



August 26, 2026

Via Electronic Submission

Mr. Christopher Kirkpatrick
Secretary of the Commission
U.S. Commodity Futures Trading Commission
Three Lafayette Center
1155 21st St. N.W.
Washington, DC 20581

Re: Request for Comment on the Extension of Standard Futures Contracts to 24/7 Trading and on Perpetual Contracts Referencing Physically Delivered or Storable Energy Commodities

Dear Mr. Kirkpatrick:

The Options Clearing Corporation (“OCC”) appreciates the opportunity to submit this letter in response to the Commodity Futures Trading Commission’s (“CFTC or Commission”) Request for Comment on the Extension of Standard Futures Contracts to 24/7 Trading and on Perpetual Contracts Referencing Physically Delivered or Storable Energy Commodities (the “Request”). OCC was founded in 1973 and is the sole clearing agency for equity options listed on national securities exchanges. OCC operates as a central counterparty (“CCP”) under the jurisdiction of both the CFTC and the Securities and Exchange Commission (“SEC”). As a registered derivative clearing organization (“DCO”) under the CFTC’s jurisdiction, OCC clears and settles transactions in futures and options on futures. As a registered clearing agency under the SEC’s jurisdiction, OCC clears and settles listed equity options and securities lending transactions. OCC has been designated by the Financial Stability Oversight Council as a systemically important financial market utility (“SIFMU”) under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). As a SIFMU, OCC is subject to prudential regulation by the Federal Reserve Board. OCC operates as a market utility and is owned by five options exchanges.

General Comments

As a general matter, OCC believes that the extension of trading hours to 24/7 is best accomplished through a deliberate and phased progression in coordination with industry participants rather than an immediate move to fully continuous operations. Further, each market should be evaluated separately in terms of what steps are necessary to move to 24/7 operations. As described more fully in its September 2025 White Paper, OCC believes a phased progression

would allow for an expansion of trading hours without disrupting derivatives markets.¹ The U.S. derivatives markets and the clearing infrastructure that supports them are foundational to financial stability, and the operational, liquidity, and risk-management changes that continuous trading would require are substantial. OCC believes that a phased approach, advancing through 23/5, 24/5, and other near-continuous models as necessary, would allow OCC, other DCOs, clearing members, and regulators to gain meaningful experience, develop and validate new risk protocols, and confirm operational readiness in a controlled and scalable manner before weekend and other extended hours sessions are added. OCC's experience operating its extended trading hours ("ETH") program since 2015 reflects exactly this kind of incremental, risk-managed expansion, and informs the comments below.²

Market Liquidity and Pricing During 24/7 Trading³

OCC has operated an ETH program since 2015 and generally views "regular trading hours" to mean 8:30 a.m. Central Standard Time ("CST") to 4:00 p.m. CST. For purposes of this letter, OCC will refer to any time periods where trading occurs outside of regular trading hours as ETH. Currently, the hours during which exchanges make products available for trading during ETH vary by product and exchange.⁴ In general, in addition to the cash liquidity challenges discussed below, there is significantly less market liquidity during ETH compared to regular trading hours. For example, during the second quarter of 2026, trading during ETH represented less than 0.2% of OCC volume. To account for lower market liquidity during ETH, and other risks discussed below, OCC requires exchanges to put certain protections in place before listing products in ETH. Specifically, exchanges must establish (i) price reasonability checks, (ii) controls to prevent orders from being executed beyond a certain percentage from the initial execution price, as determined by an exchange, (iii) activity based protections which focus on risk beyond price, such as a high number of trades occurring in a set period of time, and (iv) kill switch capabilities that may be initiated by an exchange.

Historically, trading activity in options markets has peaked during the overlap of trading hours between North America and Europe during the U.S. morning and shortly before the U.S. equity

¹ OCC, *Considerations of a Continuous Trading Environment and Implications for Central Clearing of U.S. Listed Options: Perspectives on CCP Issues from a Utility Model Clearinghouse*, (Sept. 2025) available at <https://www.theocc.com/getmedia/a0af3374-e838-484e-a09e-969a8f34bee9/OCC-Considerations-Continuous-Trading-Final.pdf>.

² While OCC does not currently clear energy products, its experience operating the ETH program may be able to inform the Commission's analysis of energy markets.

³ OCC's comments in this section are generally responsive to CFTC questions 1-3, and 31.

⁴ Currently, ETH for index options runs from 7:15 p.m. to 8:25 a.m. the next day. ETH for index futures runs from 5:00 p.m. to 8:30 a.m. the next day.

close.⁵ In equity markets, the closing auction accounted for 7.5% of daily volume in 2018.⁶ Additionally, research suggests that extending trading hours into overnight and pre- or post-market sessions often leads to market fragmentation and reduced trading liquidity.⁷ This is likely because index funds and ETFs trade at the official close in order to align their shares to the index closing price, while derivatives are settled and margined off that same closing price. Additionally, market-maker participation concentrates during standard hours. Therefore, liquidity currently has little reason to remain overnight. These factors, in turn, can affect overnight pricing as lower market liquidity can lead to higher price swings, wider spreads, and a greater risk of market manipulation.

In addition to low market liquidity in the derivatives market, pricing can also be affected if a product's underlying is not trading. The ability of the underlying to trade, near-continuously or continuously, is very important for the 24/7 trading and clearing of derivatives products. Market participants, particularly market makers and liquidity providers, rely on price discovery of the underlying to price and trade contracts accurately. If the underlying is not trading, or if the price is stale during ETH, derivatives pricing may become skewed. As discussed further below, under its ETH procedures, OCC relies on the market prices during ETH to inform its decisions regarding whether additional measures are necessary to limit a clearing member's credit risk until additional margin can be collected. Implementing 24/7 trading would require exchanges to prevent manipulation and price distortions and protect the price discovery process even during thinly traded hours.

Risk Management During 24/7 Trading⁸

Additional risk management tools are necessary for a DCO to effectively manage the risk of 24/7 trading compared to regular trading hours. Primarily, DCOs need to be able to manage their credit exposure at a time when traditional payment rails are closed. While financial institutions are currently discussing expanding operations to allow for collateral to be transferred overnight, the current operational windows of banks and payment systems limit collateral transfers to traditional market hours. Additionally, in the future, OCC and other DCOs may accept tokenized

⁵ Raj Aggarwal and Edward Gruca, *Intraday Trading Patterns In The Equity Options Markets*. Journal of Financial Research, (1993), available at <https://doi.org/10.1111/j.1475-6803.1993.tb00148.x>; Örebro University School of Business, available at <https://doi.org/10.1111/j.1475-6803.1993.tb00148.x>; Igor Ferreira Batista Martins, Audronė Virbickaitė, Hoang Nguyen and Hedibert Freitas Lopes *Volume-driven time-of-day effects in intraday volatility models*, Örebro University School of Business (2025) available at <https://www.oru.se/globalassets/oru-sv/institutioner/hh/workingpapers/workingpapers2025/wp-14-2025.pdf>.

⁶ Vincent Bogousslavsky, Dmitriy Muravyev, *Who trades at the close? Implications for price discovery and liquidity*, Journal of Financial Markets (2023) available at <https://www.sciencedirect.com/science/article/abs/pii/S1386418123000502>.

⁷ See e.g., SEC *Extended-Hours Trading: Investor Bulletin* (Jun. 6, 2022), available at <https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins-42>.

⁸ OCC's comments in this section are generally responsive to CFTC questions 7-13, and 63.

collateral as way to limit credit risk and move collateral during periods of time when traditional funding mechanisms are closed. Across the financial industry, firms are working on projects to tokenize many of the assets OCC currently accepts as margin, including bank deposits, Treasury securities, and equity securities. However, partial or uneven uptake among market participants could lead to a fragmented ability to move collateral overnight. Therefore, OCC emphasizes that coordinated and collaborative efforts best serve the common goal of the industry moving towards a continuous trading cycle. These developments would allow DCOs to collect margin from clearing members overnight and collateralize position risk sooner without the need for conservative pre-funding. For the time being, however, prefunding remains an important part of OCC's current ETH offering and most 24/7 clearing models operating in the U.S.⁹ For example, to accommodate clearing products traded during ETH, OCC developed a framework that in part requires Clearing Members that wish to execute trades during ETH to post additional margin to account for OCC's inability to collect additional margin while banks and payment systems are closed.

OCC's ETH framework also establishes additional risk management procedures it follows during ETH. On an hourly basis during ETH, OCC produces a report detailing the mark to market amounts for all positions, the incremental margin change resulting from ETH positions, and aggregate trade premiums (collectively "Credit Risk Numbers"). Further, the framework includes escalation procedures for when any of a Clearing Member's Credit Risk Numbers reaches predetermined levels during ETH.¹⁰ At each level, OCC has established specific escalation procedures and assigned responsibility for determining what, if any, additional risk management measures are necessary. The additional measures established by the framework include: (i) increasing a Clearing Member's margin requirement in order to prevent the withdrawal of excess collateral,¹¹ (ii) requesting an exchange activate its kill switch to prevent further trading by a participant, a Clearing Member, or all market participants,¹² and (iii) imposing restrictions on the transactions, positions, and activities of a Clearing Member.¹³

In addition to managing credit risk, the implementation of 24/7 trading would pose unique operational clearance and settlement challenges. Under a 24/7 trading system, OCC would have to run every settlement cycle while trading is ongoing. OCC does not currently conduct a full margin run during regular trading hours. Rather, OCC monitors intraday trading activity and can call for intra-day margin if certain thresholds are breached.¹⁴ OCC would need to develop a process to ensure that it could run a full settlement cycle without impacting ongoing operations.

⁹ See CFTC Letter No. 26-16, *Staff Advisory for Extending Trading and/or Clearing Operations to a 24 hours-a-day, 7 days-a-week Basis*, (May 29, 2026) at 6.

¹⁰ The escalation levels are \$10 million or 10% of a clearing member's net capital, \$50 million or 25% of net capital, and \$75 million or 50% of net capital.

¹¹ OCC Rule 601.

¹² OCC Extended Trading Hours Set-Up and Monitoring Procedure.

¹³ OCC Rule 307B.

¹⁴ OCC Rule 609.

Here, a phased approach would again be beneficial allowing OCC and other DCOs time to develop the infrastructure required to run a full settlement without detrimentally impacting ongoing operations.

Further, network maintenance and technology updates currently take place during weekends outside of regular trading hours, but would have to be conducted simultaneously with market operations if trading moved to 24/7. DCOs will need to implement technology changes and perform network maintenance and updates while markets, and therefore, its systems, are operating. Further, DCOs would have to carefully address how changes and maintenance are performed to ensure there were no disruptions to trade processing, risk management, and margin collection.

Risks of Perpetual Contracts¹⁵

OCC's general philosophy is to welcome any product that it can effectively risk manage and approaches perpetual contracts in that spirit. However, perpetual contracts, as they have developed, largely in unregulated, offshore markets, rely heavily on auto-liquidation as the primary tool for managing participant risk. As OCC has explained in prior comment letters, auto-liquidation, while it can limit the risk of an individual account when markets are liquid, is not, on its own, an adequate foundation for managing risk across a market, particularly during periods of stress.¹⁶ OCC encourages the Commission to ensure that any pathway for listing perpetual contracts pairs the innovation these products represent with the tested protections of the intermediated clearing model, rather than substituting auto-liquidation for those protections.

Auto-liquidation does not necessarily match the level of risk management or customer protections in a traditional, intermediated clearing model. Under the traditional clearing model, retail customers place trades and clear through a futures commission merchant ("FCM"), rather than directly through a trading platform and DCO. FCMs have obligations to assess customer sophistication and provide ongoing communication. Auto-liquidation systems, on the other hand, provide neither suitability screening nor human judgment. An FCM calling with a margin warning at 7 a.m. gives a retail customer time to respond before trading markets open. An auto-liquidation algorithm executing at 3 a.m. leaves the customer no opportunity to act. While proponents of auto-liquidation may argue that it is fairer because it treats everyone the same and does not allow certain accounts to receive preferential treatment, this argument conflates fairness and equality. Risk managing accounts differently based on their actual risks does not necessarily mean the system is unfair. The portfolios, available capital, and therefore the risk presented by each account are unique and applying a one size fits all approach to risk management does not

¹⁵ OCC's comments in this section are generally responsive to CFTC questions 38-41 and 60-62.

¹⁶ See *OCC Comment Letter Re: Request for Comment on the Direct Clearing of Derivatives by Retail Investors* (Feb. 27, 2026), available at <https://comments.cftc.gov/Handlers/PdfHandler.ashx?id=35807>; *OCC Comment Letter Re: Prediction Markets, Advance Notice of Proposed Rulemaking* (Apr. 30, 2026) available at <https://comments.cftc.gov/Handlers/PdfHandler.ashx?id=35944>.

address the needs of the industry or the reality of the risks faced by a DCO. The discretion in the traditional FCM model allows DCOs and FCMs to risk manage each account in accordance with the actual risk presented by the account.

Further, auto-liquidation is a liquidity dependent tool rather than a risk management solution and is only successful when there is sufficient liquidity in the market. When there is sufficient market liquidity, auto-liquidation can be effective at limiting the risk of a single account at a single DCO, however, it cannot manage risks across markets the way a traditional FCM can. An FCM can see its customers' linked positions across multiple markets and DCOs, but auto-liquidation may increase risk by breaking up a hedged position. While risk may be building in one market, potentially triggering an auto-liquidation, an FCM could see a potential hedge on another market and exercise the judgement to keep both positions open rather than create a directional exposure. For example, auto liquidating an index futures position may increase a customer's overall risk by ignoring the customer's holdings in an ETF linked to the same index.

Similarly, auto-liquidation's focus on a single account does not allow a DCO to help mitigate systemic risk or consider how closing one account can impact the rest of the market. OCC encourages the Commission to consider the requirements of the DCO and Designated Contract Market ("DCM") core principles and Commission rules that might protect against auto-liquidation's tendency to amplify market volatility through cascading defaults. When adverse price moves trigger auto-liquidations, the resulting selling pressure can drive prices further down, triggering additional liquidations in a procyclical feedback loop. This dynamic could contribute to severe market dislocations and often causes auto-liquidation mechanisms to amplify rather than contain volatility. This tendency may be exacerbated because retail positions are often correlated and driven by shared exposure to social media, news events, and recommendation algorithms. When adverse moves trigger auto-liquidations across many accounts simultaneously, concentrated selling pressure can drive prices through multiple liquidation thresholds, causing losses for participants who might otherwise have survived. FCMs can observe concentration building and take phased preventive steps in a way that auto-liquidation is unable to.

Further, OCC urges the Commission to review the DCO and DCM core principles and Commission rules that require the protection of market integrity, and prioritize the protection of market participants, when considering the impacts of auto-liquidation on markets. Auto-liquidation algorithms prioritize speed over price, potentially forcing sales during illiquid conditions at prices far from where markets settle. Further, these illiquid prices could impact markets for similar products traded on traditional markets. Today's markets are global and highly integrated. Orders executed at non-market prices on one market are likely to impact trading on other markets. FCMs employ experienced execution personnel and sophisticated algorithms to minimize these risks and costs.

The crypto flash crash on October 10, 2025 serves as a strong illustration of these risks. During the crash, 1.6 million traders saw positions valued at \$19 billion automatically liquidated.¹⁷ Roughly, 70% of the liquidations occurred in a single 40-minute window during which the downward pricing pressure from auto-liquidation led to a cascade of additional liquidations. During the same window, market liquidity dried up and bid-ask spreads widened dramatically limiting traders' ability to act to prevent liquidation.¹⁸ By October 13, prices had partially rebounded suggesting not all of the liquidations were necessary from a pure risk management perspective.¹⁹ During the crash, auto-liquidation's flaws were on full display and had real economic consequences for market participants.

Further, because auto-liquidation can happen overnight, it can be triggered when market liquidity is thinnest and prices are least reliable. As the Commission has recognized, because a perpetual contract has no fixed expiration through which it achieves convergence with the spot market, its funding-rate mechanism requires a reference price that "must be reliable at every funding interval, without interruption[.]"²⁰ The off hours periods in which OCC has observed the thinnest liquidity could trigger liquidation even in instances where the price recovers when traditional trading hours resume.

OCC emphasizes the value of the existing regulatory framework and clearing model which has served markets and public interests well. As OCC has previously observed, the DCO Core Principles and the regulations thereunder require a DCO to maintain its financial integrity through rigorous margin, default-management, and settlement requirements. These requirements are in place because a coordinated, prefunded default process, rather than reliance on market liquidity during periods of market stress, is what has allowed central clearing to remain resilient across a wide range of market conditions. OCC encourages the Commission to ensure that any pathway for novel products such as perpetual contracts preserves rather than displaces these protections.

¹⁷ John Towfighi, *Why crypto briefly but dramatically crashed when Trump renewed his trade war*, CNN Business (Oct. 13, 2025) available at <https://www.cnn.com/2025/10/13/business/crypto-bitcoin-price-drop-trump-tariffs>.

¹⁸ Michael Marshall *How \$3.21B Vanished in 60 Seconds: October 2025 Crypto Crash Explained Through 7 Charts*, Amberdata, (Nov. 3, 2025) available at <https://blog.amberdata.io/how-3.21b-vanished-in-60-seconds-october-2025-crypto-crash-explained-through-7-charts>.

¹⁹ Towfighi available at <https://www.cnn.com/2025/10/13/business/crypto-bitcoin-price-drop-trump-tariffs>.

²⁰ U.S. Commodity Futures Trading Commission, *Policy Statement Concerning the Listing of Perpetual Contracts*, (Jun. 3, 2026) 91 Fed. Reg. 33160 at 33161.

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Secretary of the Commission
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Conclusion

OCC appreciates the opportunity to provide feedback in response to the request for comments on the Extension of Standard Futures Contracts to 24/7 Trading and on Perpetual Contracts Referencing Physically Delivered or Storable Energy Commodities. OCC encourages continued industry dialogue around this topic, which has material implications with respect to operations and risk management.

Sincerely,

A handwritten signature in black ink that reads "Megan Malone Cohen". The script is cursive and fluid, with the first name "Megan" being the most prominent.

Megan Malone Cohen
General Counsel