

Aristotle Exchange
205 Pennsylvania Avenue, SE
Washington, DC 20003
CFTC Regulations 38.8(b),
38.10, 38.951, 39.20(b)(2)
and Parts 43 and 45

September 11th, 2025

Rahul Varma
Acting Director, Division of Market Oversight

Richard Haynes
Acting Director, Division of Clearing and Risk

U.S. Commodity Futures Trading Commission
Three Lafayette Centre 1155 21st Street N.W.
Washington, D.C. 20581

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.

Dear Mr. Varma and Mr. Haynes,

Pursuant to Regulation 140.99, Aristotle Exchange DCM, Inc and Aristotle Exchange DCO, Inc (“Aristotle”) write to respectfully request that 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 (“Commission” or “CFTC”) issue no-action relief confirming that the Divisions will not recommend that the Commission commence enforcement action against Aristotle or its participants with respect to contracts with the features described in this letter traded on and cleared by Aristotle (“Aristotle Event Contracts”) for failure to report Aristotle Event Contract pricing and transaction information to a swap data repository (“SDR”) or to fulfill the recordkeeping requirements of CFTC Regulations 38.8(b), 38.10, and 38.951,¹ 39.20(b)(2) along with Parts 43 and 45 of the Commission’s regulations (collectively, the “Relevant Regulations”).

This request for no-action relief herein tracks similar no-action relief previously granted by the Divisions to DCMs and DCOs in analogous situations.²

I. Background

On September 5, 2025, the Commission issued an order designating Aristotle as a joint Designated Contract Market (“DCM”) and Derivatives Clearing Organization (“DCO”) that lists

¹ Insofar as CFTC Regulation 38.951 requires compliance with Part 45 of the CFTC’s Regulations.

² See CFTC Letter No. 25-28 (September 2, 2025); CFTC Letter No. 25-26 (August 7, 2025); CFTC Letter No. 25-23 (July 22, 2025)

for trading and clears Event Contracts based on the outcomes of a range of events. Aristotle Event Contracts are entered into by Market participants by entering orders for either a “Yes” position or a “No” position. For a market participant to enter a “Yes” position, there must be another market participant who simultaneously enters a “No” position (together, “Event Contract”). The “Yes” and “No” positions of an Event Contract are entered via inverse pricing and Aristotle accepts an Event Contract for clearing when the combined bids for the “Yes” and “No” positions equal \$1.00. Aristotle does not list or clear any other type of contract.

Market participants are only permitted to enter an order to buy an Aristotle Event Contract if they are fully collateralized, which means they have deposited and maintain sufficient collateral to fully cover any loss that could be incurred in connection with the Event Contract. Also, Aristotle Event Contracts are characterized by settlement 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” position or “No” Position and no payment to the holder of the opposite position.

Section 1a(47) of the Commodity Exchange Act (“CEA”) defines a “swap” as “...any agreement, contract, or transaction... that provides for any purchase, sale, payment, or delivery ... that is dependent on the occurrence, nonoccurrence, or the extent of the occurrence of an event or contingency associated with a potential financial, economic, or commercial consequence;”³ Aristotle believes that its Event Contracts are swaps under CEA 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. The Commission promulgated various regulations applicable to swaps pursuant to the Dodd-Frank Act, which include swap reporting and recordkeeping obligations to DCMs, DCOs, and other market participants.

II. Justification for the Requested No-Action Relief

As a DCM and a DCO that lists for trading and clears Aristotle Event Contracts, which are similarly structured as binary options, Aristotle is seeking comparable relief that the Divisions provided to certain other market participants, namely, and most recently, the relief provided in CFTC Letter Nos. 25-28, 25-26 and 25-23. The Relevant Regulations, while advancing the important goal of expanding transparency in the swaps market, are not well suited for the particular characteristics of Aristotle Event Contracts. To that end, Aristotle makes the following representation:

- Aristotle classifies 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. Furthermore, Aristotle Event Contracts possess few, if any, attributes of traditional swaps such as over-the-counter trading, bilateral execution, or customizability;
- Aristotle will publish time and sales data for all Aristotle Event Contract transactions on its website promptly after execution of the transactions;

³ CEA § 1a(47), 7 U.S.C. § 1a(47).

- Aristotle will comply with Part 16 of the Commission's regulations, specifically Commission Regulation 16.02, by providing transactional information to the Commission;
- Aristotle Event Contracts are required to be fully collateralized;
- No Aristotle participant clears an Event Contract through a third-party clearing member;
- The Aristotle Exchange shall clear all Aristotle Event Contracts through the Aristotle Clearinghouse. Furthermore, the Aristotle Clearinghouse shall only clear Aristotle Exchange Event Contracts;
- Aristotle shall maintain the Required Records and make them available for inspection upon request by any representative of the Commission, the United States Department of Justice, the SEC, or any prudential regulator authorized by the Commission. Upon such request, Aristotle shall furnish copies of the 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.

As previously concluded by Commission staff, the reporting methods described herein for these types of products are sufficient to effectively fulfill Congress' transparency objectives under the Dodd-Frank Act in an efficient manner. There have been no changes in circumstances, applicable law, or any material distinctions between the products offered by Aristotle and those addressed in CFTC Letter Nos. 25-26, 25-26, 25-23, 25-02, 24-15, 24-12, 24-09, 21-11, 17-31, and 17-32. Accordingly, Aristotle believes similar relief is warranted with respect to its Event Contracts.

III. Relief Requested

For the reasons set out above, Aristotle respectfully requests that the Divisions grant this relief request and refrain from recommending that the Commission take any enforcement action against Aristotle or its participants for failure to report Aristotle Event Contracts to an SDR or any other obligations under the Relevant Regulations.

Aristotle would like to thank the Commission for its time and attention to this request. If the Commission or its staff need any further information in connection with this request, please do not hesitate to contact me at Nick.Thompson@Aristotle.com.

Pursuant to Regulation 140.99(c)(3)(i), the undersigned hereby certifies that the material facts set forth above are true and complete to the best of his knowledge. Pursuant to Regulation 140.99(c)(3)(ii), Aristotle affirms that, should any material representation contained in this letter become untrue or incomplete at any time prior to the issuance of a no-action or exemptive letter, it will promptly notify the Commission staff in writing, detailing all materially altered facts and circumstances.

Sincerely,

A handwritten signature in black ink, appearing to read "N. Thompson".

Nick Thompson
Aristotle Exchange DCM, Inc
Aristotle Exchange DCO, Inc
Chief Regulatory Officer

cc:

Paul Chaffin, Division of Market Oversight

Alicia Viguri, Division of Market Oversight

David Mason, Aristotle General Counsel

Dirk Scheepers, Aristotle Deputy Chief Regulatory Officer