information and may compromise a DCM's ability to self-regulate impartially with respect to its affiliated trading firm. Accordingly, Susquehanna supports reasonable, risk-based conflicts-of-interest safeguards, including written policies, information barriers, separation of key personnel and systems, conflict documentation, public disclosure, and independent review.

Susquehanna is concerned, however, that the Proposed Rule does not adequately address the potential harm to competition posed by affiliate market makers. The Commission should supplement the Proposed Rule's conflict-mitigation framework with additional measures designed to ensure that unaffiliated market makers have a genuine opportunity to compete on economically viable terms.

Open and competitive markets are a fundamental goal of the Commodity Exchange Act ("CEA"). These objectives are reflected in multiple provisions of the CEA and Commission regulations:

- Core Principle 9 requires that a "board of trade shall provide a competitive, open, and efficient market and mechanism for executing transactions that protects the price discovery process of trading in the centralized market of the board of trade."[1]
- Core Principle 12 requires that a board of trade "promote fair and equitable trading on the contract market."[2]
- Core Principle 19 prohibits a board of trade from "impos[ing] any material anticompetitive burden on trading on the contract market."[3]

---

[1] 7 U.S.C. § 7(d)(9); 17 C.F.R. § 38.500.
[2] 7 U.S.C. § 7(d)(12); 17 C.F.R. § 38.650.
[3] 7 U.S.C. § 7(d)(19); 17 C.F.R. § 38.1000.

- Commission Regulation 38.151 requires that a DCM provide its members and persons with trading privileges with "impartial access to its markets and services," including access criteria that are "impartial, transparent, and applied in a non-discriminatory manner" and "[c]omparable fee structures for members [and] persons with trading privileges . . . receiving equal access to, or services from, the designated contract market."[4]

Absent appropriate safeguards, affiliation between a DCM and a market maker creates a financial incentive to circumvent these rules. The Proposed Rule appropriately requires that a DCM "[e]nsure that its trading matching system, including any price/time priority matching algorithm, does not favor the affiliate market maker."[5] However, the Proposed Rule does not fully account for the fact that terms that appear neutral in form may not be neutral in effect. A DCM could maintain an outward appearance of an open exchange while structuring its operational terms—fees, rules, access terms, matching methodology, tick sizes, product design, etc.—in a manner that prohibits unaffiliated liquidity providers from competing. For example, the same trading fees could have materially different impacts on affiliated and unaffiliated market makers. An unaffiliated market maker must bear these fees as expenses, while an affiliate market maker could be in a better position to absorb these fees by virtue of its participation in the affiliated enterprise. An affiliate market maker may operate at a substantial standalone loss, while the DCM and market maker, viewed together, remain profitable.

The Commission's proposed "order priority subordination" rule[6] does not fully solve this problem. DCMs can still structure their operations such that unaffiliated market makers cannot compete at the same price point, leaving the affiliate market maker as the only economically viable counterparty. A DCM could implement design features that would enable the exchange to avoid ever putting its affiliate in a genuine same-price tie with an unaffiliated order. For example, a DCM could establish extremely small minimum price increments, which would allow an affiliate market maker to improve its bids and offers by an economically insignificant amount and avoid the last-priority rule. A DCM could also foreclose unaffiliated market makers from competing by using RFQs or auctions with selective invitations or unequal response windows where orderbook based trading would normally apply.

The order priority subordination rule also appears contrary to other CFTC regulations. While the stated purpose of this rule is to ensure that a DCM "does not favor the affiliate market maker," the rule goes beyond prohibiting favoritism—it affirmatively *disfavors* affiliate market makers compared to similarly situated unaffiliated market makers. This sits uneasily with the Commission's impartial access requirements.[7]

The regulatory inquiry should focus not on the narrow question of order subordination, but on the broader question of whether the marketplace provides a genuine and economically viable

---

[4] 17 C.F.R. § 38.151.

[5] Proposed Commission Rule 38.852 (c)(1); *see* 91 Fed. Reg. at 50992.

[6] *See* Proposed Commission Regulation 38.852(c)(1)(i) (requiring order-priority subordination); 91 Fed. Reg. at 50950–51.

[7] 17 C.F.R. § 38.151.

opportunity for unaffiliated firms to compete. For these reasons, Susquehanna recommends that the Commission add the following provision as Rule 38.852(c)(1)(iii):

> A designated contract market that permits an affiliate principal trading firm to trade on the designated contract market must, at all times . . . (iii) *ensure that the operation of the affiliate principal trading firm does not impose any material anticompetitive burden on trading on the contract market.*

In addition, in its final rules release, the Commission should provide guidance on how to assess the existence of a material anticompetitive burden. The inquiry should consider the totality of the circumstances, including not just the exchange's rules and market maker agreements, but also the practical conditions under which a market maker can connect, quote, receive data, obtain collateral treatment, and compete for executions.

The following non-exhaustive factors may indicate that an affiliate principal trading firm has imposed an anticompetitive burden:

- Unusually high fees relative to comparable markets.
- Significant concentration of executions in an affiliate market maker, which persists after a market has matured.
- Sustained losses by an affiliate market maker, which may indicate that the market maker obtains benefits from its affiliate status that give it a competitive advantage.
- An enterprise that includes an affiliated DCM, an affiliated market maker, and an affiliated futures commission merchant ("FCM") or an affiliated introducing broker ("IB")—all under the same ultimate beneficial ownership.
- Other market-design choices—such as tick sizes, incentive structures, collateral requirements, data access, connectivity, order types, and product design—that disproportionately preserve affiliate execution share and deprive unaffiliated market makers of a meaningful opportunity to compete.

Exchanges should ultimately be evaluated on whether these factors, when viewed in totality, indicate an effort to create and maintain a healthy, competitive exchange or rather attempt to internalize customer trading flow.

III. Enforcement and Monitoring

If the Commission retains the general framework in the Proposed Rule requiring independent verification of compliance with conflict-of-interest regulations, the Commission should be mindful that additional regulatory requirements impose additional costs. Any mechanism for ensuring compliance with the Proposed Rule should be reliable and enforceable while minimizing unnecessary compliance expenses.

If the Commission adopts Susquehanna's proposed Rule 38.852(c)(1)(iii), subject to independent verification alongside the rest of Proposed Rule 38.852(c)(1), the scope of a regulatory service

provider's ("RSP") review should be guided by the presence or absence of anticompetitive indicators. Where an affiliate market maker lacks indicia of anticompetitive effects, an RSP's review of Proposed Rule 38.852(c)(1)(iii) may be abbreviated and straightforward. In such cases, the RSP's role could be limited to documentation and assessment of simple metrics. These might include:

- The affiliate market maker's share of customer-facing transactions.
- The affiliate market maker's execution share within economically meaningful products.
- The number of unaffiliated market makers with substantial volume on the exchange.
- Applicable fees, incentives, payments, stipends, guarantees, loss protection, and comparable programs.
- Whether the affiliate market maker is profitable on a standalone basis.

Where an affiliate market maker displays indicia of anticompetitive effects, the RSP should conduct a more thorough review and assessment, including an analysis of the specific factors contributing to the anticompetitive conditions and an evaluation of whether the DCM's market structure and operational terms provide unaffiliated market makers with a genuine opportunity to compete.

IV. Definition of "Control"

The Proposed Rule defines "control" as "the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise."[8] That functional formulation is preferable to a rigid ownership-percentage threshold because the ability to direct management and policies is a prerequisite for the conflicts of interest the Proposed Rule is designed to address.

Nevertheless, the Proposed Rule's definition, standing alone, may create uncertainty for market participants regarding the circumstances that give rise to "control." To promote clarity and predictability, the final rules release should, at a minimum, provide further guidance on the circumstances that constitute—and do not constitute—control.

The Commission should identify a non-exclusive set of factors relevant to assessing control. These might include:

- Ultimate beneficial ownership of a majority of the DCM's equity.
- The ability to appoint or remove a majority of the DCM's board of directors or equivalent governing body.
- The unilateral ability to appoint, remove, or direct the DCM's chief executive officer.

---

[8] Proposed Commission Regulation 38.852(a); *see* 91 Fed. Reg. at 50991-92.

- Voting arrangements, board agreements, or other governance rights that provide affirmative decision-making authority (as distinguished from veto or consent rights).

- The ability to direct the DCM's policies regarding market structure, access, fees, products, incentives, or regulatory functions.

In addition, the Commission should consider incorporating into the final rule a safe harbor or rebuttable presumption against control for entities that beneficially own a minority of a DCM's equity. The mere existence of a direct or indirect minority ownership interest should not, by itself, trigger the full panoply of affiliate requirements under Proposed Regulation 38.852. Typical protective governance rights—such as minority board representation, consent rights over significant corporate actions, anti-dilution protections, and information rights—should likewise be insufficient to establish control. The relevant inquiry should focus on the power to direct management, trading rules, market access, fees, products, or regulatory or disciplinary functions—not ordinary protections relating to significant corporate actions that are commonplace in minority investment and joint venture arrangements.

* * *

Susquehanna appreciates the Commission's thoughtful engagement with these important issues and welcomes the opportunity for continued dialogue as the rulemaking process proceeds.

Respectfully submitted,



Caitlin Farrell-Starbuck
Global Head of Compliance
Susquehanna International Group, LLP



David Pollard
Head of Strategic Initiatives and Special Counsel
Susquehanna International Group, LLP