**WRITTEN TESTIMONY OF RANDI ABERNETHY**

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Committee on Financial Services
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*Field Hearing: "Building the Future of Finance: How the CLARITY Act Unlocks Innovation"*

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## I. Introduction

Chairman Steil, Ranking Member, and members of the Subcommittee, thank you for the invitation to testify today and for bringing this hearing to New York City, the financial capital of the world and a fitting place to discuss the future of American markets. My name is Randi Abernethy, and I am the Head of Clearing and Group Risk at Bullish, a publicly traded, institutionally focused digital asset firm listed on the New York Stock Exchange just a short walk from where we sit today.

In my role at Bullish, I am responsible for the clearing function of our exchange and for risk management across the Bullish group. I have spent my career in clearing and risk management for regulated financial market infrastructure. This includes over 7 years at LCH.Clearnet where I led the development and launch of the Nodal Exchange clearing platform, almost 5 years at Barclays leading clearing and other bank-wide regulatory change efforts and nearly 2 years at Nodal Exchange leading the development and launch of the FairX clearing platform while also acting as Enterprise Risk Officer for the clearing house. I spend my days on the questions this Subcommittee is examining: how trades in digital assets are matched, cleared, and settled; how customer assets are protected; how liquidity is built and maintained; and how a modern exchange manages risk and conflicts of interest. I hope that perspective, the view from inside the engine room of a regulated digital asset exchange, is useful to the Subcommittee as it considers digital asset market structure legislation.

## II. About Bullish

Bullish is an institutionally focused global digital asset platform providing regulated market infrastructure and information services. Founded in 2021, Bullish operates digital asset spot and derivatives exchanges that integrate high-performance central limit order books with automated market making technology to deliver deep, predictable liquidity for institutional customers. The exchange averages approximately 1.53bn in average daily volume.. Bullish is also the parent company of CoinDesk, a leading provider of digital asset media, data, and indices. We employ more than 400 people across offices in New York, London, Frankfurt, Gibraltar, Hong Kong, Singapore, and the Cayman Islands, and our financial statements are audited by Deloitte.

In August 2025, Bullish became a public company, listing on the New York Stock Exchange under the ticker BLSH. Our Chief Executive Officer, Tom Farley, served as President of the NYSE Group from 2014 to 2018. That is not a coincidence. Our leadership team is drawn heavily from traditional, regulated finance, and we have deliberately built Bullish to look and operate like the regulated exchanges and clearinghouses that have made American markets the envy of the world.

Because the United States has not had a comprehensive federal framework for digital assets, Bullish, like many others in this industry, first built its business under the supervision of regulators abroad and individual state regulators here. These initial efforts led to Bullish being regulated by the German Federal Financial Supervisory Authority, known as BaFin, under the European Union's Markets in Crypto Assets Regulation, by the Hong Kong Securities and Futures Commission and by the Gibraltar Financial Services Commission. We know what it means to operate a digital asset exchange under rigorous regulatory supervision, because we do it every day. And when American regulators opened a door, we walked through it. In September 2025, Bullish US Operations LLC was granted a BitLicense and money transmission license by the New York State Department of Financial Services, allowing us to bring regulated spot trading and custody services to customers here in the United States. We are now engaging directly with the staff of the Commodity Futures Trading Commission and National Futures Association regarding the registrations needed to operate a designated contract market, a derivatives clearing organization, and a futures commission merchant. We are not asking to operate in the shadows. We are asking for a clear federal rulebook, and we intend to build under it.

## III. The Importance of Digital Asset Market Structure Legislation

For more than a decade, digital asset markets in the United States developed without a clear, comprehensive federal framework. The result was predictable. Responsible firms faced years of uncertainty about which regulator has jurisdiction, which assets are securities and which are commodities, and what rules apply to trading, custody, and clearing. Innovation and capital migrated to jurisdictions that offered clarity, including the European Union, the United Kingdom, Hong Kong, Singapore, and the United Arab Emirates. American investors, meanwhile, were left to trade on platforms that were either offshore or operating under a patchwork of state regimes never designed for these markets.

The CLARITY Act changes that. By drawing a clear jurisdictional line between the Securities and Exchange Commission and the Commodity Futures Trading Commission, establishing a framework for the issuance of digital commodities for capital formation under SEC oversight, and giving the CFTC clear authority over centralized, custodial exchanges and intermediaries in the secondary markets for digital commodities, the legislation gives responsible companies exactly what they have been asking for: a rulebook. One year ago today, on July 17, 2025, the House passed the CLARITY Act by a vote of 294 to 134, with strong bipartisan support. The Senate Agriculture and Banking Committees have since advanced companion market structure legislation, and I want to be direct about what is at stake as that work continues. Regulatory clarity is not a favor to industry. It is the mechanism by which Congress brings this activity onshore, under the supervision of American regulators, with American investor protections, on American infrastructure.

From where I sit, running clearing and risk at an exchange, the investor protection case for this legislation is the most important one. The failures that have harmed investors in this industry, most notably FTX, happened offshore, outside the reach of any American market regulator. Under the framework the CLARITY Act establishes, a registered exchange would be subject to the disciplines that have protected investors in the futures and securities markets for generations: segregation of customer assets, capital requirements, governance and fitness standards, system safeguards, market integrity, conflict of interest management, pre-trade and post trade transparency requirements, and examination and enforcement by a federal regulator. Bullish already lives by these principles voluntarily. Companies like ours are eager to submit to federal oversight that makes those practices mandatory for everyone.

There is also a competitiveness case. Blockchain technology has real applications across financial services and the broader economy, from faster and cheaper settlement to tokenized securities and funds to payment stablecoins, which Congress addressed in the GENIUS Act. This is not theoretical for Bullish. Last month, the Gibraltar Financial Services Commission approved our exchange to offer trading in tokenized securities, and we recently announced our agreement to acquire Equiniti, one of the world's largest share registration and transfer agency businesses, in a $4.2 billion transaction aimed at building the global transfer agent for tokenized securities. The bridge between blockchain technology and traditional financial infrastructure is being built right now. The question is not whether these markets will exist. They already do. The question is whether the United States will be a leader in them, set the standards for them, and capture the jobs, investment, and innovation that come with them. Market structure legislation is how the United States positions itself to lead the next generation of financial infrastructure, and I commend this Subcommittee for its work to get it done.

## IV. Getting the Details Right: Exchange Affiliates and Liquidity

As the Senate takes up market structure legislation, I want to spend the balance of my testimony on one issue that matters enormously to the practical functioning of these markets: the treatment of exchange affiliates, sometimes described as vertical integration or affiliate trading. Early drafts of market structure legislation would have flatly prohibited affiliates of a digital asset exchange from trading on that exchange. The version of the CLARITY Act passed by the House instead permits affiliate activity subject to guardrails. That is the right answer, and we greatly appreciate that Senate Republican leaders have recognized that concern and have worked to align with the goals of the House bill. I will outline the importance of this policy for the functioning of our markets.

First, affiliate trading is not some novel feature of crypto. It is common, and in many cases necessary, in the regulated securities and futures markets that this legislation uses as its model. Properly regulated affiliate trading, subject to conflict-of-interest management, including strict informational and personnel segregation as well as disclosure, customer asset segregation, and manipulation prohibitions, supports deeper order books, tighter spreads, and more reliable execution — directly benefiting U.S. investors through better prices, lower transaction costs, and more orderly markets. The CFTC has long permitted vertically integrated market structures. Futures exchanges have affiliated intermediaries as members, and a number of exchanges clear their trades through clearinghouses under common ownership. Clearinghouses must be able to trade for their own account when they clear trades and when they manage a member default. Intermediaries and clearinghouses need the ability to trade for their own account to correct trade errors. And exchanges, particularly when launching new products, routinely rely on affiliated entities to make markets and provide liquidity until enough independent market makers arrive to enable those new markets to exist and thrive. The SEC's framework reflects the same judgment. A registered alternative trading system is operated by a broker dealer that combines intermediation, trading venue, and settlement functions within a single legal entity, and the SEC expressly permits the broker dealer operating an ATS to trade on a proprietary basis on its own system opposite its customers. If a flat ban on affiliate trading were truly necessary to protect investors, our securities and futures markets would not be structured the way they are.

Second, the reason regulators permit these structures is that they pair them with safeguards, and those safeguards work. Registered firms must strictly segregate customer assets from their own assets and those of their affiliates. They must identify, disclose, and manage conflicts of interest. They are subject to prohibitions on fraud and market manipulation, to surveillance of their markets, and to examination by their regulator. The CLARITY Act takes the same approach for digital assets: it allows affiliate activity while imposing the segregation, disclosure, conflict management, and anti-manipulation requirements that make the activity safe. That is not a loophole. It is the same architecture that governs the CME, the New York Stock Exchange ecosystem, and every ATS in the country.

Third, I want to address FTX directly, because it is frequently invoked in this debate and it is invoked incorrectly. FTX did not collapse because affiliate trading is inherently dangerous. FTX was an unregulated offshore exchange that allowed its affiliate, Alameda Research, to misappropriate customer assets and deploy them in high risk investments both on FTX and, crucially, **on third party, unaffiliated exchanges as well as venture capital**, commingling customer property with the affiliate's own operating assets, until a run on the exchange exposed the hole. Every element of that conduct was already illegal under the rules that apply to registered exchanges, clearinghouses, and intermediaries in the United States. Prohibiting Alameda from trading on FTX itself would not have prevented the misappropriation of customer assets by investing them on unaffiliated trading platforms. Had FTX been operating under the supervision of the SEC or the CFTC, it would not have been permitted to commingle or misuse customer assets in the first place. In fact, FTX owned a CFTC regulated designated contract market and derivatives clearing organization. LedgerX. LedgerX is the only part of the FTX group that survived the FTX market event *because* it was operating under CFTC supervision. As such, all investor assets were protected and no losses ensued. The lesson of FTX is not that Congress should ban ordinary market structure practices that regulated markets have used safely for decades. The lesson of FTX is that these markets need to be brought inside the United States federal regulatory perimeter, which is precisely what this legislation does.

Finally, the practical stakes. Liquidity is the product an exchange sells. In a new market, someone has to be willing to quote prices, absorb risk, and stand ready to trade so that customers can get in and out at fair prices. If Congress prohibits exchange affiliates from performing that function, it will not eliminate the need for it. It will simply make new, regulated American venues harder to launch, stifle innovation, concentrate liquidity provision in a handful of incumbent trading firms, and leave registered exchanges unable to perform basic operational functions such as error correction, clearing, risk offsets and default management that their traditional market counterparts perform every day. It would, perversely, hold registered digital asset exchanges to a more restrictive standard than the CME or a registered ATS, and it would push the activity back to the offshore venues this legislation is meant to displace. We have greatly appreciated the Senate's willingness to work on this issue with us, and we respectfully urge the Congress to preserve the approach of permitting affiliate activity, and regulating it with the proven guardrails of asset segregation, conflict of interest management, transparency, and vigorous anti-fraud and anti-manipulation enforcement.

**V. Conclusion**

Bullish is exactly the kind of company this legislation is designed to reach: a publicly traded, institutionally focused exchange, regulated in multiple major financial markets and licensed in New York, led by veterans of American markets, that is bringing its business into the United States and wants to operate under a comprehensive federal framework. The CLARITY Act, and the Senate legislation that builds on it, gives us and companies like us a path to do that, and gives American customers the protections they deserve. I encourage Congress to finish the job, and to get the details right, including on the treatment of exchange affiliates, so that the framework works in practice and not just on paper.

Thank you again for the opportunity to appear before you today, one year to the day after the House passed the CLARITY Act, and in the city where American finance was born. I look forward to your questions.