coinbase DERIVATIVES

September 12, 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: Listing of nano Crude Oil Futures Contract
Supplemental to Coinbase Derivatives, LLC Submission #2024-22

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.6(a), Coinbase Derivatives, LLC (the "Exchange") hereby submits supplemental information to its nano Crude Oil Futures Contract (the "Contract" or "NOL") previously filed with the Commission on May 15, 2024. The purpose of the supplemental filing is to provide additional information regarding compliance with CFTC Core Principles 3 and 5, as detailed in Appendix A.

Certification

The Exchange is not aware of any substantive opposing views to the Rule Amendments. The Exchange certifies that the Rule Amendments 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/filings.

If you have any questions or require further information, please contact the undersigned at Jane.Downey@coinbase.com.

Sincerely,

/s/ Jane Downey
Chief Regulatory Officer

Attachment: Appendix A

Appendix A

Core Principle 3 -- Contracts Not Readily Subject to Manipulation

The Micro Crude Oil Futures Contract ("OIL") is based on the long-established and highly liquid NYMEX WTI Futures contract (CL). The CL contract offers transparent pricing and is traded on a central limit order book. With daily trading volumes of more than 800,000 contracts and open interest of over 1.8 million contracts[1], it would be difficult to manipulate the price of the underlying contract.

Core Principle 5 -- Position Limits or Accountability

The Contract shall be subject to a position limit of no more than the aggregate of 40,000 OIL contracts, three (3) days prior to the end of trading in the spot month, with a reportable level of 350 Contracts. The position limit is comparable to limits imposed on the NYMEX CL contract. By way of providing context, a 40,000 OIL position, including any NOL aggregate, would represent 400,000 barrels, or ~1% of the current stocks at Cushing, OK.[2]

Cash Market Summary and Deliverable Supply

Crude Oil Production: The Exchange used data from the U.S. Department of Energy's Energy Information Administration (EIA) to estimate production.

The production region supplying Cushing comprises eight states, averaging about 22.8 million barrels per day (bpd)[3]. The Exchange estimates that around 50% (11.4 million bpd) of this production qualifies as Domestic Light Sweet Common Stream.

The Exchange evaluated deliverable supply for Domestic Light Sweet Crude Oil at the Cushing, Oklahoma delivery point, primarily focusing on crude oil inflows and storage.

1. **Crude Oil Flows to Cushing:** Based on estimates from industry sources[4] inflows of Domestic Light Sweet Common Stream Crude Oil are estimated to be 1.3 million barrels per day. On a 30-day monthly basis, actual flows of Domestic Light Sweet Common Stream Crude Oil are ~39 million barrels per month.
2. **Crude Oil Storage at Cushing:** EIA provides weekly storage data for Cushing, which is the only single location globally where such data is publicly disseminated regularly. Estimates suggest that 60% to 70% of crude oil stored at Cushing qualifies as Domestic Light Sweet Common Stream. The Exchange conservatively discounts 50% of inventory in its deliverable supply calculation. The 2024 weekly

[1] Based on data observed on the CME website May 6, 2024.
[2] https://www.eia.gov/dnav/pet/pet_stoc_cu_s1_a.htm
[3] https://www.eia.gov/dnav/pet/PET_CRD_CRPDN_ADC_MBBLPD_M.htm
[4] https://www.cmegroup.com/education/articles-and-reports/why-cushing-matters-a-look-at-the-wti-benchmark.html

average of Cushing stocks was 31.9 million barrels. Using a 50% discount, this would be 16 million barrels contributing to deliverable supply.

Deliverable Supply Estimate

The deliverable supply estimate combines storage and inflows to Cushing:

- **Storage:** 16 million barrels, 160,000 OIL contract equivalents
- **Inflow:** 39 million barrels, 390,000 OIL contract equivalents

The total estimated deliverable supply is 550,000 OIL contract equivalents per month.

The proposed position limit of 40,000 OIL contracts would represent 7% of the deliverable supply.