August 11, 2026

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

Re: File No. S7-2026-24 — Request for Comment on Novel ETFs (Release Nos. 33-11426; 34-105808; IC-36228)

Dear Ms. Countryman:

Belief Systems appreciates the opportunity to comment on the Commission's Request for Comment on Novel ETFs.[1] We are an index provider and benchmark administrator. We publish rules-based indices and volatility measures derived from prediction-market and event-contract prices. Our benchmarks are informational measures, not exchange-traded products, and we do not sponsor an exchange-traded product.

Our benchmark governance policy provides for published methodologies, prospective methodology changes, labeled corrections, data-quality disclosures, and cessation procedures. We have published index data continuously since January 2026 and retain a point-in-time archive of published values.

Statement of interest. Our commercial interest relevant to this comment is licensing reference data and rules-based indices. Some of the disclosures discussed below could increase demand for benchmark and pricing services generally. We therefore recommend objective, provider-neutral disclosures and do not ask the Commission to approve, designate, or endorse any index, pricing source, or administrator, including us.

We comment on **Questions 5, 6, 7, 9, and 26**.

Summary

The Commission asks whether the assets and strategies of Novel ETFs create distinctive arbitrage, investor-protection, market-surveillance, or operational issues; whether rule 6c-11 should impose new portfolio conditions; and whether other Commission action or heightened disclosure would better address those issues.[1]

The February 2026 political-event ETF filings we reviewed support a narrow characterization. They describe funds that would concentrate substantially all economic exposure on one specified political outcome, primarily through swaps referencing binary event contracts and, in some cases, through direct holdings of those contracts. The filings state that at least 80% of net assets, measured using derivatives notional value, would be tied to the specified outcome, and that a fund would lose substantially all of its value if the outcome did not occur.[2][3] The balance sheet may include collateral and other assets; the material point is the concentration of economic exposure, not the number of line items in the portfolio.

We do not recommend an asset-class exclusion, diversification mandate, concentration limit, or issuer limit as a condition of rule 6c-11. We instead recommend standardized disclosure of single-outcome exposure, the valuation chain from event contract to fund NAV, and creation and redemption mechanics. Existing rules 2a-5 and 22e-4 already provide frameworks for fair valuation and liquidity-risk management; asset-specific guidance and disclosure can make those frameworks more useful without changing rule 6c-11's general portfolio scope.[6][7]

Question 5: arbitrage and operational issues

Rule 6c-11 requires daily portfolio-holdings transparency, website disclosure of prior-business-day NAV, market price and premium or discount, bid-ask-spread information, and basket policies and procedures. Those conditions are intended in part to support an effective arbitrage mechanism.[5] Three features of the structure described in the cited filings deserve specific treatment.

1. A required daily settlement-price publication does not answer every valuation question.

DCM Core Principle 8 requires a designated contract market to publish daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded contracts.[4] That requirement is important, but it does not prescribe a fund's intraday mark, establish that a quotation is readily available and reliable under rule 2a-5, or value an over-the-counter swap that references the contract.

The distinction matters for binary instruments near their bounds. A contract quoted at one cent bid and four cents offered has a two-and-a-half-cent midpoint and a quoted spread equal to 120% of that midpoint. A midpoint is observable, but it is not executable in either direction. Non-executability does not by itself make the midpoint an inappropriate fair-value input; it makes the selected convention and its uncertainty material. This arithmetic example is not evidence about the funds described in the cited filings. It illustrates why a prospectus should identify the price source, snapshot time, quotation convention, and circumstances in which the fund changes from a market quotation to a fair-value method.

2. The economically apparent outcome and the contractual settlement determination may occur at different times.

The event may appear decided before the DCM's determination is final. The governing contract terms, not a news organization's call or another external observation, control the payout. A DCM may also apply a challenge process or a settlement timetable that extends beyond the event itself. One reviewed filing addresses this directly through an “early determination” mechanism based on sustained contract prices before formal settlement.[3]

During that interval, a fund must value direct contracts, swaps referencing those contracts, and any related liabilities under its disclosed policies. The policy should also state how trading halts, unavailable quotes, a challenged determination, or a divergence between the swap counterparty's valuation and the underlying contract price affects NAV and creation or redemption orders.

3. Cash creations and redemptions make execution assumptions material.

One reviewed filing states that the funds expect to conduct a significant portion of creations and redemptions for cash rather than in kind, and warns that cash transactions may increase spreads or premiums and discounts.[2] Where a fund must acquire or dispose of swaps or event-contract exposure after accepting a cash order, a mark-to-execution difference can be borne by the transacting party, the fund, or continuing shareholders depending on transaction fees and procedures.

The Commission should ask for clear disclosure of whether creations and redemptions are expected to be cash or in kind; how transaction fees estimate market impact and other execution costs; how existing basket and order policies apply during a DCM trading halt or outcome-determination event; and how custom baskets, if used, are reviewed for the best interests of the fund and its shareholders.

Question 6: no new categorical portfolio conditions

We do not recommend amending rule 6c-11 to exclude event contracts or to impose asset-class, diversification, concentration, or issuer limits on funds using them. Those conditions would regulate portfolio design without directly resolving the valuation, liquidity, or investor-understanding issues identified above.

We take no position on minimum holdings in securities or on whether any particular fund described in the cited filings satisfies the Investment Company Act's definition of an investment company. Those questions are outside our benchmark-administration expertise.

The more proportionate approach is to apply the Commission's existing valuation and liquidity frameworks to the actual instruments held—including swaps—and require concise disclosure of the resulting policies. For investments without readily available market quotations, rule 2a-5 addresses valuation risks, fair-value methodologies, methodology testing, and oversight of pricing services.[6] Rule 22e-4 requires covered open-end funds, including ETFs subject to its terms, to maintain a liquidity-risk-management program and prohibits an acquisition if it would cause illiquid investments that are assets to exceed 15% of net assets.[7]

Question 7: objective investor-facing identification

The clearest way to distinguish these products is to describe their economic exposure, not to create a favored category of index provider or product design. For any fund whose principal strategy ties substantially all economic exposure to one event outcome, the summary prospectus should identify in one place:

- the referenced outcome and the contractual decision maker;
- the percentage of net assets or notional exposure tied to that outcome;
- whether exposure is obtained directly, through swaps, or through another derivative;
- the binary payout and the stated consequence if the outcome does not occur;
- the expected transition, liquidation, or successor strategy after determination; and
- whether creations and redemptions are expected to occur principally in cash or in kind.

The filings we reviewed already disclose these facts, including prominent warnings about loss if the referenced outcome does not occur. Our recommendation is not to duplicate those warnings. It is to standardize the location and presentation of the exposure, instrument, post-determination, and creation/redemption facts so investors can compare differing structures without implying that one structure is Commission-preferred.

Question 9: preserve rule 6c-11's general scope

The interaction with generic listing standards supports keeping rule 6c-11 general. A portfolio restriction in rule 6c-11 would also determine which products can use generic listing standards, even if the actual concern is specific to the underlying market or the fund's operating design.

If the Commission concludes that event-contract ETFs require additional exchange-level conditions, those conditions should address exchange-level facts: the DCM and clearing structure underlying the exposure; the listing exchange's ability to surveil relevant trading; differences in trading hours; the treatment of DCM halts, challenges, or settlement events; and whether authorized participants can efficiently obtain or hedge the exposure used in the creation basket. Those matters bear more directly on fair and orderly secondary trading than a categorical portfolio requirement.

We do not recommend requiring an “independent” benchmark or pricing source as a listing condition. If a fund uses a third-party or affiliated pricing service, index, or model, disclosure should identify the provider, the affiliation or other material conflict, the observable inputs, and the circumstances in which the fund may override or challenge the output. Rule 2a-5 then supplies the oversight framework.[6]

Question 26: targeted disclosure

For a fund with material event-contract exposure, useful standardized disclosure would include:

- each DCM, swap counterparty, or other material source of exposure, and whether exposure is direct or derivative;
- the valuation source, snapshot time, and price convention for each material instrument, including whether the fund uses a DCM settlement price, another market quotation, a counterparty valuation, or a fair-value model;
- the conditions that make a market quotation unavailable or unreliable and trigger fair valuation under the fund's policy;
- the identity and affiliation of any pricing service, index administrator, or model provider and how its output is tested, challenged, and overridden;
- the policy for the interval between an apparently determined event and the DCM's final contractual determination, including challenges, trading halts, and delayed settlement;
- the expected mix of cash and in-kind creations and redemptions, the basis for transaction fees, and how the fund's basket and order policies apply during a halt or determination window;
- for contracts that are not actively traded and therefore may fall outside Core Principle 8's express daily-publication requirement, the alternative valuation process.

Each item describes a decision that a sponsor, board, valuation designee, or service provider must already make. Standardized disclosure would let investors and authorized participants understand those decisions without requiring the Commission to choose a valuation method or endorse a provider.

Limitations of our perspective

We have not operated an ETF or acted as an authorized participant. Our observations about creations, redemptions, and secondary-market arbitrage are therefore based on the Commission's rules, the registration statements cited below, and the properties of the underlying instruments—not on operating an ETF.

Our current published benchmarks use price inputs from a different trading venue than the DCM-based exposures described in the filings we reviewed. We therefore make no empirical claim about the spreads, depth, or execution quality of those funds or their referenced contracts.

Our continuous archive begins in January 2026. It is short in absolute terms and does not span a general election. We also have the commercial interest in reference-data and index licensing disclosed above.

We would be glad to provide staff with our published methodologies, governance policies, or examples of how price-source, staleness, and spread conventions can be made reproducible and auditable.

Respectfully submitted,

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Source notes

1. Securities and Exchange Commission, Request for Comment on Novel ETFs, Release Nos. 33-11426; 34-105808; IC-36228 (June 30, 2026).
2. Bitwise Funds Trust, Post-Effective Amendment No. 46 to Form N-1A (filed Feb. 17, 2026).
3. GraniteShares ETF Trust, Post-Effective Amendment No. 182 to Form N-1A (filed Feb. 17, 2026).
4. 17 C.F.R. § 38.450, Core Principle 8.
5. Securities and Exchange Commission, Exchange-Traded Funds, Investment Company Act Release No. 33646 (Sept. 25, 2019).
6. Securities and Exchange Commission, Good Faith Determinations of Fair Value, Investment Company Act Release No. 34128 (Dec. 3, 2020).
7. Securities and Exchange Commission, Investment Company Liquidity Risk Management Programs, Investment Company Act Release No. 32315 (Oct. 13, 2016).