October 5, 2026

Mr. 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, 91 Fed. Reg. 50,926 (August 6, 2026)

Dear Mr. Kirkpatrick:

Rockridge Analytics, LLC ("Rockridge" or the "Firm") respectfully submits these comments in response to the Commission's notice of proposed rulemaking on Conflicts and Affiliations (the "Proposal").

Rockridge supports the Proposal. In our view, the Commission has correctly identified a market structure issue that warrants a baseline federal standard rather than continued reliance on voluntary and non-uniform venue practices. We support the Proposal's core framework and recommend several changes that would strengthen it by ensuring that fee structures, incentive programs, technical arrangements, and other market structure mechanisms cannot be used to frustrate its purpose or disadvantage unaffiliated market participants in practice.

I. Background on Rockridge

Founded in 2020, Rockridge is a quantitative market maker specializing in swaps and event contracts on U.S. federally regulated designated contract markets, including prediction markets. The Firm provides liquidity across a range of prediction market and event contract venues. As a market maker, Rockridge's primary function is to post both buy and sell orders on a near-continuous basis across a range of products and to respond to requests for quotes, thereby providing liquidity to other market participants and contributing to efficient price discovery. The Firm's trading activity is predominantly driven by proprietary quantitative models that determine real-time fair values for each contract and post bids and offers accordingly.

With over 60 professionals across Chicago, New York and Dublin, Rockridge sits at the intersection of automated market making and swaps and event contracts. Our perspective is that of a firm whose willingness to deploy capital in a given contract depends on its assessment of whether it can compete on the merits of its pricing and risk management. That assessment is the mechanism by which competition among liquidity providers translates into narrower spreads, greater depth, and more accurate prices for end users. Where an independent firm concludes that it cannot compete on the merits, it allocates its capital elsewhere. The resulting loss to the market is real but difficult to observe because it takes the form of liquidity that was never provided.

We offer these comments in that spirit. We do not allege misconduct by any venue or affiliated trading firm, and we do not believe the Proposal rests on such a premise. Our comments focus on supporting an efficient, incentive-based market structure that promotes fair and orderly trading, rather than on particular conduct by those that may be part of affiliated structures.

II. Summary of Recommendations

1. Rockridge supports the Proposal's core framework, including its conflicts-management requirements, prohibition on affiliate principal trading, conditional exception for bona fide market making, and governance safeguards.
2. Rockridge recommends that the Commission add a participation ceiling to the market maker exception, initially targeting an affiliated market maker's share of executed volume in a product at no more than 10–15% over a rolling measurement period. The ceiling should operate principally as a transparency and remediation mechanism rather than as a per se prohibition, with appropriate consequences for persistent concentration.
3. Rockridge recommends extending the Proposal's "no less favorable terms" principle beyond market-making program obligations to encompass fee and rebate schedules, volume-based tiers, technical access, order type availability, and risk, credit, and netting policies. These terms should be evaluated on a net economic basis and disclosed publicly.
4. Any participation ceiling should include a defined new-product runway. Affiliated participation should be unrestricted during an initial launch period, followed by a scheduled transition toward the standing ceiling, with a limited extension available where independent liquidity has not developed and the venue demonstrates meaningful efforts to attract it.
5. The Commission should make clear that a venue may not be structured or operated principally to reserve customer order flow for a limited number of affiliated or preferred liquidity providers. The market maker exception should not be available where the venue's market structure, access arrangements, fee schedule, or liquidity program effectively forecloses competition among liquidity providers.
6. The conditions applicable to affiliated market making should expressly apply to request-for-quote ("RFQ") protocols, including RFQs for ordinary retail-sized orders. RFQs should be distributed simultaneously and on non-discriminatory terms, subject to uniform response periods, and should not provide affiliates with matching or other preferential rights. RFQ executions should count toward any participation ceiling, and venues should publicly report basic RFQ participation and outcome statistics.
7. The Commission should extend appropriate safeguards to market participants with significant financial relationships with a venue, including revenue-sharing arrangements, contingent equity interests, financing arrangements, governance rights, and preferential liquidity arrangements. Such relationships should be publicly disclosed and trigger affiliate status when they exceed specified thresholds, while ordinary commercial arrangements offered on published, non-discriminatory terms should remain outside the rule.

III. The Proposal's Core Framework Is Sound

A. A baseline standard is preferable to voluntary practice

We agree with the Commission's recognition that some venues with affiliated market participants have voluntarily adopted mitigation measures, but that those measures have not been adopted

uniformly and may be modified or discontinued at any time because they are not required by Commission rule.

That is the essential case for rulemaking. A participant deciding whether to commit capital to a contract over a multi-year horizon cannot readily underwrite a voluntary safeguard that may be withdrawn without notice. Codification converts a venue's current practice into a durable expectation, which has value to independent participants and, importantly, also to affiliated venues that have already invested in these controls and would prefer not to be undercut by venues that have not.

A common baseline therefore need not be viewed as a restriction on innovation. Rather, it establishes minimum competitive conditions under which different venues can compete to attract liquidity and customers.

B. The proposed conditions address the most acute concerns

Order-priority subordination directly addresses the concern that an affiliate might capture flow ahead of an independent firm quoting at the same price, and it does so through the matching engine rather than through a policy commitment. We support its adoption.

Subordination, however, addresses only one form of preferential treatment. It does not prevent an affiliate from accounting for a dominant share of trading volume when it is the only participant consistently quoting at the inside. Nor does it address commercial terms, technical access, RFQ protocols, or other mechanisms that may affect whether independent liquidity providers are willing to participate in the first place.

The requirement that affiliated market-making obligations be no less favorable than those applicable to unaffiliated participants establishes an important principle of competitive parity. Independent third-party surveillance and certification likewise provide a meaningful verification mechanism. We support these protections, as well as the Proposal's separation requirements and its broader emphasis on independent oversight.

The recommendations below are intended to complement, not replace, those protections.

IV. Affiliated Structures and Internalization

A. Affiliated structures have legitimate benefits, and the Proposal should preserve them

Rockridge does not view all affiliated market making as inherently improper. Vertically integrated structures have permitted new venues to launch products that incumbent exchanges did not offer, to onboard retail participants through a single interface, and to coordinate trading, clearing, and customer-facing functions in ways that can be difficult across unaffiliated entities.

Several of the markets in which Rockridge participates exist because an affiliated structure made their launch commercially feasible. In a genuinely new product, an affiliated market maker willing to quote before any independent firm has developed a pricing model performs a service that benefits every subsequent participant, including us.

There are also positive examples of venues created and owned by the firms that most use them, including market makers, FCMs, and broker-dealers. These consortium exchange models have

existed for decades across multiple asset classes and have succeeded because they created broader competition and supported an ecosystem of market participants rather than reserving the benefits of the venue for one or two firms.

The Proposal appropriately accommodates these benefits by permitting affiliation while imposing conditions designed to distinguish bona fide liquidity provision from directional proprietary trading supported by structural advantages. We regard that distinction as appropriate.

B. DCMs should not be designed principally for internalization

The rationale for consortium structures does not extend to DCMs that are designed principally to internalize customer order flow, meaning venues structured so that a limited number of affiliated or preferred market makers interact with substantially all customer orders. These types of venues have recently been introduced in prediction markets.

A venue of that kind may satisfy formal requirements applicable to a DCM while functioning in practice as a bilateral dealing arrangement in which customers routinely trade against a predetermined counterparty. The benefits that justify affiliated and consortium structures, such as product innovation, broader access, and additional competition among markets, do not arise to the same extent where the venue's design forecloses competition among liquidity providers on the venue itself. Such a structure is difficult to reconcile with DCM Core Principle 9, which requires a competitive, open and efficient market that protects the price discovery process, and with the impartial access requirement of Core Principle 2.

We therefore urge the Commission to make clear that a venue relying on the affiliated market maker exception should maintain a market structure that permits meaningful competition among eligible liquidity providers. Relevant indicators should include whether customer flow is routinely directed to a particular participant, whether access to liquidity programs is materially restricted, whether the fee schedule or technical architecture favors a particular participant, whether RFQs are distributed selectively, and whether an affiliated participant receives preferential rights that are unavailable to otherwise similarly situated liquidity providers.

This approach would not prohibit affiliated structures. It would instead distinguish a venue that uses an affiliated market maker to establish and deepen a market from one whose structure effectively reserves customer flow for that market maker.

C. RFQ protocols require specific attention

This venue design concern applies with particular force to RFQ protocols because RFQs can create substantial opportunities for internalization and directed order flow.

Historically, RFQs were often viewed as a mechanism for block or illiquid trades. In event contract markets, however, RFQs are routinely used for ordinary retail-sized orders and are particularly important for multi-leg and combination contracts that have little or no resting order book. For these contracts, the RFQ process can effectively be the market.

Because the venue controls who receives a request, when requests are distributed, how long responders have to respond, and how the winning quote is selected, an RFQ protocol can deliver a substantial portion of customer flow to one or two responders without any corresponding

change to the order book. Book-based safeguards therefore do not fully address the competitive issues created by RFQ design.

We recommend that the Commission make clear that the protections applicable to affiliated market making apply equally to RFQ protocols. At a minimum, a venue relying on the exception should:

- distribute each RFQ simultaneously and on published, non-discriminatory terms to all eligible liquidity providers;
- apply a uniform response period sufficient to permit competing firms to price the request;
- prohibit matching or comparable preferential rights provided solely to an affiliate;
- display to the customer any better-priced resting interest available on the order book, where applicable;
- count RFQ executions toward any participation ceiling; and
- publicly report, by product or product category, the average number of responders and the percentage of RFQs won by the affiliated market maker.

We also recommend that RFQ responders remain anonymous to the requester, so that flow cannot be directed to a particular market maker based on its identity.

These requirements would preserve the usefulness of RFQs while ensuring that the protocol does not become a mechanism for systematically directing customer flow to an affiliated participant.

V. A Participation Volume Ceiling

A. The Proposal governs how an affiliate trades, but should also address concentration

One of our principal recommendations addresses a gap that the current framework does not fully close. Order-priority subordination, restrictions on directional proprietary trading, and market-making agreement requirements regulate the *manner* of an affiliate's participation. They do not directly address its *scale*.

An affiliated market maker can satisfy those conditions, including quoting continuously and on both sides, staying within applicable spread parameters, avoiding directional positions, and yielding time priority at each price level, and still account for a substantial majority of executed volume in a product.

That outcome is not necessarily a compliance failure. It may arise because the affiliate is well capitalized, has developed a strong model, and is willing to quote tighter than other participants. But it may also arise from structural advantages created by the venue.[1] The two situations can be difficult to distinguish solely by examining the affiliate's individual orders.

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[1]Several common examples illustrate this point: (1) A DCM could implement a high fee structure that ostensibly applies to all market makers "equally," but only the affiliated market maker would be economically able to pay the fee because it is being paid to its affiliated DCM operator. (2) A DCM could create a tick size regime under which an order-priority condition on affiliated market makers becomes virtually meaningless. (3) A DCM could have a trade-netting policy that limits the ability to offset opposite-side open positions, thereby artificially increasing market makers' capital requirements, which may make it economically impractical for less capitalized firms to trade on a platform.

The competitive concern is concentration itself. When one participant intermediates most of the volume in a product, competing pricing models and risk assessments are not tested against one another to the same degree. Competition among liquidity providers ordinarily provides an important error-correcting function: firms with different models, information, and risk appetites compete for order flow, and that competition can improve pricing and depth. The end result of persistent concentration is that customers are more likely to receive inferior prices than they would in a market with robust price competition among multiple liquidity providers.

A participation ceiling would address that structural concern without prohibiting affiliated market making altogether.

B. A ceiling should address persistent concentration without undermining liquidity

We recommend that the Commission condition the market maker exception on an affiliated market maker's share of executed volume in a product not exceeding a target ceiling, initially in the range of 10–15% over a rolling measurement period.

We recognize that the appropriate level ultimately depends on empirical evidence regarding the number of independent liquidity providers a product can support, the depth of customer demand, and the amount of affiliated participation necessary to maintain continuous markets. We therefore do not suggest that the Commission treat 10–15% as an immutable number.

Rather, we recommend that the Commission adopt a ceiling at the upper end of that range initially, collect data concerning its effects on liquidity and competition, and retain authority to recalibrate the level as experience develops.

The objective should not be to prevent an affiliated market maker from being an important liquidity provider. It should be to prevent a market structure in which affiliated participation becomes so dominant that meaningful competition among liquidity providers is effectively absent.

C. Measurement mechanics

If the Commission adopts a participation ceiling, we suggest the following framework:

1. **Unit of measurement.** Measure share of executed contract volume, with each transaction counted once rather than once per side. Measurement should occur at the product level rather than for an individual contract or across the entire venue. By "product," we mean all contracts that reference the same underlying event or data series and differ only in strike, threshold, or expiration. Combination contracts, which are often created on request and may trade too thinly to measure individually, should be measured together with the contracts comprising the legs of the combination.
2. **Period.** Use a rolling 90-day measurement period. This period is long enough to avoid triggering on ordinary short-term variation while still identifying persistent concentration.
3. **Aggregation.** Aggregate the affiliated market maker's volume with the volume of entities under common control or otherwise acting together for purposes of liquidity provision, to prevent the ceiling from being circumvented through multiple related entities.

4. **Transparency.** Require DCMs to publish the applicable product definitions and the methodology used to calculate participation shares.

The Commission should retain flexibility to refine the product-level methodology as market experience develops. In particular, the goal should be to identify economically meaningful concentrations without treating every thinly traded strike or combination contract as a separate market.

D. Exceedance should initially trigger remediation, not automatic punishment

We recommend that exceeding the ceiling not constitute a per se violation or automatically eliminate the affiliated market maker's ability to participate. The ceiling should initially operate as a disclosure and remediation threshold.

An affiliated market maker cannot fully control its share of volume. That share depends in part on whether independent firms choose to participate, and a rule that automatically penalized an affiliate for the absence of competitors could penalize it for a condition it did not create.

This issue is particularly important in event contracts, where a single underlying event can produce hundreds or thousands of related contracts and combinations. A specific contract may be created in response to a customer request and may attract little independent liquidity. Concentration in such a contract may therefore reflect the nature of the product rather than preferential conduct.

Instead, exceedance should trigger an obligation on the DCM to:

1. notify the Commission within a specified period;
2. publicly disclose the exceedance;
3. identify the affected product and the extent and duration of the concentration; and
4. submit a written description of the steps being taken to attract additional unaffiliated liquidity providers, including the terms on which those firms may participate.

Persistent exceedance over multiple consecutive measurement periods, particularly where the venue has not taken meaningful steps to attract independent liquidity, should warrant additional Commission attention.

This approach makes concentration visible without treating an affiliated market maker as responsible for a market outcome it cannot entirely control. It also creates a public record that would allow the Commission to calibrate the ceiling based on actual market experience.

E. New products require a defined runway

The case for a participation ceiling is substantially weaker at the launch of a genuinely new product.

At launch, there may be no established pricing convention, no historical data on which to base a model, and no assurance that the product will attract sufficient interest to justify the cost of building independent liquidity. An affiliated market maker willing to quote under those conditions may be the reason the product becomes tradable at all.

Applying a standing participation ceiling immediately upon listing could discourage precisely the activity that helps establish a new market. We therefore recommend a defined new-product runway.

F. Proposed structure

1. **Launch window.** For 90 days following the initial listing of a genuinely new product, no participation ceiling would apply, subject to all other conditions applicable to affiliated market making.
2. **Step-down.** Following the launch window, the ceiling would phase in over two successive 45-day periods (for example, 40% during the first period and 25% during the second) before the standing ceiling applied.
3. **Product-level application.** The runway should operate at the product level rather than separately for every individual contract. In event contract markets, a single event may generate hundreds or thousands of related combinations. Giving each combination its own runway could allow a substantial share of a venue's contracts to remain permanently within the exception.
4. **Limited extension.** Where a DCM determines that independent liquidity has not developed sufficiently to meet the standing ceiling without materially degrading market quality, the DCM should be permitted to extend the applicable step for up to two additional 90-day periods upon written notice to the Commission. The notice should describe the state of liquidity, the steps taken to attract unaffiliated providers, the terms offered to those providers, and the basis for the extension. We suggest that extensions be available on notice rather than on application and approval, so that a product is never left without a quoting obligation while a filing is pending.
5. **Anti-evasion.** The runway should attach only to genuinely new products. A product should not qualify where it is economically substantially similar to a product previously listed by the same DCM or an affiliate. The same principle should apply where an established product is simply relisted or repackaged to restart the runway. At the same time, ordinary product evolution, such as changes in tenor, settlement source, or contract size, should not automatically disqualify a product.

This framework would preserve the important role affiliated liquidity can play at launch while ensuring that the temporary need for affiliated support does not become a permanent substitute for independent competition.

VI. Extend Parity to Fees, Incentives, and Technical Access

A. A DCM can satisfy formal conditions and still advantage its affiliate

The Proposal appropriately emphasizes that affiliated market-making obligations should be no less favorable than those available to unaffiliated participants in comparable programs. That principle should extend beyond the formal market-making agreement itself.

The economics of market making are determined at least as much by the commercial and technical terms of participation as by quoting obligations. A venue seeking to advantage its affiliate could do so through:

- fee and rebate schedules, including maker rebates, taker fees, and clearing fees;
- volume-based tiers that are facially available to all participants but effectively reachable only by a firm already intermediating a large share of the market;
- technical access, including colocation, connectivity, API rate limits, session or order-entry throughput, and the timing and granularity of market data;
- order types and functionality made available on different terms or at different times;
- risk, position, or credit limits administered on a discretionary basis; and
- trade-netting or position-offset policies that materially affect capital requirements.

Each of these mechanisms can produce the same practical result: an unaffiliated firm concludes that it cannot compete on the merits and chooses not to commit capital.

Volume-based tiers deserve particular attention. Tiered pricing is ordinarily a legitimate and useful feature of exchange markets. It becomes more problematic where the participant receiving the economic benefit is affiliated with the venue establishing the tiers. An affiliate that already accounts for a large share of volume may receive lower effective costs, making it still more difficult for an independent participant to challenge that position.

B. Recommendation

We recommend that the Commission extend the competitive-parity principle so that a DCM relying on the affiliated market maker exception must provide its affiliate terms no more favorable than those available to similarly situated unaffiliated participants with respect to:

1. transaction fees, rebates, clearing fees, and other charges or credits associated with trading on the DCM;
2. volume-, share-, or activity-based tiers and discount programs;
3. technical access, including colocation, connectivity, bandwidth, throughput, rate limits, and the timing, latency, and content of market data;
4. availability of order types, functionality, and risk-management tools; and
5. risk, position, and credit limits, as well as trade-netting and position-offset policies.

Parity should be assessed based on the economic substance of the arrangements, rather than solely on whether posted terms are facially identical. A fee that is nominally equal is not equal in substance where the affiliate pays it to its own parent. We therefore recommend that a DCM relying on the exception be required to demonstrate that its affiliate's net cost of participation, after accounting for intra-group transfers, is no lower than that of similarly situated unaffiliated participants.

The Commission should also require DCMs relying on the exception to publish their applicable fee schedules, tier structures, and material technical access terms and to disclose any material respect in which an affiliate receives treatment not generally available to similarly situated participants.

This recommendation applies an existing principle of competitive parity to the categories where the economic advantage actually resides. It should therefore impose relatively little additional burden on venues that already operate their markets on genuinely competitive terms.

C. Disclosure matters independently

Even where terms are identical, the absence of public information can leave unaffiliated firms unable to determine whether they are competing on equal footing.

A firm deciding whether to commit capital to a new contract must account for the risk that it is disadvantaged in ways it cannot observe. Public disclosure reduces that uncertainty and allows independent liquidity providers to make informed decisions about whether to enter a market.

Transparency is particularly valuable where the Commission chooses a remediation-based approach to participation concentration. Public reporting allows market participants and the Commission to distinguish temporary concentration associated with a new product from persistent concentration that may reflect structural barriers to entry.

VII. The Definition of Affiliation Should Reach Significant Financial Relationships

A. Ownership and control do not capture every relationship that can create a conflict

The concerns addressed by the Proposal can arise when a venue has an economic interest in the success of a particular trading firm. Equity ownership and common control are obvious sources of that interest, but they are not the only ones.

A venue and a trading firm can become economically aligned through contract as well as ownership. The Commission should therefore consider whether certain significant financial relationships should be subject to the same safeguards where they create substantially similar incentives.

Examples include:

- revenue-sharing or profit-sharing arrangements between the venue and a market participant, including arrangements tied to the participant's trading revenue;
- warrants, options, convertible instruments, or other contingent equity interests, including interests granted in exchange for liquidity commitments or volume;
- loans, credit facilities, guarantees, or capital commitments between the parties;
- payments for order flow, guaranteed minimum payments, or similar commitments that make a venue's financial performance materially dependent on a particular participant's continued activity;
- exclusive or preferential liquidity arrangements, including side letters, that are not offered on substantially similar terms to other participants; and
- board seats, observer rights, or other governance rights held by a market participant or its principals.

The objective should not be to treat every commercial relationship as an affiliation. It should be to capture relationships that create a meaningful economic or governance incentive comparable to ownership or control.

B. Recommendation

We recommend that the Commission extend appropriate safeguards to any market participant with which a venue or its affiliate has a significant financial relationship.

Potential indicators of such a relationship could include:

1. the market participant accounts for, or the arrangement gives it a right to, more than 25% of the venue's revenue over a trailing twelve-month period, excluding fees paid under a published, non-discriminatory fee schedule;
2. the participant or its principals hold 20% or more of the equity or contingent equity in the venue or its parent, or the right to control the venue's board; or
3. the venue has made a financial commitment to the participant, or the participant has made such a commitment to the venue, on terms that are not available on substantially similar terms to other similarly situated participants.

We recognize that the appropriate thresholds may vary depending on the structure of the venue and the relevant markets. The Commission could therefore refine these thresholds through guidance or acceptable practices as experience develops.

The rule should also contain an exception for ordinary-course commercial relationships offered on published, non-discriminatory terms, including standard market-making programs available to all qualifying participants.

C. Disclosure

Regardless of whether a particular relationship triggers all of the substantive restrictions, DCMs should publicly disclose significant financial relationships with market participants that provide liquidity on the venue.

An unaffiliated firm deciding whether to commit capital needs to know whether it is competing against a participant whose success is economically important to the venue. Disclosure allows the independent firm to price that risk and make a more informed decision about whether to participate.

VIII. Conclusion

Rockridge supports the Proposal and appreciates the Commission's recognition that affiliated structures can coexist with fair and orderly markets when appropriate safeguards are in place.

We believe the Proposal would be strengthened by addressing not only how an affiliated market maker trades, but also the conditions under which it competes and the degree to which it may come to dominate a product. In particular, a participation ceiling with a defined new-product runway, competitive parity in commercial and technical terms, safeguards against venues effectively designed to internalize customer flow, explicit protections for RFQ protocols, and

appropriate treatment of significant financial relationships would reinforce the Proposal's core objectives while preserving the legitimate benefits of affiliated liquidity provision.

These measures would not prohibit affiliated market making or require every market to support a particular number of liquidity providers. Instead, they would establish a framework in which affiliated liquidity can help launch and develop markets while preserving a meaningful opportunity for independent firms to compete as those markets mature.

We would be glad to discuss these comments with the staff or to provide further information regarding the market-quality considerations described above.

Respectfully submitted,

ROCKRIDGE ANALYTICS, LLC

By: 

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