

CFTC Relief for Event Contracts

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In addition to everything relating to cryptos, event contracts are one of the hottest topics in Washington at the Commodity Futures Trading Commission (“**CFTC**”). Hopefully, when former CFTC commissioner Brian Quintenz is confirmed in the U.S. Senate for CFTC chairmanship, there will be greater certainty for event contracts, which are derivative contracts typically structured as binary options based on certain outcomes of events, such as political elections or sports games. These outcomes are recognized as “commodities.”

Most, if not all, volume in trading in leveraged event contracts is driven by retail participants, *i.e.*, persons who are not institutional investors or professional traders, and retail participants can only trade derivative contracts, such as swaps or futures, on registered commodity exchanges, also known as designated contract markets (“**DCMs**”).

Chicago Mercantile Exchange (“**CME**”), as DCM, filed a no-action letter (“**NAL**”) request with the CFTC in anticipation of listing certain margined event contracts. The NAL explains that binary option event contracts qualify as “swaps” as defined under § 1a(47) of the Commodity Exchange Act, and as such, must be reported to a swap data repository (“**SDR**”) under Part 43 and Part 45 of CFTC Regulations as required under the Dodd-Frank Act of 2010. CME explained that as DCM-listed contracts, it will be duplicative and unnecessary to report these swap contracts to the DCM because all relevant information will be already disclosed through the DCM. The CFTC granted this relief on July 22, 2025 (CFTC Letter No. 25-23) under certain conditions, including that these events contracts will be cleared through CME’s derivatives clearing organization (*i.e.*, the clearing house); all relevant economic terms will be published on CME’s website; the CME will provide the CFTC with all relevant transactions information; CME shall continue complying with all other reporting requirements; and make its records available to the CFTC.

This relief is indicative of the trend at the CFTC to rationalize and to streamline its reporting rules, which have been subject to much criticism by market participants. Lastly, this NAL demonstrates that the CFTC is open to recognizing event contracts as a valuable financial contract suitable to retail participants and CFTC’s willingness to accommodate new business models driven by retail customer demand.