

coinbase DERIVATIVES

March 14, 2025

VIA CFTC Portal

Mr. Christopher J. Kirkpatrick
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: CFTC Regulation 40.2(a) Certification: Listing of Natural Gas Futures Contract

Coinbase Derivatives Submission #2025-08

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.2(a), Coinbase Derivatives, LLC (the “Exchange” or “COIN”) hereby submits for self-certification its initial listing of the Natural Gas Futures contract to be offered for trading on the Exchange on or after March 31, 2025.

Contract Description

The Natural Gas Futures contract (the “Contract”) will be a cash-settled and margined Contract with the following specifications:

Product	Natural Gas Futures
Product Type	USD-settled future
Contract Size	1,000 MMBtu ~\$4,000 notional (1,000 x \$4.00)
Displayed Price Example	\$4.001
Contract Notional	~\$4,000 Contract notional (i.e. ~\$4.00 x 1000)
Contract Code	NGS
Minimum Tick Size and Value	Min tick size: \$0.001 per MMBtu Min tick value: \$1.00 per Contract
Listed Contracts	Monthly contracts listed for the two (2) nearest months
Daily Settlement	Lead Month Daily Settlement: 1:30 PM CT Tier 1: 1-min VWAP of futures contract rounded to the nearest tradable tick.

	<p>Tier 2: 1-min TWAP of futures contract midpoint of the Bid/Ask rounded to the nearest tradable tick.</p> <p>Tier 3: If a two-sided market is not available, market data made publicly available on other CFTC-registered designated contract markets will be used.</p> <p>Tier 4: If publicly available market data is not available, the last Traded price of the current trade day will be used.</p> <p>Tier 5: If there are not any Trades for that day, the Contract will use the prior day's settlement price.</p>
Final Settlement	The final settlement price shall be set to the publicly available daily settlement value of the NYMEX Henry Hub Natural Gas future (NG) at the termination of trading of the contract, which is at 14:30 ET four (4) business days prior to the contract's expiration month. Expiration will occur and the final settlement price will be published the business day following the contract's termination of trading.
Price Fluctuation Limits	10% of hourly calculated reference price
Last Trading Day	Trading ends at 1:30 PM CT four trading days prior to the contract's expiration month.
Position Limits	15,000 Contracts in the spot month
Large Trader Reporting	200 Contracts
Trading Hours	5:00 - 4:00 PM CT Sunday - Friday, with a trading halt from 4:00 PM - 5:00 PM CT Monday - Thursday.

Contents:

- I. Natural Gas Futures Contract Overview
- II. Cash Market Summary
- III. Analysis of Deliverable Supply
- IV. Compliance with Core Principles

I. Natural Gas Futures Contract Overview

The Natural Gas Futures Contract offers Participants the opportunity to trade one of the world's most liquid energy commodities in a smaller contract size and in easily understandable increments. The Natural Gas Futures Contract is cash settled against the prevailing market price for NYMEX Henry Hub Natural Gas future (NG).

II. Cash Market Summary

Natural Gas Production:

The Exchange utilized data from the U.S. Energy Information Administration (EIA) to estimate domestic natural gas production. In 2024, U.S. dry natural gas production averaged approximately 103 billion cubic feet per day (Bcf/d)¹. The primary production regions supplying the Henry Hub delivery point include the Permian Basin, the Haynesville Shale, and offshore Gulf of Mexico production, which collectively contribute a significant portion of the Gulf Coast's supply.

Natural Gas Flows to Henry Hub:

Henry Hub, located in Erath, Louisiana, serves as the central delivery and pricing point for natural gas futures contracts. It is an interconnection point for multiple interstate and intrastate pipelines, allowing for extensive market liquidity. Industry estimates indicate that daily inflows to Henry Hub range between 1.8 Bcf/d and 2.5 Bcf/d, depending on seasonal demand fluctuations and regional production trends². On a 30-day monthly basis, this equates to approximately 54 Bcf to 75 Bcf of natural gas.

Natural Gas Storage:

The Gulf Coast region, including Louisiana, contains significant underground storage capacity. The EIA reports that working gas storage capacity in Louisiana exceeds 600 Bcf, with salt dome storage facilities providing rapid withdrawal capabilities. The Exchange estimates that a substantial portion of this storage capacity is commercially available for delivery at Henry Hub. Based on historical storage utilization patterns, the Exchange conservatively estimates that 30% to 40% of available storage capacity contributes to the deliverable supply calculation.

III. Analysis of Deliverable Supply

The Exchange assessed the deliverable supply for Henry Hub Natural Gas futures by evaluating key factors, including daily production, pipeline flows, and available storage capacity. Deliverable supply is based on the volume of natural gas physically available and accessible for delivery at Henry Hub, considering market liquidity and infrastructure constraints.

Pipeline Deliverability to Henry Hub

Henry Hub is a highly interconnected pricing hub, with access to nine interstate and four intrastate pipelines (EIA, Henry Hub Interconnectivity Report, 2024). These pipeline systems facilitate the movement of natural gas from major production regions, including the Permian Basin, Haynesville Shale, and offshore Gulf of Mexico fields. Estimated daily pipeline inflows to Henry Hub range from 1.8 Bcf/d to 2.5 Bcf/d, with variations driven by seasonal demand,

¹ <https://www.eia.gov/naturalgas/monthly/>

²

<https://www.eia.gov/todayinenergy/detail.php?id=64184#:~:text=The%20monthly%20average%20Henry%20Hub,over%20the%20prior%20five%20years.>

maintenance schedules, and pricing differentials (Platts, Pipeline Flow Data, 2024). On a monthly basis, inflows range between 54 Bcf and 75 Bcf.

Storage Availability for Delivery

Henry Hub has access to multiple underground storage facilities, particularly in Louisiana's salt dome caverns, which allow for rapid injections and withdrawals. The total working gas storage capacity in Louisiana exceeds 600 Bcf, with key storage operators providing high-cycle storage services that enhance deliverability (EIA, Underground Natural Gas Storage Report, 2024). Historical utilization patterns indicate that approximately 30% to 40% of available storage capacity is actively used for commercial trading and deliverability. Applying this range to Louisiana's total working gas storage, the Exchange estimates that 180 Bcf to 240 Bcf of stored gas may contribute to deliverable supply.

Total Deliverable Supply Estimate

To determine a conservative estimate of deliverable supply, the Exchange aggregates pipeline inflows and commercially available storage inventories while accounting for operational constraints. Based on monthly pipeline inflows (54 Bcf to 75 Bcf) and estimated deliverable storage volumes (180 Bcf to 240 Bcf), the Exchange estimates that the total deliverable supply for Henry Hub Natural Gas futures ranges between 234 Bcf and 315 Bcf per month.

The total estimated deliverable supply is 315,000 NGS contract equivalents per month.

The proposed position limit of 15,000 NGS contracts would represent 4.8% of the deliverable supply.

IV. Compliance with Core Principles

The Exchange has reviewed the designated contract market ("DCM") core principles ("Core Principles") set forth in the Commodity Exchange Act and has identified that the Contract may most directly implicate the following Core Principles:

Core Principle 2 -- Compliance with Rules

Trading in the Contract is subject to the Exchange Rulebook (the "Rulebook") including Chapter 5, which prohibits fraud, non-competitive trading, market manipulation and abusive and disruptive trade practices. Additionally, as with all contracts traded on the Exchange, trading will be subject to monitoring and surveillance by the Market Regulation Department, which has the authority to investigate and enforce Exchange Rules, as described in Chapter 7.

Core Principle 3 -- Contracts Not Readily Subject to Manipulation

The Natural Gas Future is based on the long-established and highly liquid NYMEX Henry Hub Natural Gas Futures contract NG. The NG contract offers transparent pricing and is traded on a central limit order book. With daily trading volumes of more than 600k contracts and open interest of over 1.6m contracts³, it would be difficult to manipulate the price of the underlying contract.

³ <https://www.cmegroup.com/markets/energy/natural-gas/natural-gas.volume.html>

Core Principle 4 -- Prevention of Market Disruption

Chapter 5 of the Rulebook prohibits Participants from manipulating, distorting the price of, and disrupting the settlement process of the Contract. As with all contracts traded on the Exchange, trading in the Contract will be subject to monitoring and surveillance by the Market Regulation Department. Further, trading in the Contract shall be subject to price fluctuation limits.

Core Principle 5 -- Position Limits or Accountability

The Contract shall be subject to a position limit of no more than 15,000 NGS Contracts with a reportable level of 200 Contracts. The position limit is lower, comparable to limits imposed on the NG contract. By way of providing context, a 15,000 NGS position would represent ~4.8% of the current stocks.

Core Principle 7 -- Availability of General Information

The Exchange shall publish on its website and in its Rulebook the specifications, terms and conditions of the Contract.

Core Principle 8 -- Daily Publication of Trading Information

The Exchange shall publish on its website on a daily basis the trading volumes, open interest, and price information for the Contract.

Core Principle 9 -- Execution of Transactions

The Contract shall be listed for trading on the Exchange's trading system, which provides for efficient, competitive, and open execution of transactions.

Core Principle 10 -- Trade Information

All requisite trade information shall be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.

Core Principle 11 -- Financial Integrity of Transactions

The Contract shall be cleared by Nodal Clear, LLC, a CFTC registered derivatives clearing organization subject to the CFTC regulations related thereto.

Core Principle 12 -- Protection of Markets and Market Participants

Chapters 4 and 5 of the Rulebook require all market participants, including futures commission merchants ("FCMs") carrying customer accounts, to observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade and prohibits, among other things, fraud, non-competitive trading, market manipulation, and abusive and disruptive trade practices. As with all contracts traded on the Exchange, trading will be subject to monitoring and surveillance by the Market Regulation Department.

Core Principle 13 -- Disciplinary Procedures

Rulebook Chapter 7 sets forth the rules and procedures for the investigation, enforcement, and sanctioning of persons that violate the Exchange's Rules.

Core Principle 14 - Dispute Resolution

Disputes related to the Contract are governed by Chapter 8 of the Rulebook, which provides for arbitration procedures overseen by the National Futures Association.

Certification

The Exchange has spoken with FCMs and market participants who support the decision to launch a Gold Contract. The Exchange is not aware of any substantive opposing views to the Contract. The Exchange certifies that the Contract and related rules certified herein comply with the Commodity Exchange Act and the rules and regulations promulgated thereunder.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at: www.coinbase.com/derivatives.

If you have any questions or require any further information, please contact me at jane.downey@coinbase.com.

Sincerely,

/s/

Jane Downey
Chief Regulatory Officer

Attachments:

Appendix A Amendments to COIN Rulebook Chapter 11
Appendix B Amendments to COIN Rulebook Chapter 5
Appendix C Amendments to COIN Rulebook Chapter 9

APPENDIX A

Additions underscored; deletion are ~~struckthrough~~

CHAPTER 11: CONTRACTS

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RULE 1125. Natural Gas Futures

- (a) Scope. Rule 1125 is limited in application to the trading of the Natural Gas futures (“NGS Contract”). In addition to Rule 1125, the Natural Gas Contract is subject to all Rules of the Exchange as applicable. Unless otherwise stated, all times referred to herein are Central Time Zone.
- (b) Trading Schedule. The Natural Gas Contract shall be offered for monthly trading for the two (2) nearest months during such hours as the Exchange shall determine from time-to-time.
- (c) Contract Size. The Contract size is equal to 1/10th of NYMEX Henry Hub Natural Gas.
- (d) Price Increments. The minimum price increment shall be \$0.001 per MMbtu (\$1.00 per NGS Contract).
- (e) Position Limits, Position Accountability, and Reportable Levels. Pursuant to Rules 530 to 533 and subject to the requirements and exceptions therein, the Natural Gas Contract is subject to the following:
 - (1) Position Limit. 15,000 NGS Contracts.
 - (2) Reportable Level. 200 NGS Contracts.
- (f) Price Fluctuation Limits. Trading in the NGS Contract shall be subject to price fluctuation limits. If a price fluctuation limit is reached on the lead month of NGS Contract, all related instruments will be halted. If a price fluctuation limit is reached on the non-lead month NGS Contracts, only the specific instrument which reached the price fluctuation limit will be halted.
 - (1) Each hour, a Reference Price is calculated for each Contract using the Lead Month settlement procedures outlined in Rule 906(b)(i)(1) (the “Reference Price”).
 - (2) A 10% up and down price limit will be applied to that Contract’s Reference Price.
 - (3) The market will enter a halt state for two (2) minutes if a price fluctuation limit is reached. Orders can be submitted, canceled, and amended during this state but no matching will occur.
 - (4) If a price fluctuation limit is reached, the new Reference Price will be the last price fluctuation limit for the remainder of that hour.
- (g) Termination of Trading and Expiration. Trading in expiring NGS Contracts shall terminate at 1:30 PM CT four (4) Business Days prior to the Contract’s expiration month. If that day is not a Business Day, trading will terminate on the preceding Business Day (“Termination of Trading”). Expiration will occur the Business Day following Termination

of Trading for the Contract.

(h) Settlement. The NGS Contract is cash settled.

- (1) Daily Settlement Price of the Contract, which is an Exchange energy Futures Contract, will be determined pursuant to the process set forth in Exchange Rule 906(b)(i).
- (2) On the day of expiration, the Final Settlement of the Contract, which is an Exchange energy Futures Contract, will be determined pursuant to the process set forth in Exchange Rule 906(c)(i).
- (3) Final Settlement. Clearing Firms holding open positions in an expiring NGS Contract at the Termination of Trading shall make or receive payment in accordance with the rules of the Clearing House.

(i) Disclaimer.

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APPENDIX B

(Additions underscored; deletion are ~~struckthrough~~)

CHAPTER 5: TRADING PRACTICES AND BUSINESS CONDUCT

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RULE 533. Position Limit, Position Accountability, Reportable Level, and Volume Threshold Level Table

The reportable levels for all Contracts covering Position Limit, Position Accountability, Reportable Level, and Volume Thresholds will be made available to Market Participants.

Product	CDE Code	Contract Size	Aggregate Into Futures	Aggregate Ratio	Exchange Reporting Level	Position Limit
nano Bitcoin Futures	BIT	0.01	BTI	100 BIT = 1 BTI	25	20,000 (BTI Aggregate) three (3) Business Days prior to the contract's expiration
Bitcoin Futures	BTI	1	BTI	N/A	25	
nano Ether Futures	ET	0.1	ETI	100 ET = 1 ETI	25	40,000 (ETI Aggregate)
Ether Futures	ETI	10	ETI	N/A	25	
Bitcoin Cash Futures	BCH	1	BCH	N/A	25	14,000
Litecoin Futures	LC	5	LC	N/A	25	10,000
Dogecoin Futures	DOG	5,000	DOG	N/A	25	20,000
Stellar Futures	XLM	5,000	XLM	N/A	25	3,000
Avalanche Futures	AVA	10	AVA	N/A	25	20,000
Chainlink Futures	LNK	50	LNK	N/A	25	6,000
Polkadot Futures	DOT	100	DOT	N/A	25	7,500
1k Shib Futures	SHB	10,000,000	SHB	N/A	25	30,000
Gold Futures	GOL	1	GOL	N/A	200	600,000
Silver Futures	SLR	50	SLR	N/A	150	300,000
<u>Natural Gas Futures</u>	<u>NGS</u>	<u>1,000</u>	<u>NGS</u>	<u>N/A</u>	<u>200</u>	<u>15,000</u>
nano Crude Oil Futures	NOL	10	OIL	10 NOL = 1 OIL	350	40,000 three (3) days prior to the end of trading in the spot month
Micro Crude Oil Futures	OIL	100	OIL	N/A	350	40,000 three (3) days prior to the end of trading in the spot month

APPENDIX C

(Additions underscored; deletion are ~~struckthrough~~)

CHAPTER 9: CLEARING

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Rule 906. Daily and Final Settlement Prices

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(c) Final Settlement Price

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- (i) For all Exchange energy Futures Contracts, the following applies, unless otherwise indicated. Expiration will occur the same Business Day as the Final Settlement of the Contract, which is the Business Day following the Contract's Termination of Trading. The Final Settlement Price shall be set to the publicly available daily settlement value of:
 - (1) the NYMEX WTI future (CL) at the Termination of Trading of the Micro Crude Oil Contract and nano Crude Oil Contract, as set forth in Rules 1105 and 1114, respectively; and
 - (2) the NYMEX Henry Hub Natural Gas future (NG) at the Termination of Trading of the Natural Gas Contract as set forth in Rule 1125.