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

Re: Supplemental Staff Letter Regarding 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 QCEX 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 (the "Request") from QCX LLC, d/b/a Polymarket US, and QC Clearing LLC, d/b/a Polymarket Clearing (collectively, "Polymarket").[1] Polymarket requested to amend Staff Letter 25-28.[2] Staff Letter 25-28 granted Polymarket's request for a no-action position with respect to the swap data reporting and recordkeeping requirements of sections 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), and Parts 43 and 45 of the Commission's regulations (collectively, the "Relevant Regulations"). Polymarket has now requested that the Divisions modify the no-action position granted in Staff Letter 25-28 to remove condition 6,[3] which provides that "[n]o [Polymarket] participant clears a QCEX Contract through a third-party clearing member."[4]

Background

Polymarket US is a designated contract market ("DCM") and Polymarket Clearing is a derivatives clearing organization ("DCO"). This letter concerns certain contracts listed by Polymarket that have the features described in Staff Letter 25-28 ("QCEX Contracts"). In the Request for the no-action position granted in Staff Letter 25-28 (the "Original Request"),[5]

[1] Letter from A. Clifford to R. Haynes and R. Varma re: No-Action Relief from Commission Regulations 38.8(b), 38.10, 38.951 (only to the extent it requires compliance with Part 45 of the Commission's Regulations), 39.20(b)(2), and Parts 43 and 45 for Fully-Collateralized Options Traded on or Pursuant to the Rules of QCX LLC and QC Clearing LLC (November 14, 2025).
[2] CFTC Letter No. 25-28 (Sept. 2, 2025), *available at* https://www.cftc.gov/csl/25-28/download.
[3] Request at 1.
[4] CFTC Letter No. 25-28 at 5.
[5] *See* Letter from M. Childers to the Division of Market Oversight re: No-Action Relief from Commission Regulations 38.8(b), 38.10, 38.951 (only to the extent it requires compliance with Part 45 of the Commission's

Polymarket stated that it intends to list for trading "fully-collateralized option contracts on various underlying commodities, assets or indices."[6] Polymarket stated that these contracts will be structured as either binary contracts, for which, "[a]t settlement, either the entire fixed amount is paid to one of the long or short position holders," or variable payout contracts, for which, at settlement, the fixed amount is "pro-rated between the two sides based on the final settlement price."[7] Polymarket stated that for QCEX Contracts, "[t]his payout structure is independent of the underlying index used to determine final settlement value, although the final settlement amount will obviously be dependent on the underlying index."[8] Polymarket stated that it believes the QCEX Contracts will "offer trading opportunities for commercial and retail participants. . . ."[9]

In the Original Request, Polymarket also represented "that all of the contracts that [Polymarket] intends to list are options that are technically within the definition of a 'swap' under the Commodity Exchange Act."[10] Polymarket stated that the CFTC has defined "swaps," consistent with the Commodity Exchange Act,[11] to include "commodity options."[12] CFTC regulations, including the Relevant Regulations, provide reporting and recordkeeping requirements for swaps that are applicable to DCMs, DCOs, and market participants. Polymarket, however, characterized its market and the contracts to be traded as "most closely resembl[ing] exchange-traded options on futures (i.e., exchange traded with standardized terms, fungible, and subject to offset), with few of the indicia of traditional swaps,"[13] and therefore sought to report the contracts offered on its exchange in a manner similar to that required for exchange-traded options on futures.

Commodity options fall within the Commission's plenary options authority under Commodity Exchange Act ("CEA") section 4c(b).[14] CEA section 4c(b), in relevant part, prohibits any person from offering, entering into, or confirming the execution of a transaction involving any commodity regulated under the CEA that "is of the character of, or is commonly known to the trade as, an 'option' . . ." contrary to any Commission rule prohibiting the transaction or allowing it pursuant to specified terms and conditions. When promulgating Commission Regulation 32.2, the Commission stated that "the swap definition . . . includes options . . . (whether or not traded on a DCM)[.]"[15] Commission Regulation 32.2 states, in relevant part, that commodity option transactions must be conducted in compliance with the CEA and the Commission's regulations related to swaps.[16]

Regulations), 39.20(b)(2), and Parts 43 and 45 for Fully-Collateralized Options Traded on or Pursuant to the Rules of QCX LLC and QC Clearing LLC (July 16, 2025), *available at* https://www.cftc.gov/csl/25-28/request_letter/0/download.

[6] Original Request at 1-2.

[7] *Id.* at 2.

[8] *Id.*

[9] *Id.* at 1-2. Polymarket represented that it "[i]nitially . . . intends to list contracts based on foreign currency exchange rates, with such rates as the settlement indices, but anticipates using other settlement indices appropriate to binary and variable payout contracts in the future." *Id.* at 2.

[10] *Id.* at 1-2.

[11] 7 U.S.C. § 1a(47).

[12] Original Request at 3.

[13] *Id.* at 2 (footnote omitted).

[14] 7 U.S.C. § 6c(b).

[15] Commodity Options, 77 Fed. Reg. 25320, 25321, n.6 (Apr. 27, 2012).

[16] 17 C.F.R. § 32.2.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act")[17] amended the CEA by adding a definition of "swap."[18] The Dodd-Frank Act required the Commission and the Securities and Exchange Commission to further define jointly the term "swap." In jointly adopting such further definition, the Commissions stated that "the statutory swap definition explicitly provides that commodity options are swaps[.]"[19]

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 CFTC's use in fulfilling its surveillance and market analysis missions.

On September 2, 2025, the Divisions issued Staff Letter 25-28, which provided Polymarket a no-action position related to swap data reporting and recordkeeping requirements under the Relevant Regulations for the QCEX Contracts.[20] In granting that request, the Divisions noted that the no-action position taken in Staff Letter 25-28 was similar to and consistent with previous no-action positions taken with respect to reporting certain binary options transactions.[21] The no-action position taken in Staff Letter 25-28 contained several conditions, including condition 6, which conditions the no-action position on Polymarket prohibiting futures commission merchants ("FCMs") from intermediating clearing for QCEX Contracts.[22]

No-Action Position Requested

In the Request addressed by this Supplemental Staff Letter, Polymarket requested that the Divisions modify the no-action position granted in Staff Letter 25-28 to remove condition 6, which provided that "[n]o Participants shall clear QCEX Contracts through any third-party clearing member."[23]

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[17] Public Law 111–203, 124 Stat. 1376 (2010).
[18] 7 U.S.C. § 1a(47).
[19] Further Definition of "Swap," "Security-Based Swap," and "Security-Based Swap Agreement;" Mixed Swaps; Security-Based Swap Agreement Recordkeeping, 77 FR 48207, 48236 (Aug. 13, 2012). *See also In re: Blockratize, Inc. d/b/a Polymarket.com*, CFTC Dkt. No. 22-09, at 2, 7 (Jan. 3, 2022) ("binary options . . . constitute swaps under the CFTC's jurisdiction, and therefore can only be offered on a registered exchange in accordance with the Act and Regulations").
[20] *See* CFTC Letter No. 25-28.
[21] *See id.* at 4; *see also* CFTC Letter No. 17-31 (Jun. 30, 2017), *available at* https://www.cftc.gov/csl/17-31/download; CFTC Letter No. 17-32 (Jun. 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. 24-15 (Oct. 4, 2024), *available at* https://www.cftc.gov/csl/24-15/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; and CFTC Letter No. 25-26 (Aug. 7, 2025), *available at* https://www.cftc.gov/csl/25-26/download.
[22] CFTC Letter No. 25-28 at 4-5.
[23] Request at 1.

At the time the Divisions issued Staff Letter 25-28, Polymarket's Order of Designation as a DCM provided that Polymarket US "shall not permit futures commission merchants to intermediate any transactions or carry accounts for customers executing trades on, or pursuant to the rules of QC Exchange unless this Order of Designation has been amended to permit futures commission merchants to carry customer accounts."[24] Staff Letter 25-28's Condition 6 reflected that provision. On November 24, 2025, the Commission published an Amended Order of Designation as a DCM for Polymarket that vacated and superseded that provision.[25] Polymarket has now requested that the Divisions modify the no-action position granted in Staff Letter 25-28 to remove condition 6.[26] The requested modification would enable Polymarket to rely on the no-action position taken in Staff Letter 25-28 when reporting QCEX Contracts if and when Polymarket offers intermediated trading.

Polymarket stated that the Divisions have previously granted similar no-action positions with respect to the Relevant Regulations for similar contracts, without including a non-intermediation condition prohibiting FCMs from clearing the contracts subject to the no-action position.[27] Polymarket also stated that, following the amendment of its Order of Designation as a DCM, removing condition 6 from the no-action position would be consistent with its Order of Designation as a DCM, which now no longer prohibits FCM intermediation.[28]

No-Action Position and Related Conditions

The Divisions have decided to take a no-action position consistent with Polymarket's Request, subject to certain conditions described below, based largely on Polymarket's representations and statements in support of the Request and the Original Request, because the Divisions believe, based on Polymarket's representations, that the justifications underlying Staff Letter 25-28 continue to apply. Given that Polymarket's Order of Designation as a DCM no longer prohibits intermediation, the Divisions have determined it is appropriate to remove the corresponding condition in Staff Letter 25-28, condition 6, prohibiting third-party clearing by participants. The Divisions also believe that removing condition 6 is consistent with the approach taken in Staff Letters 24-09 and 25-02, which do not contain a condition prohibiting third-party clearing by participants.[29]

The Divisions will not recommend that the Commission initiate an enforcement action against Polymarket 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

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[24] In the Matter of the Application of QCX LLC for Designation as a Contract Market, Order of Designation, 3 (July 9, 2025), *available at* https://www.cftc.gov/filings/documents/2025/orgdcmqcexorderofd250709.pdf.
[25] Amended Order of Designation, In the Matter of the Petition of QCX LLC d/b/a Polymarket US to Amend Its Order of Designation, 2 (Nov. 24, 2025), *available at* https://www.cftc.gov/media/12806/Polymarket%20US%20Amended%20Order%20of%20Designation/download.
[26] Request at 1.
[27] *See id.*; *see also* CFTC Letter No. 24-09 (July 12, 2024), *available at* https://www.cftc.gov/csl/24-09/download and CFTC Letter No. 25-02 (Jan. 31, 2025), *available at* https://www.cftc.gov/csl/25-02/download.
[28] Request at 1-2.
[29] *See* CFTC Letter No. 24-09 (July 12, 2024), *available at* https://www.cftc.gov/csl/24-09/download and CFTC Letter No. 25-02 (Jan. 31, 2025), *available at* https://www.cftc.gov/csl/25-02/download.

which the Relevant Regulations were promulgated, with respect to QCEX Contracts, subject to the following conditions:[30]

1) Polymarket will require all QCEX Contracts to be fully collateralized positions, as defined by Commission Regulation 39.2;[31]

2) Polymarket will clear all QCEX Contracts through Polymarket Clearing and Polymarket Clearing will clear all QCEX Contracts;

3) Polymarket will publish on its website the following information for all QCEX Contracts transactions promptly after execution thereof: trade timestamp, contract, quantity, and price;

4) Polymarket will provide the CFTC with all transactional information as described in Commission Regulation 16.02;

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

6) Polymarket 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 CFTC. Copies of all such records shall be provided, at the expense of Polymarket, as applicable, to any representative of the Commission upon request. Polymarket, as applicable, shall provide copies of the Required Records either by electronic means, in hard copy, or both, as requested by the CFTC, 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

[30] 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.

[31] CFTC 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.

of QCEX Contracts or the conduct of any person covered by the no-action position.[32] 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 Commission.[33] 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 its 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 Alicia Viguri, Division of Market Oversight, at (202) 418-5219 or aviguri@cftc.gov; Paul Chaffin, Division of Market Oversight, at (202) 418-5185 or pchaffin@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

[32] For the avoidance of doubt, this letter is not intended to address whether any of the QCEX 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.

[33] *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.").