

This Week in Derivatives

January 17, 2025

From the Derivatives Practice Group: This week, the CFTC initiated review of certain sports-related events contracts. This week, the CFTC initiated review of certain sports-related events contracts.

New Developments

- **CFTC and the Bank of England Comment on Report on Initial Margin Transparency and Responsiveness in Centrally Cleared Markets.** On January 15, the Basel Committee on Banking Supervision (“BCBS”), the Bank for International Settlements’ Committee on Payments and Market Infrastructures (“CPMI”) and the International Organization of Securities Commissions (“IOSCO”) published the final report [Transparency and responsiveness of initial margin in centrally cleared markets – review and policy proposals](#) and the accompanying cover note [Consultation feedback and updated proposals](#). This report is the culmination of work undertaken by BCBS, CPMI, and IOSCO, co-chaired by the Bank of England and the Commodity Futures Trading Commission. [NEW]
- **CFTC Announces Review of Nadex Sports Contract Submissions.** On January 14, the CFTC notified the North American Derivatives Exchange, Inc. (“Nadex”) d/b/a Crypto.com it will initiate a review of the two sports contracts that were self-certified and submitted to the CFTC on Dec. 19, 2024. As described in the submissions, the contracts are cash-settled, binary contracts. The CFTC determined the contracts may involve an activity enumerated in CFTC Regulation 40.11(a) and section 5c(c)(5)(C) of the Commodity Exchange Act. As required under CFTC Regulation 40.11(c)(1), the CFTC

has requested that Nadex suspend any listing and trading of the two sports contracts during the review period. [NEW]

- **CFTC Announces Departure of Clearing and Risk Director Clark Hutchison.** On January 15, the CFTC announced Division of Clearing and Risk Director Clark Hutchison will depart the agency Jan. 15. Mr. Hutchison has served as director since July 2019. [NEW]
- **CFTC Staff Issues Advisory Regarding the Compliance Date for Certain DCO Reporting Requirements.** On January 10, the CFTC's Division of Clearing and Risk ("DCR") announced it issued a [staff advisory](#) regarding the compliance date for certain daily reporting requirements for registered derivatives clearing organizations ("DCOs"). The requirements were [amended](#) in August 2023. The compliance date for the amended requirements is February 10, 2025. According to the advisory, DCR will not expect any DCO to comply with the amended requirements until December 1, 2025, so long as the DCO continues to comply with the previous version of the requirements.
- **CFTC Announces Departure of Enforcement Director Ian McGinley.** On January 10, the CFTC announced that Division of Enforcement Director Ian McGinley will depart the agency on January 17, 2025. Mr. McGinley has served as Director of Enforcement since February 2023.
- **Chairman Rostin Behnam Announces Departure from CFTC.** On January 7, Chairman Rostin Behnam [announced](#) that he will be stepping down from his position as Chairman on January 20 and that his final day at the CFTC will be Friday, February 7.

New Developments Outside the U.S.

- **The EBA and ESMA Analyze Recent Developments in Crypto-Assets.** On January 16, ESMA and the European Banking Authority ("EBA") published a [Joint Report on recent developments in crypto-assets](#), analyzing decentralized finance ("DeFi") and crypto lending, borrowing and staking. This publication is the EBA and ESMA's contribution to the European Commission's report to the European Parliament and Council under Article 142 of the Markets in Crypto-Assets Regulation. EBA and ESMA find that DeFi remains a niche phenomenon, with value locked in DeFi protocols representing 4% of all crypto-asset market value at the global level. The report also sets out that EU adoption of DeFi, while above the global average, is lower than other developed economies (e.g. the US, South Korea). [NEW]
- **EU Funds Continue to Reduce Costs.** . On January 14, ESMA published its [seventh market report on the costs and performance of EU retail investment products](#), showing a decline in the costs of investing in key financial products. This report aims at facilitating increased participation of retail investors in capital markets by providing consistent EU-wide information on cost and performance of retail investment products. [NEW]

- **ESMA Launches Selection of the Consolidated Tape Provider for Bonds.** On January 3, ESMA announced the launch of the first selection procedure for the Consolidated Tape Provider (“CTP”) for bonds. Entities interested to apply are encouraged to register and submit their requests to participate in the selection procedure by February 7, 2025. The CTP aims to enhance market transparency and efficiency by consolidating trade data from various trading venues into a single and continuous electronic stream. This consolidated view of market activity is intended to help market participants to access accurate and timely information and make better-informed decisions, leading to more efficient price discovery and trading.

New Industry-Led Developments

- **ISDA and GFXD Respond to FCA on Future of SI Regime.** On January 10, ISDA and the Global Foreign Exchange Division (“GFXD”) of the Global Financial Markets Association (“GFMA”) responded to questions from the UK Financial Conduct Authority (“FCA”) on the future of the systematic internalizer (“SI”) regime. In the response, ISDA and GFXD support the proposal that firms are no longer required to identify themselves as SIs for derivatives trading and provide input on the consequences of this requirement falling away. ISDA and GFXD do not believe there will be any impact for reporting, best execution or on market structure. [NEW]

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