COMMISSION REGULATIONS
17 C.F.R. §§ 15.01, 16.00, 17.00, 17.01 and 17.02

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BY ELECTRONIC MAIL (dmoletters@cftc.gov)

DJ Hennes
Acting Director, Division of Market Oversight
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Request for No-Action Relief Under Parts 16 and 17 of Commission Regulations

Dear Mr. Hennes:

Pursuant to Commodity Futures Trading Commission (the "**Commission**") Regulation 140.99, Electron Exchange DCM, LLC ("**ElectronX DCM**") writes to respectfully request that the Commission's Division of Market Oversight (the "**Division**") issue no-action relief confirming that the Division will not recommend that the Commission commence enforcement action against ElectronX DCM or any of its Direct Clearing Members (as defined below) for (1) failure of ElectronX DCM to submit daily clearing member reports for Direct Clearing Members under Commission Regulations 15.01 and 16.00, provided ElectronX DCM submits daily clearing member reports for all of its FCM Clearing Members (as defined below) as required under Commission Regulations 15.01 and 16.00 and (2) failure of ElectronX DCM's Direct Clearing Members to comply with special account and volume threshold account reporting obligations under Commission Regulations 15.01, 17.00, 17.01 and 17.02, provided that ElectronX DCM undertakes and fulfills those obligations on their behalf in the manner described herein.

I. Background

ElectronX DCM is designated as a contract market ("**DCM**") and Electron Exchange DCO, LLC ("**ElectronX DCO**" and together with ElectronX DCM, "**ElectronX**") is registered as a derivatives clearing organization ("**DCO**"). ElectronX lists and clears contracts consisting of cash-settled bounded futures with underlying commodities relating to electricity and/or power

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markets ("**Contracts**").[1] Any market participant seeking to trade a Contract must enter into the Contract on or pursuant to the rules of ElectronX DCM and clear the Contract at ElectronX DCO.

Currently, consistent with the terms of its Order of Designation, market participants are not permitted to enter a bid for a Contract unless they deposit and maintain sufficient collateral to fully collateralize (i.e., completely cover) any loss that could be incurred in connection with the Contract resulting from the pairing of any such bid. Collateral transfers made by a market participant are irrevocable and unconditional when effected except in the case of funds transferred to a market participant in the event of fraud or error.

ElectronX DCM's trading model was initially non-intermediated, and ElectronX DCM did not permit any futures commission merchant ("**FCM**") to intermediate any transactions or carry accounts for customers executing trades on, or pursuant to the rules of, ElectronX DCM. However, on August 10, 2026, ElectronX DCM obtained a new Order of Designation to allow intermediated trading by FCMs.

Pursuant to the new Order of Designation, ElectronX permits two types of clearing members of ElectronX DCO (the "**Clearing Members**") to clear Contracts: (1) a Clearing Member registered with the Commission as an FCM (a "**FCM Clearing Member**");[2] and (2) a Clearing Member that clears solely for its own proprietary account and is not registered with the Commission as an FCM or introducing broker (a "**Direct Clearing Member**").[3]

In other words, a Direct Clearing Member may clear only for its own proprietary account and, by definition, cannot be registered with the Commission as an FCM.

[1] ElectronX also offers binary options to its Direct Clearing Members but those are not subject to this no action letter.

[2] The ElectronX rulebook defines "FCM Clearing Member" as "a Clearing Member that is registered with the CFTC as an FCM and is authorized pursuant to these Rules to clear Contracts for both its own account (House Account) and Customer Accounts."

[3] The ElectronX rulebook defines "Direct Clearing Member" as "a Clearing Member that clears solely for its own proprietary account and is not registered with the CFTC as an FCM. Direct Clearing Members may only maintain Non-Customer Collateral Accounts with the Clearinghouse."

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II. Regulatory Framework

(a) Part 15 of Commission Regulations

Commission Regulation 15.01 requires various persons, including but not limited to reporting markets, FCMs, clearing members and foreign brokers, to comply with the reporting requirements in Parts 16, 17, 18, 19 and 21. The reporting requirements relevant to this request are described in Sections II(b) and II(c) below.

(b) Part 16 of Commission Regulations

Commission Regulation 16.00 requires reporting markets to submit daily reports to the Commission detailing certain proprietary and customer account information for each clearing member. In order to meet this requirement, each reporting market must collect such account information from its clearing members on a daily basis unless an exclusion applies. Specifically, Commission Regulation 16.00(c) provides that the requirements of Part 16 "shall not apply to transactions involving ***exclusively self-cleared contracts***." (Emphasis added.) As such, a reporting market that lists exclusively self-cleared contracts does not need to submit proprietary and customer account information specified in Commission Rule 16.00 from each of its clearing members on a daily basis.

(c) Part 17 of Commission Regulations

Part 17 of Commission Regulations establishes the Commission's large trader reporting framework. Specifically, as relevant here, Commission Regulations 17.00(a), 17.01(a) and 17.02 require FCMs, clearing members and foreign brokers to identify and submit daily reports to the Commission for each account holding a reportable position. Likewise, as relevant here, Commission Regulation 17.01(b) requires each clearing member to identify and report each volume threshold account to the Commission. However, Commission Regulations 17.00(j) and 17.01(d) allow reporting markets that list ***exclusively self-cleared contracts*** to satisfy the daily reporting requirements on behalf of its FCMs, clearing members and foreign brokers, as applicable.

III. Need for No-Action Relief

Because ElectronX DCM does not list ***exclusively*** self-cleared contracts—given the presence of intermediated access through FCMs—Commission Regulations 16.00(c), 17.00(j) and 17.01(d) do not apply. Therefore, under Commission Regulation 16.00, ElectronX DCM is required to submit daily reports for both Direct Clearing Members and FCM Clearing Members, and under

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Part 17, ElectronX DCM's Direct Clearing Members bear independent reporting obligations under Commission Regulations 17.00, 17.01 and 17.02.

ElectronX DCM is thus seeking relief consistent with the Commission's existing framework for centralized reporting. Parts 16 and 17, while advancing the important goal of market surveillance and transparency, create duplicative obligations in the context of ElectronX's clearing model. To that end, ElectronX DCM makes the following representations:

- ElectronX DCM will comply with Part 16 with respect to daily reporting for FCM Clearing Members;
- FCMs will remain fully responsible for reporting under Commission Regulation 15.01 and Part 17;
- ElectronX DCM will clear all Contracts through ElectronX DCO;
- ElectronX will maintain complete end-of-day clearing data for all Direct Clearing Members, including trader identification and account ownership information, and is operationally capable of generating large trader reports consistent with the Commission's technical specifications and timely submission and error correction;
- Direct Clearing Members will remain responsible for: (a) providing accurate ownership and control information; (b) complying with aggregation rules under Part 150; and (c) maintaining books and records required under the Commodity Exchange Act ("CEA");
- ElectronX DCM will promptly notify DMO of any material reporting failure.

IV. Relief Requested

ElectronX DCM respectfully requests that the Division confirm it will not recommend the Commission take enforcement action (1) against ElectronX DCM if ElectronX DCM does not submit daily reports under Commission Regulations 15.01 and 16.00 for its Direct Clearing Members and (2) against ElectronX DCM, or its Direct Clearing Members, if Direct Clearing Members do not submit daily large trader reports required under Commission Regulations 15.01, 17.00, 17.01 and 17.02 if ElectronX DCM submits complete, accurate, and timely Part 17 reports to the Commission on behalf of such Direct Clearing Members.

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V. Analysis Supporting Relief

(a) Part 16

(i) Daily Reporting For Direct Clearing Members Is Unnecessary

Part 16 does not mandate reporting in all instances as Commission Regulation 16.00(c) creates an exception to the reporting requirements when the "transactions involv[e] exclusively self-cleared contracts."

Although ElectronX DCM now allows for intermediation via FCMs, ElectronX DCM still has a significant number of Direct Clearing Members on its platform. Commission Regulation 16.00(c) makes clear that the reporting contemplated under Part 16 is largely concerned with transactions involving ***intermediated*** contracts (which ElectronX provides). Given ElectronX DCM will continue submitting large trader reports for Direct Clearing Members under Part 17 (as discussed below) – exempting ElectronX DCM from Part 16 reporting for its Direct Clearing Members will not result in any large trader reporting gap.

(b) Part 17

(i) The Rationales Underpinning the 2006 Amendments to Part 17 Support ElectronX DCM's Requested Relief

Placing the burden of reporting for direct clearing members on an exchange is consistent with the rationales the Commission articulated when amending Part 17 to establish the reporting framework for exclusively self-cleared contracts.[4] As the Commission explained "[s]ince 1981, the design of the reporting rules has been to place the burden of reporting large positions and identifying data in the first instance on market intermediaries and well capitalized persons that clear customer or proprietary positions."[5] This is because "traders in general may not have the requisite resources or regulatory experience to comply with part 17 of the Commission's regulations."[6] Given ElectronX DCM still has a significant number of Direct Clearing Members on its platform, allowing it to fulfill reporting obligations for its Direct Clearing Members is consistent with the intent of the Commission's amendment to Part 17.[7]

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[4] *See generally*, Final rules, Market and Large Trader Reporting, 71 FR 37809, 37809-37814 (July 3, 2006).

[5] *Id*. at 37813.

[6] *Id*.

[7] *See id*. (explaining that "reporting markets, by virtue of their regulated status, substantial resources, internal controls, and lines of communication with the Commission, are better able to submit position and identifying data to the Commission on a daily basis.").

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(ii) The Commission Has Authority to Permit Alternative Reporting Structures

Part 17 does not mandate that reporting obligations must be performed exclusively by clearing members where another regulated entity possesses the requisite information and undertakes the reporting function. Indeed, Commission Regulations 17.00(j) and 17.01(d) recognize circumstances where a DCM assumes reporting responsibilities for exclusively self-cleared contracts. While the Contracts are no longer exclusively self-cleared, this provision demonstrates that the regulatory framework contemplates centralized reporting by a DCM in appropriate circumstances. The requested relief does not seek to eliminate reporting; rather, it reallocates the mechanical submission function to the entity with authoritative clearing data.

(iii) Centralized Reporting Satisfies Commission Regulation 17.02

Commission Regulation 17.02 requires daily reports in the form and manner prescribed by the Commission. ElectronX maintains complete end-of-day clearing data for all Direct Clearing Members, possesses trader identification and account ownership information, generates large trader reports consistent with the Commission's technical specifications, and is operationally capable of timely submission and error correction. Accordingly, centralized reporting by ElectronX will fully satisfy the substantive objectives of Commission Regulation 17.02.

(iv) No Diminution of Surveillance or Enforcement

The purpose of Part 17 is to enable the Commission to monitor large trader positions, detect concentration risk, identify potential market manipulation, and support market surveillance efforts. The requested relief does not reduce the scope of reportable data, alter aggregation requirements under Part 150, impair the Commission's ability to obtain trader identification information, or eliminate any books and records obligations. To the contrary, centralized reporting reduces operational risk associated with duplicate submissions and enhances data consistency.

(v) Compliance with Core Principle 4 — Prevention of Market Disruption

Under CEA Section 5(d)(4) and Commission Regulation 38.251, a DCM must have the capacity and responsibility to prevent manipulation, price distortion, and disruptions of the delivery or cash-settlement process. Centralizing Part 17 reporting at the ElectronX level strengthens compliance with Core Principle 4 because: (1) ElectronX already maintains real-time and end-of-day surveillance systems; (2) centralized reporting ensures consistent position data across surveillance and Commission reporting systems; (3) eliminating duplicative reporting reduces

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the risk of inconsistent or erroneous data submissions that could impair market oversight; and (4) ElectronX's Market Regulation function retains direct oversight of reportable positions, enhancing its ability to detect concentration and disruptive trading activity. Accordingly, the requested relief advances, rather than undermines, the objectives of Core Principle 4.

VI. Conclusion

For the foregoing reasons, ElectronX respectfully requests that the Division issue a no-action letter providing the relief described herein.

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Thank you for your attention to this request. Please do not hesitate to contact me at dan@electronx.com for any further information the Commission or its staff may require in connection with this request. 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), ElectronX DCM hereby undertakes that, if at any time prior to the issuance of a no-action or exemptive letter, any material representation made in this letter ceases to be true and complete, it will promptly inform the Commission staff in writing of all materially changed facts and circumstances.

Respectfully submitted,

Dan Hoban

Dan Hoban
Chief Regulatory Officer
Electron Exchange DCM, LLC

cc: Sam Tegel, Chief Executive Officer, ElectronX
James Brady, Partner, Katten Muchin Rosenman LLP

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