U.S. COMMODITY FUTURES TRADING COMMISSION
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Division of Market Oversight
Division of Clearing and Risk

Re: No-Action Position with Respect to Commission Regulations 38.8(b), 38.10, 38.951 (in Part), 39.20(b)(2), and Parts 43 and 45, for Aristotle Contracts

Introduction

The Division of Market Oversight ("DMO") and the Division of Clearing and Risk ("DCR" and, together with DMO, the "Divisions") of the Commodity Futures Trading Commission ("CFTC" or "Commission") are issuing this letter in response to a request[1] (the "Request") from Aristotle Exchange DCM, Inc. and Aristotle Exchange DCO, Inc. (collectively "Aristotle"). Aristotle requested a no-action position, on their own behalf and on behalf of their participants, from the swap data reporting and recordkeeping requirements of regulations 38.8(b), 38.10, 38.951 (to the extent that regulation 38.951 requires compliance with Part 45 of the Commission's regulations), 39.20(b)(2), along with Parts 43 and 45 of the Commission's regulations (collectively, the "Relevant Regulations"). Aristotle requests a no-action position with respect to reporting contracts with the features described in this letter traded and cleared pursuant to Aristotle's rules. Aristotle Exchange DCM, Inc. is a designated contract market ("DCM") and Aristotle DCO, Inc. is a registered derivatives clearing organization ("DCO").

Background

Aristotle stated in its Request that it lists for trading "Event Contracts based on the outcomes of a range of events" (the "Aristotle Event Contracts").[2] Aristotle Event Contracts are "similarly structured as binary options"[3] and settle "based on the outcome of an event, including the payment of an amount (between $0.01 and $0.99) to the holder of either the 'Yes' or 'No' [p]osition and no payment to the holder of the opposite position."[4] Aristotle characterized Aristotle Event Contracts as "having most of the characteristics of futures or options that are exchange traded, which includes standardized terms, fungibility, and an ability to be offset."[5] Aristotle also stated that Aristotle Event Contracts "possess few, if any, attributes of traditional swaps such as

[1] Letter from N. Thompson to R. Varma and R. Haynes re: Request for No-Action Relief from Commission Regulations 38.8(b), 38.10, 38.951, 39.20(b)(2) and Parts 43 and 45, for Swaps Traded On and Cleared by Aristotle (Sept. 11, 2025) (the "Request").
[2] Request at 2.
[3] *Id.*
[4] *Id.*
[5] *Id.*

over-the-counter trading, bilateral execution, or customizability."[6] Furthermore, "[m]arket participants are only permitted to enter an order to buy an Aristotle Event Contract if they . . . have deposited and maintain sufficient collateral to fully cover any loss that could be incurred in connection with the [Aristotle] Event Contract."[7]

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act")[8] amended the CEA by adding a definition of "swap."[9] The Dodd-Frank Act required the Commission and the Securities and Exchange Commission to further define jointly the term "swap," and in 2012, the Commissions jointly adopted such further definition.[10] In the Request, Aristotle represented that it believes Aristotle Event Contracts "are swaps under [Commodity Exchange Act] definitions because they are contracts that provide for a payment that is dependent on the occurrence, non-occurrence, or extent of the occurrence of events associated with financial, economic, and commercial consequences."[11]

Pursuant to the Dodd-Frank Act, the Commission promulgated various regulations applicable to swaps, including the Relevant Regulations. The Relevant Regulations apply swap reporting and recordkeeping obligations to DCMs, DCOs, and other market participants. In particular, Parts 43 and 45 require, respectively, real-time reporting of swap transaction and pricing data to swap data repositories ("SDRs") for purposes of public dissemination and reporting of broader swap data to SDRs for the Commission's use in fulfilling its surveillance and market analysis missions.

No-Action Position Requested

Aristotle requested that the Divisions not recommend the Commission take enforcement action against Aristotle or its participants for failure to report Event Contracts to an SDR or to fulfill any of the other requirements of the Relevant Regulations. Aristotle states that it requests a no-action position that is comparable to the no-action positions concerning reporting of binary options provided in Commission Letters Nos. 25-23, 25-26, and 25-28, among others.[12] Aristotle makes the following representations:

- Aristotle Event Contracts are required to be fully collateralized;

- Aristotle will publish time and sales data for all Event Contracts transactions on its website promptly after execution of the transactions;

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[6] *Id.*
[7] *Id.*
[8] Public Law 111–203, 124 Stat. 1376 (2010).
[9] 7 U.S.C. § 1a(47).
[10] Further Definition of "Swap," "Security-Based Swap," and "Security-Based Swap Agreement"; Mixed Swaps; Security-Based Swap Agreement Recordkeeping, 77 Fed. Reg. 48207, 48236 (Aug. 13, 2012).
[11] *Id.*
[12] *See* CFTC Letter No. 25-23 (Jul. 22, 2025), *available at* https://www.cftc.gov/csl/25-23/download; CFTC Letter No. 25-26 (Aug. 7, 2025), *available at* https://www.cftc.gov/csl/25-26/download; and CFTC Letter No. 25-28 (Sept. 3, 2025), *available at* https://www.cftc.gov/csl/25-28/download. Aristotle represents that there are no "material distinctions between the products offered by Aristotle and those addressed in" previously granted no-action letters concerning swap reporting for binary options and similar contracts. *See infra* note 12 (listing previously granted no-action letters.

- Aristotle will comply with Part 16 of the Commission's regulations by providing transactional information to the Commission pursuant to Commission Regulation 16.02;

- No Aristotle participant clears an Aristotle Event Contract through a third-party clearing member;

- Aristotle's DCM will clear all Aristotle Event Contracts through Aristotle's DCO and Aristotle's DCO shall only clear Aristotle Event Contracts;

- Aristotle shall maintain all required records and make them available for inspection upon request by any representative of the Commission, the United States Department of Justice, the Securities and Exchange Commission, or any prudential regulator authorized by the Commission. Upon such request, Aristotle shall furnish copies of required records to the Commission's representative at Aristotle's own expense. The copies shall be provided in electronic format, hard copy, or both, as specified by the Commission; however, records originally created and maintained exclusively in paper form may be furnished solely in hard copy.

No-Action Position and Related Conditions

The Divisions have decided to take a no-action position consistent with Aristotle's Request, subject to certain conditions described below, based on Aristotle's representations and statements in support of the Request. The Divisions note that this no-action position is similar to previous no-action positions taken with respect to reporting certain binary options transactions and similar transactions.[13] The Divisions will not recommend that the Commission initiate an enforcement action against Aristotle or its participants for failure to comply with Commission regulations 38.8(b), 38.10, 38.951 (only to the extent that regulation 38.951 requires compliance with Part 45 of the Commission's regulations), 39.20(b)(2), as well as the applicable provisions of Parts 43 and 45 of the Commission's regulations, or the requirements of the relevant CEA provisions pursuant to which the Relevant Regulations were promulgated, with respect to Aristotle Event Contracts, subject to the following conditions:[14]

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[13] *See* CFTC Letter No. 17-31 (June 30, 2017), *available at* https://www.cftc.gov/csl/17-31/download; CFTC Letter No. 17-32 (June 30, 2017), *available at* https://www.cftc.gov/csl/17-32/download; CFTC Letter No. 21-11 (Apr. 22, 2021), *available at* https://www.cftc.gov/csl/21-11/download; CFTC Letter No. 24-09 (July 12, 2024), *available at* https://www.cftc.gov/csl/24-09/download; CFTC Letter No. 24-12 (Sept. 3, 2024), *available at* https://www.cftc.gov/csl/24-12/download; CFTC Letter No. 25-02 (Jan. 31, 2025), *available at* https://www.cftc.gov/csl/25-02/download; CFTC Letter No. 25-23 (Jul. 22, 2025), *available at* https://www.cftc.gov/csl/25-23/download; CFTC Letter No. 25-26 (Aug. 7, 2025), *available at* https://www.cftc.gov/csl/25-26/download; and CFTC Letter No. 25-28 (Sept. 3, 2025), *available at* https://www.cftc.gov/csl/25-28/download.

[14] Some of these conditions regarding the no-action position may constitute a collection of information, as that term is defined in the Paperwork Reduction Act, 44 U.S.C. §§ 3501 et. seq. The Office of Management and Budget ("OMB")—in accordance with 44 U.S.C. § 3507(d) and 5 C.F.R. §§ 1320.8 and 1320.10—has approved collection 3038-0049, entitled "Procedural requirements for requests for interpretative, no-action and exemptive letters," for such purposes. This collection would encompass collections made as part of exemptive or no-action position from the Commission or its staff. The public is not required to respond to a collection of information that does not have a valid OMB control number.

1) Aristotle will require all Aristotle Event Contracts to be fully collateralized positions, as defined by Commission regulation 39.2;[15]

2) Aristotle will clear all Aristotle Event Contracts through the Aristotle clearinghouse (Aristotle DCO, Inc.) and the Aristotle clearinghouse will clear all Aristotle Event Contracts;

3) Aristotle will publish on its website the following time and sales data for all Aristotle Event Contract transactions promptly after execution thereof: trade timestamp, contract, quantity, and price;

4) Aristotle will provide the Commission with all transactional information as described in Commission regulation 16.02;

5) Aristotle will comply with all reporting and recordkeeping requirements of the CEA and CFTC regulations applicable to it in its respective capacities as a DCM and a DCO, other than the Relevant Regulations, including, but not limited to, the applicable requirements of Parts 38 and 39 of the Commission's regulations (the records required to be retained by this condition (5) are referred to below as the "Required Records");

6) No Aristotle participant clears an Aristotle Event Contract through a third-party clearing member; and

7) Aristotle keeps the Required Records open to inspection upon request by any representative of the Commission, the United States Department of Justice, or the Securities and Exchange Commission, or by any representative of a prudential regulator as authorized by the Commission. Copies of all such records shall be provided, at the expense of Aristotle, to any representative of the Commission upon request. Aristotle shall provide copies of the Required Records either by electronic means, in hard copy, or both, as requested by the Commission, with the sole exception that copies of records originally created and exclusively maintained in paper form may be provided in hard copy only.

This letter expresses a staff position only with respect to enforcement of the Relevant Regulations. This letter does not state any legal conclusion regarding the characteristics or legality of Aristotle Event Contracts or the conduct of any person covered by the no-action position.[16] This letter and the no-action position taken herein represent the views of the Divisions only, and do not necessarily represent the positions or views of the Commission or of any other Commission division or office. This letter and the no-action position taken herein are not binding on the

[15] Commission regulations define "fully collateralized position" as "a contract cleared by a derivatives clearing organization that requires the derivatives clearing organization to hold, at all times, funds in the form of the required payment sufficient to cover the maximum possible loss that a party or counterparty could incur upon liquidation or expiration of the contract." 17 C.F.R. § 39.2.

[16] For the avoidance of doubt, this letter is not intended to address whether any of Aristotle's Event Contracts are consistent with any statutory or regulatory requirement, including with respect to the requirements of CEA section 5c(c)(5)(C) or Commission regulation 40.11. 17 C.F.R. § 40.11.

Commission.[17] Except as explicitly provided in this letter, the no-action position taken herein does not excuse persons from compliance with any applicable requirements of the CEA or Commission regulations. Further, this letter, and the no-action position contained herein, are based upon the representations made to the Divisions. Any different, changed, or omitted material facts or circumstances may render this letter void. As with all no-action letters, the Divisions retain the authority to, in their discretion, further condition, modify, suspend, terminate or otherwise restrict the terms of the no-action position provided herein.

If you have any questions concerning this letter, please contact Paul Chaffin, Division of Market Oversight, at (202) 418-5185 or pchaffin@cftc.gov; Alicia Viguri, Division of Market Oversight, at (202) 418-5219 or aviguri@cftc.gov; Owen Kopon, Division of Market Oversight, at (202) 418-5360 or okopon@cftc.gov; or Jon Kramer, Division of Clearing and Risk, at (312) 596-0563 or jkramer@cftc.gov.

Sincerely,

Rahul Varma	Richard Haynes
Acting Director	Acting Director
Division of Market Oversight	Division of Clearing and Risk

[17] *See* 17 C.F.R. § 140.99(a)(2) ("A no-action letter binds only the issuing Division . . . and not the Commission or other Commission staff.").