PTG Driving Efficient Markets

SECURITIES • DERIVATIVES • DIGITAL ASSETS

August 24, 2026

Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

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

Re: Joint Request for Comment on Further Definition of `Swap' and `Security-Based Swap' and on Alternative Compliance
SEC File Number S7-2026-21
CFTC RIN 3038-AF71

Dear Ms. Countryman and Mr. Kirkpatrick:

PTG[1] appreciates the opportunity to comment on the Commodity Futures Trading Commission ("CFTC") and the Securities and Exchange Commission ("SEC") (together, the "Commissions") Joint Request for Comment on Further Definition of 'Swap' and 'Security-Based Swap' and on Alternative Compliance (the "RFC").[2] We applaud the Commissions for seeking to coordinate regulation in areas of common jurisdiction and to provide greater regulatory certainty for market participants operating in both jurisdictions.

I. Request for Comment on Definitional Clarity

PTG supports the Commissions' effort to provide greater clarity around the distinction between swaps and security-based swaps and urges the adoption of objective, principles-based criteria that can be applied consistently to novel products. As financial products continue to blur traditional

[1] PTG, formerly known as the FIA Principal Traders Group ("FIA PTG"), is a leading trade association of principal trading firms advocating for fair, transparent, and robust markets. Members provide essential liquidity and facilitate price discovery, both critical to well-functioning markets. PTG engages with policymakers and regulators to safeguard market integrity by offering expert guidance on market structure while highlighting the positive contributions of liquidity providers.

[2] https://www.regulations.gov/document/CFTC-2026-1355-0001

jurisdictional boundaries, the Commissions should coordinate closely when interpreting or approving products that may implicate both agencies' authority. PTG emphasizes that classification decisions should be informed not only by product form, but also by the substantive regulatory consequences of those classifications, to prevent economically similar products from being used to evade important investor protection, market integrity, or transparency requirements.

Since the enactment of Title VII of the Dodd-Frank Act, PTG has consistently maintained that centrally traded and cleared swaps present fundamentally different risks and regulatory considerations than the bilateral over-the-counter ("OTC") swaps that Congress sought to address.[3] At the time, a number of products listed on designated contract markets ("DCMs") were labeled as swaps. As the industry recognized that classifying these products as swaps would subject them to an extensive regulatory framework designed for OTC dealer activity, exchanges simply renamed many of them as futures contracts. The underlying economic characteristics of those products did not change. This experience highlighted what remains true today: the swap dealer regime was designed primarily to address the risks associated with bilateral OTC dealing, including significant counterparty exposures, limited transparency, and uncleared bespoke transactions.[4] Those concerns are largely absent in centrally traded and cleared markets, where transactions occur on transparent, regulated venues and counterparty risk is managed through central clearing.

The Commodity Exchange Act does not provide a comprehensive definition of a "futures contract"; rather, futures are principally distinguished by being excluded from the statutory definition of a swap. Rather than focusing on circular definitional distinctions, the Commission should apply a more practical and risk-based approach. If a product is standardized, traded on a DCM, and centrally cleared, it should be regulated in the same manner as any other futures contract. That principle should apply regardless of the particular product design, including perpetual contracts, binary options, or any other instrument listed and traded on a regulated futures exchange.

Including activity in these products when calculating swap dealer de minimis thresholds bears little relationship to the risks that the thresholds were intended to capture and creates unnecessary distortions in market structure. As PTG members warned during the implementation of the Dodd-Frank framework, this approach has discouraged U.S. firms from providing liquidity on regulated markets, reduced displayed depth, widened spreads, and impaired price discovery. It has also incentivized activity to migrate to foreign jurisdictions or less regulated venues, undermining the competitiveness, liquidity, and resilience of U.S. markets.

Consistent with the views PTG has expressed for many years, including in its recent comment

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[3] *See* Letter from Mary Ann Burns to Christopher J. Kirkpatrick, Secretary (Jan. 27, 2016), and Letter from Allison Lurton to Christopher J. Kirkpatrick, Secretary (Aug. 13, 2018).

[4] "Financial Regulatory Reform, A New Foundation: Rebuilding Financial Supervision and Regulation," October 8, 2009, US Department of Treasury https://fraser.stlouisfed.org/files/docs/historical/fct/treasury_finregreform_20090617.pdf?utm_source=direct_download

letters regarding prediction markets,[5] PTG respectfully urges the Commission to clarify through rulemaking, interpretive guidance, or exemptive relief that activity in centrally traded and cleared swaps should not be counted toward swap dealer de minimis thresholds. Such clarification would better align the regulatory framework with the actual risks presented by these products, remove unnecessary disincentives to liquidity provision on regulated markets, and promote deeper, more competitive U.S. derivatives markets.

II. Request for Comment on Alternative Compliance

PTG believes that any alternative compliance framework should focus on achieving comparable regulatory outcomes and maintaining consistent standards for products and activities that present similar risks. To the extent the Commissions permit substituted or alternative compliance, such arrangements should be based on findings of substantive equivalence and should be structured to minimize opportunities for regulatory arbitrage, competitive disparities, and unnecessary market fragmentation. Doing so will help promote efficient markets while preserving robust investor protections, market integrity, and regulatory oversight.

Product listings should be determined by clear regulatory perimeters, rather than regulatory outcomes/arbitrage opportunities being driven by jurisdictional choices rather than by differences in the risks posed by the products themselves. Over time, such incentives may undermine the policy objectives of both Commissions and create pressure for a gradual erosion of regulatory standards.

Alternative compliance also raises important concerns regarding market integrity and operational complexity. A venue that lists both SEC-regulated and CFTC-regulated products could face differing requirements relating to market surveillance, reporting, recordkeeping, customer protections, business conduct standards, and supervisory controls. If participants are permitted to elect among regimes, the result could be inconsistent treatment of economically similar activities occurring on the same platform. Such inconsistency may make compliance more difficult, increase operational and legal uncertainty, and complicate examination and enforcement efforts.

In addition, divergent regulatory treatment may affect competition among trading venues. Market operators that qualify for a more favorable compliance pathway could obtain competitive advantages unrelated to market quality, innovation, or efficiency. Regulatory frameworks should encourage competition based on better products and services, not on differences in supervisory requirements. Preserving a level playing field is particularly important as exchange-traded derivatives markets become increasingly interconnected across asset classes and regulatory jurisdictions.

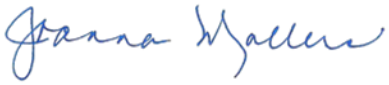
PTG appreciates the Commissions' consideration of these comments and respectfully encourages continued coordination to promote greater regulatory harmonization. Please do not hesitate to contact Joanna Mallers at jmallers@ptgmarkets.org with any questions or if PTG can provide additional information.

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[5] *See* Letter from Joanna Mallers to Christopher J. Kirkpatrick, CFTC Secretary (Apr. 30, 2026) and Letter from Joanna Mallers to Christopher J. Kirkpatrick, CFTC Secretary (Jul. 27, 2026).

Sincerely,

PTG



Joanna Mallers
Secretary

cc: Paul S. Atkins, SEC Chairman
Hester M. Peirce, SEC Commissioner
Mark T. Uyeda, SEC Commissioner
Michael Selig, CFTC Chairman