

coinbase DERIVATIVES

April 18, 2024

VIA CFTC Electronic 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 40.6(a) Certification: Modifications to Cryptocurrency Daily Price Limits

Coinbase Derivatives Submission #2024-17

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“**CFTC**” or “**Commission**”) Regulation 40.6(a), Coinbase Derivatives, LLC (the “**Exchange**”) hereby submits for self-certification modifications to remove the 30% daily price limits for the Exchange’s cryptocurrency futures contracts (“**Contracts**”) and other non-substantive edits as set forth on in the attached Appendix A. Each capitalized term used and not defined herein shall have the meaning set forth in the Exchange Rulebook (as amended, supplemented or otherwise modified from time to time in accordance with its provisions) (the “**Rulebook**”). The modifications will become effective May 6, 2024.

The Exchange is implementing the Rulebook modifications to further facilitate price discovery and to align the Contracts with the underlying cash market.

The cryptocurrency Contracts will continue to be subject to the price fluctuation limit with 10% up and down limits that will halt trading pursuant to the Contract’s Rule. This price fluctuation limit allows for the Exchange Trading System to halt the market upon a specified move at any point during the day, which is intended to promote continuous price discovery with less market disruption.

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 the CFTC rules thereunder and has identified that the following Core Principles that may be directly implicated by the modifications:

Core Principle 2 - Compliance with Rules and Core Principle 4 -- Prevention of Market Disruption

All trading on the Exchange, including those conducted by affiliated participants or otherwise, is subject to the Exchange Rulebook including Chapter 5, which prohibits fraud, non-competitive trading, market manipulation and abusive and disruptive trade practices. Additionally, all trading on the Exchange, regardless of affiliation to the Exchange, 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. The Exchange shall continue its normal practice to establish, monitor, and enforce compliance with the Rules applicable to the trading of Exchange Contracts and the Rule modifications will not impact the Exchange's ability to perform its trade practice and market surveillance obligations under the CEA, CFTC Regulations, and its Rules. Additionally, the Exchange has price fluctuation risk controls in place to prevent unwarranted price movements in its Contracts.

Core Principle 7 - Availability of General Information

Core Principle 7 requires that the DCM ensure that its Rulebook is accurate, complete, current and readily accessible to the public, and all new or amended rules, both substantive and non-substantive, shall be reflected in the Rulebook on the date of implementation. The Exchange makes its Rulebook publicly available on its website. The Exchange shall continue to publish on its Rulebook on the website. Accordingly, these amendments will not negatively affect the Exchange's ability to comply with this Core Principle.

Core Principle 12 - Protection of Markets and Market Participants

Chapters 4 and 5 of the Rulebook require all market participants, affiliated or otherwise, 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 on the Exchange will be subject to monitoring and surveillance by the Market Regulation Department and enforced by the Exchange regardless of affiliation with the Exchange.

Certification

The Exchange is not aware of any substantive opposing views to the Rule modifications. The Exchange certifies that modifications 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: <https://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

Attachment: Appendix A

APPENDIX A

Rulebook

(additions underlined; deletions ~~stricken through~~)

CHAPTER 11: CONTRACT SPECIFICATIONS

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RULE 1106: Nano Bitcoin Futures

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- (f) Price Fluctuation Limit. Trading in the BIT Contract shall be subject to price fluctuation limits. If a price fluctuation limit is reached on the lead month BIT Contract, all related instruments will be halted. If a price fluctuation limit is reached on the non-lead month BIT 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)(ii)(1) (the "Reference Price").
 - (2) A 10% up and down price fluctuation 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 that last price fluctuation limit for the remainder of that hour.
- ~~(g) Daily Price Limits. Trading in the BIT Contract shall be subject to the following daily price limits:~~
- ~~(1) 30% daily price limits using the previous day's Settlement Price will be applied to the next trading session.~~
 - ~~(2) If daily price limits are reached the market will remain open but will not trade beyond the daily price limit.~~
- ~~(h)~~ (g) Termination of Trading. Trading terminates at 4:00 PM London time on the last Friday of the Contract month. If that day is not a Business Day, trading terminates on the preceding day that is a Business Day ("Termination of Trading").

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RULE 1107: Nano Ether Futures

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- (f) Price Fluctuation Limit. Trading in the ET Contract shall be subject to price fluctuation limits. If a price fluctuation limit is reached on the lead month ET Contract, all related instruments will be halted. If a price fluctuation limit is reached on the non-lead month ET Contracts, only the specific instrument which reached the price fluctuation limit will be halted.
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 - (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 that last price fluctuation limit for the remainder of that hour.
- ~~(g) Daily Price Limits. Trading in the ET Contract shall be subject to the following daily price limits:~~
- ~~(1) 30% daily price limits using the previous day’s Settlement Price will be applied to the next trading session.~~
 - ~~(2) If daily price limits are reached the market will remain open but will not trade beyond the daily price limit.~~
- ~~(h)~~ (g) Termination of Trading. Trading terminates at 4:00 PM London time on the last Friday of the Contract month. If that day is not a Business Day, trading terminates on the preceding day that is a Business Day (“Termination of Trading”).

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RULE 1108: Bitcoin Futures

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~~(g) Daily Price Limits. Trading in the BTI Contract shall be subject to the following daily price limits:~~

- ~~(1) 30% daily price limits using the previous day’s Settlement Price will be applied to the next trading session.~~
- ~~(2) If daily price limits are reached the market will remain open but will not trade beyond the daily price limit.~~

~~(h)~~ (g) Termination of Trading. Trading terminates at 4:00 PM London time on the last Friday of the Contract month. If that day is not a Business Day, trading terminates on the preceding day that is a Business Day (“Termination of Trading”).

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RULE 1109: Ether Futures

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- (f) Price Fluctuation Limit. Trading in the ETI Contract shall be subject to price fluctuation limits. If a price fluctuation limit is reached on the lead month ETI Contract, all related instruments will be halted. If a price fluctuation limit is reached on the non-lead month ETI Contracts, only the specific instrument which reached the price fluctuation limit will be halted.
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 - (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 that last price fluctuation limit for the remainder of that hour.

~~(g) Daily Price Limits. Trading in the ETI Contract shall be subject to the following daily price limits:~~

~~(1) 30% daily price limits using the previous day's Settlement Price will be applied to the next trading session.~~

~~(2) If daily price limits are reached the market will remain open but will not trade beyond the daily price limit.~~

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RULE 1110: Bitcoin Cash Futures

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(f) Price Fluctuation Limit. Trading in the BCH Contract shall be subject to price fluctuation limits. If a price fluctuation limit is reached on the lead month BCH Contract, all related instruments will be halted. If a price fluctuation limit is reached on the non-lead month BCH 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)(ii)(1) (the "Reference Price").

(2) A 10% up and down price fluctuation 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 that last price fluctuation limit for the remainder of that hour.

~~(5)~~

~~(g) Daily Price Limits. Trading in the BCH Contract shall be subject to the following daily price limits:~~

~~(1) 30% daily price limits using the previous day's Settlement Price will be applied to the next trading session.~~

~~(2) If daily price limits are reached the market will remain open but will not trade beyond the daily price limit.~~

~~(h)~~-(g) Termination of Trading. Trading terminates at 4:00 PM London time on the last Friday of the Contract month. If that day is not a Business Day, trading terminates on the preceding day that is a Business Day (“Termination of Trading”).

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RULE 1111: Litecoin Futures

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(f) Price Fluctuation Limit. Trading in the LC Contract shall be subject to price fluctuation limits. If a price fluctuation limit is reached on the lead month LC Contract, all related instruments will be halted. If a price fluctuation limit is reached on the non-lead month LC 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)(ii)(1) (the “Reference Price”).

(2) A 10% up and down price fluctuation 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 that last price fluctuation limit for the remainder of that hour.

~~(5)~~

~~(g) Daily Price Limits. Trading in the LC Contract shall be subject to the following daily price limits:~~

~~(1) 30% daily price limits using the previous day’s Settlement Price will be applied to the next trading session.~~

~~(2) If daily price limits are reached the market will remain open but will not trade beyond the daily price limit.~~

~~(h)~~-(g) Termination of Trading. Trading terminates at 4:00 PM London time on the last Friday of the Contract month. If that day is not a Business Day, trading terminates on the preceding day that is a Business Day (“Termination of Trading”).

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RULE 1112: Dogecoin Futures

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- (f) Price Fluctuation Limit. Trading in the DOG Contract shall be subject to price fluctuation limits. If a price fluctuation limit is reached on the lead month DOG Contract, all related instruments will be halted. If a price fluctuation limit is reached on the non-lead month DOG 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)(ii)(1) (the "Reference Price").
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 - (4) If a price fluctuation limit is reached, the new Reference Price will be that last price fluctuation limit for the remainder of that hour.
 - ~~(5) If Price Limits are hit on the Lead Month contract, all related instruments will be Halted.~~
 - ~~(6) If Price Limits are hit on non-Lead Month contracts, only the specific instrument which reached the Price Limit will be Halted.~~
- ~~(g) Daily Price Limits. Trading in the DOG Contract shall be subject to the following daily price limits:~~
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APPENDIX A

Rulebook

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CHAPTER 11: CONTRACT SPECIFICATIONS

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