VIA EMAIL

July 24, 2025

Acting Chair Caroline Pham
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Objection to Polymarket's Acquisition of QCX and Regulatory Concerns Under the Commodity Exchange Act of Using the FTX Strategy of Acquiring Registered Entities

Dear Acting Chair Pham:

Better Markets[1] writes to express our serious concern about Polymarket's acquisition of QCX LLC (QCX) and the broader implications this transaction poses for market integrity, regulatory credibility, and public trust in the CFTC, as well as concerns regarding investor and customer protection, and financial stability.

In 2022, Polymarket entered into a settlement agreement with the CFTC to resolve charges of unlawfully offering unregistered binary options to U.S. users and agreeing to block access for U.S. persons. However, there apparently was reason to believe that Polymarket was violating that agreement, as evidenced by investigations by the CFTC and Department of Justice (DOJ). That investigation was so serious that it was reported last November that the FBI had raided the home of Polymarket's CEO and seized his phone, electronics, and other possible evidence. Nevertheless, without explanation but coincident with the change of administration, it was just reported on July 15th that both the CFTC and DOJ closed their investigations into whether Polymarket had, in fact, complied with that settlement. Then, just days later, it was reported on July 21st that Polymarket announced its acquisition of QCX, an obscure entity that had applied for a CFTC license in 2022, but was suddenly approved by the CFTC just days earlier on July 9th.

The timing suggests these related and interconnected actions are not coincidental but possibly a deliberate and coordinated effort to exploit a regulatory gap for the purpose of enabling

[1] Better Markets is a non-profit, non-partisan, and independent organization founded in the wake of the 2008 financial crisis to promote the public interest in the financial markets, support the financial reform of Wall Street, and make our financial system work for all Americans again. Better Markets works with allies—including many in finance—to promote pro-market, pro-business, and pro-growth policies that help build a stronger, safer financial system that protects and promotes Americans' jobs, savings, retirements, and more.

Polymarket to reenter the U.S. market without undergoing the scrutiny required of a new applicant. Importantly, this was the MO and strategy used by FTX and Sam Bankman-Fried (SBF) when FTX acquired LedgerX and a number of other registered entities, as reported by Reuters here: "How FTX bought its way to become the 'most regulated' crypto exchange." This was, of course, before FTX imploded into bankruptcy and SBF was arrested, convicted, and imprisoned for widespread criminal conduct. Needless to say, the lack of regulatory scrutiny in connection with the acquisition of registered entities can have grave implications.

QCX is a little-known firm headquartered in Florida that applied for designation as a contract market in 2022, coincidentally the same year Polymarket entered into its settlement with the CFTC. QCX's application sat dormant for more than three years with no visible signs of progress. Then, in July 2025, the CFTC and DOJ dropped their investigations into Polymarket, and, also in July, the CFTC approved QCX's application. Within days of that approval, Polymarket announced it would acquire QCX for 112 million dollars and use the acquisition to resume U.S. operations. The sequence raises serious concerns. It appears Polymarket identified QCX in advance, pushed for its approval behind the scenes, and waited for regulatory clearance before moving forward. The coordinated timing strongly suggests that QCX's license was not pursued to operate an independent exchange, but to serve as a regulatory vehicle for Polymarket's return to the US market.

As mentioned above, this is not the first time such a strategy appears to have been used. It mirrors the FTX playbook, in which a fully licensed entity was acquired to provide legitimacy, market access, and insulation from regulatory scrutiny. FTX and SBF used that maneuver multiple times, ultimately facilitating one of the most devastating failures in modern financial history.

We are especially concerned that Polymarket's return may once again involve contracts tied to political elections and sporting events. In our view (detailed here and here), such contracts fall squarely within the scope of the Commodity Exchange Act's prohibition on event contracts involving gaming, political contests, and other activities contrary to the public interest. Although you have shown increasing openness to permitting these types of contracts, Better Markets has consistently opposed them as illegal under the statute and contrary to sound public policy. Polymarket has previously offered these types of contracts, and there is no indication it intends to refrain from doing so in the future. If Polymarket uses its acquisition of QCX to resume this activity, it will only heighten the risk that unregulated gambling enters the derivatives markets. The CFTC should not allow CFTC-registered exchanges to serve as platforms for election or sports gambling, and we urge the CFTC to act decisively to prevent it.

More broadly, Polymarket's acquisition of QCX highlights a critical regulatory gap. To ensure that the customer protection, market integrity, and market stability statutory mandates are fulfilled, acquirors of CFTC registered entitles should be required to undergo the same level of CFTC scrutiny and due diligence as the entity did to get licensed in the first place, whether it's the acquisition of a CFTC-registered exchange, clearinghouse, or other entity. This includes the requirement to evaluate the financial resources, governance, business plans, and related matters of the acquiring entity before such a transaction is allowed to proceed.

In fact, we submitted a comment letter in response to the CFTC's proposed rule on derivatives clearing organization reporting requirements. In that letter, we objected to the weakening of change-of-control standards that had been in place since 2011. We wrote that any change in control of a DCO should be subject to an approval process supported by extensive reporting, not a mere notification requirement. The original rules required submission of the underlying agreement, a detailed narrative of the transaction, analysis of its market impact, and the governing documents of the acquiring entity. These protections were eliminated under the so-called "Project KISS" initiative and finalized in 2020, despite their vital role in protecting against regulatory end-runs and unleashing unscrutinized entities into these markets.

While the current matter involves a DCM rather than a DCO, the core principle is the same. The CFTC must not allow lightly regulated or offshore firms to acquire CFTC-registered entities without the same serious, substantive review the CFTC conducts for entities seeking registration in the first place. Doing so invites the very type of market disruption and regulatory failure that undermines confidence in U.S. financial oversight and, possibly, leads to disasters like FTX.

We therefore urge the CFTC to take immediate action. Specifically, the CFTC should investigate the circumstances surrounding QCX's approval, review the Polymarket-QCX transaction, determine whether the approval or transaction enables or facilitates prohibited activity under the Commodity Exchange Act or otherwise endangers customers, investors, markets, or financial stability, and begin a rulemaking to ensure that future acquisitions of registered entities, whether DCMs, DCOs, or otherwise, are subject to formal CFTC approval and public transparency.

Thank you for your attention to this matter.

Sincerely,

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cc: Commissioner Kristin N. Johnson