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October 5, 2026

Via Electronic Submission

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

RE: *Notice of Proposed Rulemaking Concerning Affiliations Among Certain CFTC-Regulated Entities, 91 FR 50926 (August 6, 2026) (RIN 3038-AF76)*

Dear Mr. Kirkpatrick:

Bullish Markets LLC ("BML" or the "Exchange") and Bullish Clearing & Settlement LLC ("BCS" or the "Clearinghouse," and together with BML, "Bullish") appreciate the opportunity to comment on the Commodity Futures Trading Commission's ("CFTC" or "Commission") Notice of Proposed Rulemaking ("NPRM" or "Proposal") concerning affiliations among certain CFTC-regulated entities.[1] BML and BCS are applicants for designation as a Designated Contract Market ("DCM") and registration as a Derivatives Clearing Organization ("DCO"), respectively, having submitted their applications to the Commission in May 2026. BML intends to list Bitcoin referenced futures and options contracts at launch, with BCS providing clearing services exclusively for BML's listed contracts. Both entities are under common control with an affiliated futures commission merchant (the "affiliated FCM") and an affiliated market maker that will provide liquidity on BML. This vertically integrated structure is precisely the type of affiliation the Commission's Proposal is designed to address, and we therefore have a direct and substantial interest in the Commission's rulemaking.

As pending DCM and DCO applicants with affiliated market participants, Bullish offers a perspective that may differ from established, multi-product DCMs: for a new market entrant, affiliated market making is not a convenience but a necessity. Without an affiliated source of liquidity, launching a new futures or options contract

[1] Notice of Proposed Rulemaking Concerning Affiliations Among Certain CFTC-Regulated Entities, 91 FR 50926 (August 6, 2026), Release Number 9274-26.

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on a newly registered exchange in a nascent product class is not commercially viable.

In summary, Bullish: (1) supports the principles-based approach throughout the Proposal and opposes prescriptive separation requirements that are unworkable for newly registered entities; (2) strongly opposes any blanket prohibition on affiliate principal trading firm activity and urges the Commission to retain the affiliate market maker exception as the operative framework; (3) requests clarification on certain conditions of the affiliate market maker exception; and (4) strongly opposes any prohibition on affiliated clearing membership.

I. Definitions: Affiliate FCM, Affiliate Market Participant, and Affiliate Clearing Member

Consistent and well-calibrated definitions across §§1.52, 38.852, and 39.25 are foundational to the Proposal. Bullish supports control-based definitions for "affiliate FCM," "affiliate market participant," and "affiliate clearing member" as proposed. Control captures the substance of the conflicted relationship (the ability to direct the conduct of an affiliated entity) more accurately than any fixed ownership threshold, which can be circumvented through fractional ownership structures. The Commission should confirm that "control" for purposes of §§1.52, 38.852, and 39.25 uses the same standard applied elsewhere in CFTC regulations, rather than a bespoke definition that diverges from established interpretive guidance.

Bullish requests that the Commission confirm one critical boundary condition on the definition of "affiliate market participant": the definition should extend to entities trading through an affiliated FCM as clearing member, not only to entities that are themselves direct DCM participants. Limiting the definition to direct participants would allow indirect affiliate trading to avoid the safeguards the Commission intends to apply.

II. Affiliate Market Participant Conflicts (§38.852)

A. Benefits of Affiliated Market Making and Principles-Based Framework

Bullish strongly supports the principles-based framework for addressing affiliate market participant conflicts. The Commission should focus its requirements on: (i) documented conflict-management policies; (ii) independent compliance oversight

through the Chief Regulatory Officer ("CRO") and Regulatory Oversight Committee ("ROC"); (iii) adequate disclosure to market participants; and (iv) targeted monitoring and surveillance, leaving implementation to DCM discretion subject to CFTC review and oversight.

For a newly registered DCM listing a new product: an affiliated market maker will provide continuous two-sided markets in the Exchange's listed products, benefiting institutional and retail participants through enabling price discovery and ensuring efficient and liquid markets with tighter spreads. Without an affiliated source of liquidity, launching a new futures contract on a newly registered exchange in a nascent product class is not commercially viable. A regulatory framework that effectively forecloses affiliated market making for new DCMs would concentrate market activity at established venues, potentially stifling innovation and driving activity to less-regulated offshore markets that do not impose restrictions on affiliate market makers.

The comparative advantages of affiliated market making are most evident during periods of market stress. Third-party, unaffiliated market makers may reduce or withdraw their quotes during heightened volatility, in order to manage their own risk or capitalize on pricing dislocations across other venues. An affiliated market maker, by contrast, has a structural commitment to the market that third-party providers do not. The Commission should weigh this market stability benefit when calibrating the exception framework: conditions imposed on affiliated market makers must not be so onerous as to effectively eliminate the affiliated market maker at the moments when its presence is most important to orderly markets and customer protection.

B. Sharing Compliance Personnel

Bullish agrees with the Commission's preliminary view that legal and compliance personnel should not be classified as administrative staff for purposes of the personnel-sharing guidance. The DCM's compliance function, including its CRO, should maintain independence from the affiliate market maker and should not be shared with that entity. Bullish supports codifying this as an acceptable practice rather than in mandatory rule text, consistent with the principles-based approach throughout the Proposal.

III. PTF Prohibition and Affiliate Market Maker Exception (§38.852(b)/(c))

A. Opposition to Blanket Prohibition; Support for the Exception Framework

Bullish opposes any blanket prohibition on affiliate principal trading firm activity. A default prohibition, even with an available exception, creates regulatory uncertainty during the period between application and formal exception qualification, precisely when a new DCM most needs certainty about the market structure it is building.

Bullish notes that a DCM may require an affiliate to engage in principal trading on the DCM that is not strictly market making for a variety of operational and/or risk management reasons, such as facilitating group treasury management, facilitating customer orders (e.g. where a counterparty specifically requests to face the affiliate as the principal counterparty pursuant to the customer's internal procedures), trade error correction, and managing a default.

If the Commission retains a prohibition as a default rule, it must establish a clear, streamlined process for pending DCM applicants to qualify for the exception at or before registration, and should confirm that compliance with exception conditions may be established at or before the date of registration.

The majority of global digital asset trading, including digital asset derivatives trading, currently takes place outside the United States. Imposing a categorical prohibition on affiliate principal trading would place U.S.-registered venues at a substantial competitive disadvantage relative to offshore markets that impose no comparable restriction, potentially driving activity further outside the Commission's regulatory perimeter.

The exception framework should apply uniformly to all qualifying affiliated market-making activity without volume or concentration thresholds. Volume thresholds are conceptually flawed for this purpose: a large-volume affiliated entity with significant market impact is more conflicted, not less, than a small-volume affiliated market maker providing liquidity in a thinly traded product. A volume threshold perversely exempts high-volume affiliate trading from the conditions designed to manage conflicts while potentially burdening lower-volume market-making activity that poses less systemic risk.

B. Order-Priority Subordination

Bullish opposes codifying order-priority subordination as a mandatory rule requirement. Order-priority subordination deviates from price-time priority, the foundational rule of FIFO markets, and introduces a two-tiered execution framework that creates ambiguity for all market participants about the applicable rules of execution. Departing from that principle for affiliated orders structurally disadvantages the affiliated market maker in ways that could impair its ability to

provide continuous, competitive liquidity. The Commission's core objectives (ensuring that the affiliated market maker does not obtain preferential access or execution advantages over non-affiliated participants) are fully achieved through the governance, surveillance, disclosure, and independent RSP oversight requirements proposed elsewhere in the Proposal. We respectfully urge the Commission to remove the order-priority subordination condition from the proposed rule.

C. Sole-Source Liquidity Situations

In situations where the affiliate is the sole source of liquidity for a product, Bullish believes that the remaining conditions (continuous two-sided quoting, independent RSP surveillance, and per-session disclosure) adequately protect customers. The continuous two-sided quoting requirement is the operative protection against directional trading by the affiliated market maker; sole-source status does not create a gap that requires additional conditions.

D. Quantitative Parameters and Capital Independence

Quantitative parameters for market maker obligations (minimum quoting hours, maximum spread limits, minimum quote sizes) should be specified in guidance as acceptable practices, not fixed in mandatory rule text. Market conditions and liquidity profiles vary significantly across products, asset classes, and market maturity stages. Parameters rigid in rule text will either be too constraining for nascent markets, rendering the exception unusable when most needed, or too permissive for mature markets. The Commission should require each DCM to establish product-specific parameters in its rulebook, subject to CFTC review, rather than specifying uniform quantitative parameters in the regulation itself. Bullish similarly opposes a strict capital independence requirement that would prohibit all financial flows between the affiliated market maker and other affiliates. An AMM entity operating within an integrated financial group will draw on parent capital resources for risk management and operational purposes; this is a feature of integrated financial operations, not a conflict of interest. The Commission's concerns about capital adequacy are better addressed through: (i) the affiliated FCM's net capital requirements under Part 1; (ii) BCS's financial resources requirements under Core Principle B; and (iii) a targeted prohibition on the DCM advancing funds to the affiliated market maker specifically to enable trading.

E. Disclosure to Market Participants

Bullish supports per-session disclosure as proposed. A one-time disclosure at account opening is less effective: it may not remain salient to participants who open

accounts before trading activity begins or who trade infrequently. Per-session notice ensures every participant has contemporaneous notice at the time they choose to trade. On delivery, Bullish supports a shared responsibility model: the DCM provides system-level per-session notification to direct participants, and the affiliated FCM includes disclosure in its §1.55 document to its customers.

IV. DCO Affiliate Clearing Member (§§39.2/39.21/39.25)

A. Principles-Based Approach; Opposition to Prohibition on Affiliate Clearing Membership

BCS strongly supports a principles-based approach to DCO affiliate clearing member conflicts and opposes any prohibition on affiliated clearing membership in response to Question 63. The CEA does not prohibit DCO affiliations with clearing members, and such affiliations have existed under the Commission's principles-based framework for many years. The Commission's own analysis correctly concludes that a targeted procedures-and-disclosure framework can adequately mitigate the relevant risks without foreclosing efficiency-enhancing structures. The appropriate regulatory response is the one the Commission has proposed: non-preferential treatment under §39.25(d) and public disclosure under §39.21(c)(9).

B. Margin Setting, Default Management, and Non-Preferential Treatment

BCS strongly supports codifying the non-preference principle: the affiliated FCM must be treated on terms no more favorable than those applicable to non-affiliate clearing members. BCS's margin methodology will be applied consistently to all clearing members. The affiliated FCM will be subject to the same initial margin, variation margin, and intra-day margin call requirements as any other clearing member. BCS's risk management function, independent of both the affiliated FCM's management and BML's commercial management, sets margin parameters, reviewed by a Risk Management Committee that includes independent directors. The Commission should confirm that the non-preference principle under proposed §39.25(d) encompasses margin methodology, default fund contribution requirements, and all default management procedures, not solely discrete rule-by-rule comparisons.

With respect to default management, BCS must retain full discretion in managing defaults of all clearing members, including the affiliated FCM, consistent with Core

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Principle G. Differentiated default management procedures for affiliated clearing members would itself create a conflict and undermine the integrity of the default management process. BCS confirms that its default management procedures will apply uniformly to all clearing members regardless of affiliate status, with the Risk Management Committee providing independent governance oversight in any default scenario.

C. Public Disclosure of Affiliated Clearing Member Relationships

BCS supports the proposed disclosure requirement in §39.21(c)(9) as appropriately calibrated. On the additional disclosures Question 69 asks about: BCS supports requiring disclosure of the specific conflicts-management measures adopted, as this information is directly material to market participants evaluating the DCO's management of affiliate-related conflicts. BCS opposes requiring disclosure of the full upstream ownership chain of the affiliated clearing member; such a requirement would be unnecessarily burdensome and of limited value where the affiliation itself is already publicly disclosed. BCS also opposes requiring disclosure of the financial and operational interconnections between the DCO and the affiliate clearing member, as prescribing the granularity of such disclosure in rule text is better addressed through guidance that allows appropriate calibration to the nature and complexity of the relationship.

Conclusion

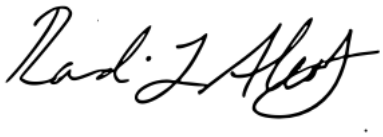
Bullish submits these comments as a pending DCM and DCO applicant with a direct stake in the regulatory framework this rulemaking will establish. The vertically integrated structure the Commission's Proposal addresses is, for new market entrants, not a competitive advantage to be curtailed but a structural necessity for viable market entry. The Commission's principles-based approach correctly recognizes that conflicts of interest can be managed effectively through governance, disclosure, and independent oversight, without prohibitions that foreclose market entry or prescriptive requirements that impose costs disproportionate to their regulatory benefit.

Bullish urges the Commission to finalize this rulemaking consistent with those principles, and looks forward to continued engagement as the Commission works toward a final rule.

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If you have any questions regarding this submission, please reach out to Shawn Somers, Global Head of Compliance at shawn.somers@bullish.com or myself at randi.abernethy@bullish.com.

Sincerely,



Randi Abernethy
Chief Executive Officer
Bullish Markets LLC and Bullish Clearing & Settlement LLC

cc: Honorable Chairman Michael S. Selig