TOPSTEP

Submitted via Regulations.gov

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

October 5, 2026

Re: Notice of Proposed Rulemaking: Conflicts and Affiliations (17 CFR Parts 1, 37, 38, and 39; RIN 3038-AF76)

Dear Secretary Kirkpatrick,

Topstep LLC ("***Topstep***") respectfully submits this comment letter in response to the Commodity Futures Trading Commission's (the "***Commission***" or "***CFTC***") Notice of Proposed Rulemaking (the "***NPRM***" or "***Proposal***") regarding conflicts of interest and affiliate relationships involving futures commission merchants ("***FCMs***"), swap execution facilities ("***SEFs***"), designated contract markets ("***DCMs***"), and derivatives clearing organizations ("***DCOs***").[1]

Topstep commends the Commission for its careful work on the Proposal, which correctly recognizes that affiliated structures can deliver tangible benefits to derivatives markets and market participants, while establishing reasonable, targeted guardrails to protect the impartiality of registered entities and the interests of unaffiliated market participants, including retail customers.

I. Background on Topstep

Topstep is the Chicago-based parent company of an enterprise of businesses, all committed to retail trader education, simulation-based skill development, and responsible retail participation in regulated derivatives markets. The core of Topstep's business is the Trading Combine®, a simulated evaluation program in which aspiring retail traders demonstrate profitability, risk management, and discipline before being granted access to Topstep's proprietary capital. Topstep serves hundreds of thousands of traders and aspiring traders in over 140 countries. The Topstep enterprise includes multiple CFTC registrants as well as other affiliates, and so Topstep understands first-hand the efficiencies that affiliations make possible as well as the importance of clear entity-level separation, disclosure, and supervision within such a structure.[2]

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[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] Topstep recognizes that affiliated structures, including affiliations between registrants and non-registrants, can create conflicts beyond those addressed in the Proposal. Topstep has proactively addressed potential conflicts through measures including clear entity-level separation and disclosures; written policies governing onboarding, trading parameters, risk management, payouts, marketing, and employee conduct; controls distinguishing simulated activity, proprietary trading, and customer brokerage services; and dedicated legal, compliance, risk-management, and technology personnel.

The traders Topstep serves are precisely the kind of unaffiliated, predominantly retail market participants whose interests the Proposal seeks to protect.[3] Topstep approaches this Proposal with the same emphasis on retail customer protection that has guided its prior submissions to the Commission.[4]

II. Affiliated Structures Can Benefit Derivatives Markets

Topstep agrees with the Commission's preliminary view that facilitating market structure innovation and competition, subject to appropriate safeguards, advances the Commission's mission of promoting the integrity, resilience, and vibrancy of the U.S. derivatives markets.[5] Topstep likewise supports the Commission's decision not to propose a blanket prohibition on broad categories of affiliate relationships, and its preliminary conclusion that affiliations can produce efficiencies and competitive benefits, including with respect to market access and liquidity, while conflicts procedures and disclosure can adequately address the potential issues that may arise.[6]

Topstep's own experience reflects these benefits. Affiliated structures have enabled Topstep to provide participants with an integrated experience spanning education, simulation, and live market access through a registered intermediary, while also supporting the development of an innovative business model that addresses a previously unmet need for trader education and responsible pathways to market access.

At the same time, certain affiliations can create conflicts that warrant targeted safeguards. The benefits of affiliation depend in part on the confidence of unaffiliated market participants that registered entities will exercise their regulatory, supervisory, and other responsibilities impartially and will not provide affiliated entities with inappropriate advantages.

Topstep therefore supports reasonable safeguards designed to address actual or potential conflicts arising from affiliate relationships, while preserving the efficiencies and competitive benefits those relationships can provide. Such safeguards should be tailored to the nature of the affiliation and the risks presented, rather than unnecessarily restricting affiliated structures that can benefit market participants.

III. Clear, Principles-Based Regulation Provides Important Certainty to Affiliated Market Participants

Topstep supports the Commission's effort to provide greater clarity and specificity regarding the regulatory expectations applicable to affiliate relationships. As affiliate relationships become more

[3] NPRM at 50927 ("[T]he Commission believes that facilitating market structure innovation and competition, subject to appropriate safeguards, advances the Commission's mission of promoting the integrity, resilience, and vibrancy of the U.S. derivatives markets. The Commission recognizes, however, that there may be risks as well, including to unaffiliated market participants such as retail customers.").

[4] *See, e.g.*, Topstep, Comment Letter on Prediction Markets; Public Interest Determinations (July 27, 2026); Topstep, Response to Request for Information: Identifying Regulations to Facilitate Innovation and Competition to Financial Products and Services for Fintech Firms (July 9, 2026).

[5] NPRM at 50927.

[6] *Id.* at 50947.

common and market structures continue to evolve, clearer expectations can help market participants structure their activities, allocate compliance responsibilities, and implement appropriate controls with greater certainty.

At the same time, greater specificity should not come at the expense of the principles-based approach that has historically allowed the Commission's regulatory framework to accommodate different business models and market structures. Topstep therefore supports an approach that provides clear regulatory expectations while preserving sufficient flexibility for firms to adopt controls appropriate to their particular activities, structures, and risks. That certainty is particularly valuable when evolving business models operate alongside more traditional regulated activities within affiliated enterprises.

IV. Observations from a Retail-Focused Perspective

Clear disclosure is particularly important for retail market participants. Topstep therefore supports the proposed requirement for DCMs to disclose the existence of an affiliate FCM in their rulebooks and on their websites and other electronic portals "in a clear, prominent, and readily available manner."[7] Topstep also supports the proposed amendment to Commission Regulation 1.55(k)(5) requiring FCMs to disclose affiliate relationships and the risks such relationships create. Topstep agrees with the Commission that a flexible, tailored disclosure is preferable to a prescribed form.[8] These disclosure requirements are practical, cost-effective ways to provide market participants, including retail participants, with additional information and protection, while preserving the benefits that can arise from affiliated structures.

V. Conclusion

Topstep commends the Commission for advancing a Proposal that recognizes the benefits of affiliated market structures while seeking to establish reasonable guardrails against conflicts of interest. Topstep appreciates the opportunity to comment and welcomes further discussion with the Commission and its staff.

Respectfully submitted,

/s/ Andrew Maratea

Andrew Maratea
Chief Legal Officer
Topstep

cc: Peter Y. Malyshev, Sidley Austin LLP

[7] *Id.* at 50992.

[8] *See id.* at 50964-65.