Office of the Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Via email: rule-comments@sec.gov

Re: Petition for Rulemaking under Rule 192 of the Commission's Rules of Practice (17 CFR 201.192) — Conditional retail access to security-based swaps, including contracts for difference

Dear Secretary,

Pursuant to Rule 192(a) of the Commission's Rules of Practice, I petition the Commission to initiate rulemaking, or to issue exemptive relief, that would permit U.S. retail investors to trade contracts for difference ("CFDs") referencing securities and securities indices through registered, supervised intermediaries, subject to the investor-protection conditions described below.

1. Petitioner's interest

I am a U.S.-resident individual retail trader. Under current law I cannot lawfully trade CFDs with any regulated U.S. intermediary. The practical result is not that U.S. retail traders abstain from these products; it is that they migrate to offshore brokers outside any U.S. regulator's reach, or to "proprietary trading firm" arrangements that replicate CFD economics through simulated accounts and evaluation fees with no customer-asset protection, no conduct rules, and no recourse. The current framework therefore removes protection from the activity rather than removing the activity.

2. Legal background

A CFD referencing a single security or a narrow-based index is a "security-based swap" under Section 3(a)(68) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(68)). Section 6(l) of the Exchange Act (15 U.S.C. 78f(l)) makes it unlawful to effect a security-based swap with a person who is not an eligible contract participant unless the transaction is effected on a registered national securities exchange, and Section 5(e) of the Securities Act of 1933 (15 U.S.C. 77e(e)) requires an effective registration statement for such transactions. No exchange lists retail security-based swaps and no issuer has registered them, so retail access is foreclosed in practice.

The Commission holds broad exemptive authority under Section 36 of the Exchange Act (15 U.S.C. 78mm) and Section 28 of the Securities Act (15 U.S.C. 77z-3) to exempt any person, security, or transaction from any provision of those Acts to the extent the exemption is necessary or appropriate in the public interest and consistent with the protection of investors.

3. Relief requested

I ask the Commission to:

(a) Propose a rule, or issue an exemptive order under Sections 36 and 28, permitting registered broker-dealers and registered security-based swap dealers to offer CFDs on securities and securities indices to non-eligible-contract-participant customers, conditioned on:
- Leverage limits by underlying (for example, a maximum of 5:1 on single equities and 20:1 on major broad-based indices), consistent with the limits adopted by the European Securities and Markets Authority in 2018 and made permanent by the U.K. Financial Conduct Authority in 2019;
- Mandatory negative balance protection on a per-account basis, so a retail customer can never owe more than the funds deposited;
- A standardized margin close-out rule at 50 percent of required initial margin;
- Segregation of customer funds in accordance with Exchange Act Rule 15c3-3 or an equivalent standard;
- A prohibition on bonuses, rebates, and other trading inducements;
- A standardized, prominent risk warning disclosing the percentage of the firm's retail accounts that lost money over the trailing twelve months.

(b) To the extent the Commission concludes that Section 6(l) does not admit of exemption, propose a rule establishing the conditions under which a registered national securities exchange may list security-based swaps for non-eligible-contract-participant trading, incorporating the protections in (a), and transmit to Congress a recommendation for a conforming amendment to Section 6(l).

(c) Coordinate with the Commodity Futures Trading Commission, which has jurisdiction over CFDs referencing foreign currency, commodities, and broad-based indices, so that a single coherent retail framework results rather than a product-by-product patchwork.

4. Reasons

First, the products already reach U.S. retail traders through unregulated channels; the question before the Commission is whether that activity occurs inside or outside its supervision. Second, the major comparable jurisdictions (the EU, the United Kingdom, and Australia) have each concluded that conditioned retail access, rather than prohibition, is the proportionate response, and each has published loss-rate and complaint data since adopting those conditions that the Commission can evaluate. Third, U.S. retail investors already have supervised access to products with comparable or greater leverage and risk profiles — listed options, leveraged exchange-traded products, and retail foreign-exchange under CFTC rules — which makes the categorical exclusion of CFDs difficult to justify on investor-protection grounds. Fourth, a registered U.S. market for these products would generate transaction reporting, best-execution obligations, and enforcement jurisdiction that do not exist today.

I respectfully request that the Commission docket this petition, publish it for public comment, and respond in writing.

Respectfully submitted,

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Charlotte, North Carolina
09/03/2026
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