

## Market Regulation Notice

**To:** Coinbase Derivatives ("CDE") Participants

**From:** CDE Market Regulation Department

**Notice:** 24-01

**Date:** 1/25/2024

**Subject:** REMINDER: CDE Rule 715 (Sanctions)

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Coinbase Derivatives ("CDE" or "Exchange") is reminding participants transacting on CDE that they are subject to the CDE Rulebook, including sanctions and remedies CDE can impose on participants violating or attempting to violate Exchange Rules. Text of CDE Rule 715 has been attached as Appendix A for ease of reference.

The entirety of the CDE Rulebook can be found [here](https://www.coinbase.com/derivatives), and the most up to date version will always be available on our website, <https://www.coinbase.com/derivatives>, under the Regulation section.

Any questions please contact the CDE Market Regulation Department at [CDE-MarketRegulation@coinbase.com](mailto:CDE-MarketRegulation@coinbase.com).

## APPENDIX A CDE Rule 715 (Sanctions)

### **RULE 715. Sanctions**

- (a) After notice and opportunity for hearing in accordance with the Exchange Rules, the Exchange will impose sanctions if any Participant, Authorized Trader, other Supervised Person or other Person using any of the Participant's User IDs is found to have violated or to have attempted to violate a Rule of the Exchange or provision of Applicable Law for which the Exchange possesses disciplinary jurisdiction. All sanctions must take into account the respondent's disciplinary history. All sanctions imposed by the Exchange or the Disciplinary Panels must be commensurate with the violations committed and must be clearly sufficient to deter recidivism or similar violations by other Participants. In the event of demonstrated Customer harm, any sanction must also include full Customer restitution.
- (b) The Exchange may impose one (1) or more of the following sanctions or remedies:
  - (1) a warning letter, provided, however, no more than one (1) warning letter may be issued per rolling twelve (12) month period for the same violation;
  - (2) censure;
  - (3) limitation on Trading Privileges, ability to otherwise access the Exchange Trading System, and/or other activities, functions or operations;
  - (4) suspension of Trading Privileges and/or ability to otherwise access the Exchange Trading System;
  - (5) fine (subject to paragraph (c) below);
  - (6) restitution or disgorgement;
  - (7) termination of Trading Privileges and/or ability to otherwise access the Exchange Trading System; and/or
  - (8) any other sanction or remedy deemed to be appropriate.
- (c) The Exchange may impose a fine of up to \$1,000,000 for each violation of a Rule of the Exchange or a provision of Applicable Law. If a fine or other amount is not paid within thirty (30) days of the date that it becomes payable, then interest will accrue on the sum from the date that it became payable at the quoted prime rate plus three percent (3%). The Exchange has sole discretion to select the bank on whose quotations to base the prime rate. The Participant will be responsible for paying any fine or other amount imposed on, but not paid by, any of its Authorized Traders or Supervised Persons.