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FACT SHEET

The Most Dangerous Product in Crypto Is Coming Onshore

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June 27, 2025

The Commodity Futures Trading Commission (CFTC) is facing a critical moment as so-called "perpetual futures" begin to gain traction in U.S. financial markets. These highly speculative contracts, which have long dominated unregulated offshore crypto exchanges, are now being introduced to CFTC-regulated platforms, with major players like Coinbase preparing to launch perpetual products directly to U.S. retail investors. The CFTC must act decisively to prevent the risks associated with these novel derivatives from undermining customer protections, market integrity, and financial stability.

What Are Perpetual Futures?

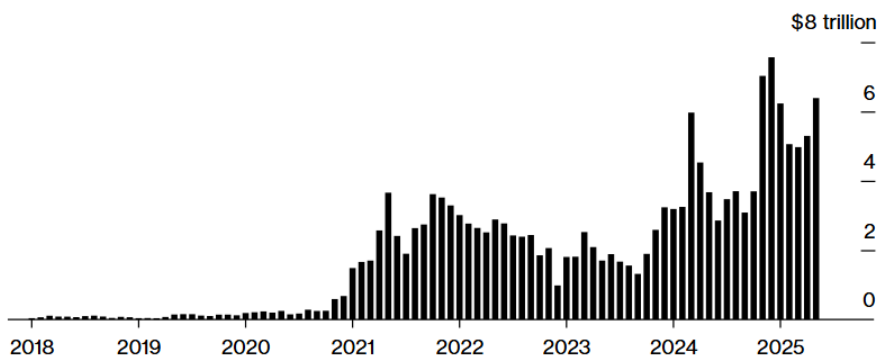
Perpetual futures are derivative contracts that, unlike traditional futures, do not have an expiration or settlement date. Instead, they allow traders to maintain positions indefinitely through recurring "funding payments," which are used to keep the contract price in line with a reference index. These payments are usually made every few hours between people betting the price will go up and those betting it will go down, depending on whether the contract price is higher or lower than the actual market price. This system helps encourage traders to keep the contract price close to the real market value. Although now widely associated with crypto markets, perpetual futures were first introduced in traditional finance in the early 1990s. Crypto exchanges later adopted and popularized perpetual futures starting in 2016, using the structure to support highly speculative, round-the-clock trading with extreme leverage, sometimes allowing bets up to 100 times the amount of money a trader actually puts in. In essence, they offer continuous, synthetic exposure to volatile assets with few of the regulatory safeguards that govern traditional futures markets.

Why Are They Entering U.S. Markets Now?

Until recently, perpetual futures were limited to lightly regulated or unregulated offshore platforms. That is beginning to change. Coinbase recently announced plans to offer perpetual futures in the United States through a CFTC-regulated exchange. But as Acting Chair Caroline Pham has pointed out, these products are already trading on some CFTC-supervised venues, including Bitnomial's Perpetual Bitcoin USD Centi Futures, which launched in April 2025. Importantly, these contracts were not formally approved by the CFTC. Instead, they were introduced through the CFTC's self-certification process, which allows exchanges to list new derivatives without prior regulatory review, as long as they assert compliance with existing rules.

This expansion into U.S. markets is being driven by the explosive global popularity of perpetual futures. Monthly trading volumes have surged to historic highs, [exceeding $6 trillion in early 2025](). These volumes [now exceed spot crypto trading](), which refers to the direct purchase or sale of cryptocurrency. As a result, perpetuals have become the dominant product in digital asset markets.

Monthly trading volumes have scaled up to trillions of dollars



Source: CoinDesk Data

For exchanges, offering these contracts under a U.S. regulatory framework promises major revenue potential and the ability to market them as safer and more legitimate to retail customers. However, this shift is occurring without clear, product-specific oversight, which raises serious concerns about how the CFTC will regulate a product that was intentionally designed to circumvent the foundational rules of traditional derivatives markets.

The Risks of Perpetual Futures Are Severe

Despite their rapid growth and widespread adoption in global crypto markets, perpetual futures remain fundamentally unsuited for broad use in regulated U.S. markets. These instruments amplify risk across the financial system by allowing retail investors to control positions worth far more than the capital they invest. This exposure multiplies potential losses just as quickly as gains, increasing the likelihood of sudden and severe liquidations during volatile market conditions. These automatic liquidations are often based on reference prices derived from indexes that can be thinly traded or manipulated, leaving traders with limited control and little time to react.

The 24/7 nature of perpetual trading compounds the danger. Because these products are available around the clock, they expose market participants to continuous volatility, even during periods when banks are closed and regulators are unavailable. This creates an environment where sharp market disruptions can occur without the normal safety nets or liquidity infrastructure that support traditional financial markets. In stressed conditions, these disruptions could overwhelm clearinghouses or futures commission merchants that were not designed to operate under such constant strain. These entities rely on predictable trading hours, daily margin cycles, and stable liquidity sources. Perpetual futures disrupt those conditions by introducing continuous trading, intraday margin spikes, and the potential for sharp market moves during nights, weekends, and holidays when financial backstops are less accessible.

In addition to these structural and systemic risks, perpetual futures pose a growing threat to individual retail investors. The complexity of the products, combined with aggressive marketing and limited disclosures, leaves many users vulnerable to sudden losses they do not fully understand.

Gamification and the Targeting of Younger Retail Investors

These risks are heightened by the way perpetual futures are marketed, often through slick user interfaces and mobile-friendly platforms that blur the line between investing and entertainment. Using bright visuals, reward systems, and social comparison features, they gamify high-risk trading in ways that encourage impulsive behavior, particularly among younger, less experienced users.

These design choices are not accidental. They are targeted not to support informed financial decisions, but rather to maximize engagement and trading volume. The result is that users are funneled into complex, highly leveraged products, such as perpetual futures, without fully understanding how they work. Many retail customers are unaware that their positions can be liquidated instantly, that funding payments can fluctuate unpredictably, or that they may lose more than they initially invested. The mechanisms behind perpetuals are notoriously difficult to grasp, especially for non-professional traders.

However, current regulatory safeguards have not kept pace with this reality. The CFTC's existing disclosure framework was not designed for products like perpetual futures or for platforms that market them using gamified strategies. These disclosures often fail to convey the full scope of risks in a clear, standardized, and accessible manner. Without urgent updates to these requirements, unsophisticated investors will continue to be misled or blindsided by financial products that masquerade as innovative investing tools.

Legal and Regulatory Uncertainty Only Adds to the Danger

The risks of perpetual futures are compounded by the fact that they exist in a troubling legal gray area. The Commodity Exchange Act does not explicitly define what constitutes a "contract of sale of a commodity for future delivery," and the CFTC has traditionally assessed such contracts based on their structure and purpose. Perpetual futures lack a fixed expiration or settlement date, which is a key feature of traditional futures contracts. Due to this structural difference, it remains unclear whether they fall within the statutory definition of a futures contract under the Commodity Exchange Act. If they do not, they may be classified differently, such as swaps, or potentially fall outside clear regulatory boundaries altogether.

These products were intentionally designed to operate outside the structural features that define traditional U.S. futures markets. By eliminating key elements like maturity, convergence, and physical settlement, they challenge the foundation of the CFTC's regulatory approach. Bringing these products into the U.S. without clearly establishing their legal status not only undermines the CFTC's authority but also opens the door to inconsistent enforcement and diminished market integrity. In the absence of formal rulemaking or interpretive guidance, allowing perpetual futures to proliferate in CFTC-regulated markets would be a grave regulatory misstep.

Perpetual Derivatives Threaten Market Stability and Clearinghouse Integrity

The risks posed by perpetual derivatives extend far beyond individual traders. If widely adopted, these products could pose a threat to broader financial stability. Their infinite duration and high leverage allow massive positions to accumulate without any natural endpoint or forced reset, thereby increasing the likelihood of market distortions and compounding exposure over time. Clearinghouses, which are central to risk management in derivatives markets, could face sudden and severe margin shocks, particularly during off-hours when liquidity is thin and key financial infrastructure, such as banks and payment systems, may be offline.

A significant disruption in this environment could trigger a cascade of defaults across intermediaries, overwhelming safeguards designed for more conventional, time-bound instruments. Adding to the concern is the lack of clarity around how open perpetual positions would be treated in the event of a clearinghouse or brokerage failure. It remains uncertain how these contracts would be valued, liquidated, or transferred in the event of a bankruptcy or resolution scenario, raising serious questions about customer fund protections and the adequacy of existing legal frameworks. These risks demand more than close monitoring. They require immediate regulatory action grounded in the CFTC's existing authority.

The CFTC Must Take Strong Action

The CFTC has both the responsibility and the existing tools to act before perpetual futures become entrenched in U.S. markets without appropriate safeguards. While the Commodity Exchange Act allows exchanges to list new products through self-certification, the CFTC retains the authority to challenge contracts that fail to comply with the law or CFTC regulations. It should exercise that authority aggressively in the case of perpetual futures. The CFTC should also consider issuing interpretive guidance or engaging in rulemaking to clarify how existing standards apply to perpetual products. If current tools prove insufficient, the CFTC should recommend that Congress amend the law to require formal review and approval for structurally novel or high-risk derivatives like perpetuals.

As part of this effort, the CFTC must also clarify whether perpetual futures qualify as futures, swaps, or fall into another regulatory category altogether. Without this clarity, exchanges may exploit gaps in classification to avoid core protections under the Commodity Exchange Act. Regulatory certainty is essential to preventing arbitrage and ensuring consistent enforcement.

Additionally, the CFTC should prohibit perpetual futures based on physical commodities, including energy, agriculture, and metals. These markets are essential to the real economy, and introducing perpetuals could distort pricing, undermine hedging, and harm producers and consumers alike. The CFTC should also impose strict leverage limits and enhanced suitability standards to prevent retail investors from engaging with these risky products without a clear understanding of the consequences.

Exchanges listing perpetuals should be held to higher standards of accountability. That includes implementing advanced surveillance tools to detect manipulation, conducting real-time stress testing of margin and clearing systems, and preparing for off-hours market shocks. Finally, the CFTC must overhaul its disclosure rules to require clear, plain-language explanations of how perpetual contracts work, especially with respect to liquidation risk, funding payments, and margin volatility. These disclosures should include real-world scenarios that make the risks concrete and understandable to non-professional investors.

The Bottom Line

Perpetual futures are not just another financial innovation. They represent a fundamental break from the rules and protections that have long defined U.S. derivatives markets. These products combine the most dangerous aspects of casino-style speculation with the appearance of regulatory legitimacy. Their design circumvents key safeguards such as contract maturity, convergence with underlying markets, and meaningful leverage limits. If left unchecked, their rapid expansion into CFTC-regulated platforms could expose retail investors to massive losses, destabilize market infrastructure, and erode public trust in the integrity of U.S. financial regulation.

The CFTC must not remain passive as this threat continues to grow. It must utilize its full authority to prevent regulatory arbitrage, close legal loopholes, and implement robust, proactive oversight. The stakes are high, and failure to act now could allow a dangerous, unstable product to take root in the heart of the U.S. financial system.

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