

# coinbase DERIVATIVES

## Market Regulation Notice

**To:** Coinbase Derivatives Exchange (“CDE”) Participants

**From:** CDE Market Regulation Department

**Notice:** 23-01

**Date:** 11/7/2023

**Subject:** REMINDER: CDE Rulebook Chapter 5  
(Trading Practices and Business Conduct)

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Coinbase Derivatives Exchange (“CDE”) is reminding participants transacting on CDE that they are subject to the CDE Rulebook, including rules prohibiting market manipulation and disruptive or abusive trading. Excerpts from Chapter 5 of the CDE Rulebook have been attached as Appendix A for ease of reference.

The entirety of the CDE Rulebook can be found [here](#), 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

### Excerpts from CDE Rulebook Chapter 5 (Trading Practices and Business Conduct)

#### **RULE 504. Rule Violations**

It shall be a violation for a Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) to violate any Rule or any agreement made with the Exchange, or to engage in fraud, dishonorable or dishonest conduct, or in conduct which is inconsistent with just and equitable principles of trade.

#### **RULE 505. Fraudulent Acts Prohibited**

No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any Exchange Activity or other activity related to the Clearing House.

#### **RULE 506. Fictitious, Wash or Non-Competitive Transactions Prohibited**

No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall create fictitious transactions, wash transactions, or non-competitive transactions except, in the case of noncompetitive transactions, as otherwise authorized by the Exchange Rules, or execute any such Order with knowledge of its nature as a fictitious transaction, wash transaction, or non-competitive transaction.

#### **RULE 507. Market Disruption Prohibited**

Orders entered into the Exchange Trading System for the purpose of upsetting the equilibrium of the market in any Contract or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) who makes or assists in entering any such Order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order, will be deemed to have engaged in an act detrimental to the Exchange.

#### **RULE 508. Market Manipulation Prohibited**

No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall attempt to manipulate or manipulate the market in any Contract. The Exchange prohibits any other manipulative or disruptive trading practices prohibited by the Act or by the Commission pursuant to CFTC Regulations.

#### **RULE 509. Disruptive Trading Practices Prohibited**

No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall engage in any trading, practice, or conduct that constitutes a “disruptive practice,” as such term is defined by the CEA or CFTC Regulations.

No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall engage in: front-running, wash trading, pre-arranged trading (except for certain transactions specifically permitted under part 38 of the CFTC Regulations), fraudulent trading, money passes, spoofing, accommodation trading, conduct that violates bids or offers or demonstrates intentional or reckless disregard for order execution during the closing period, and any other trading practices that the Exchange deems to be abusive or disruptive.

#### **RULE 510. Prohibition of Misstatements**

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No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall make any knowing misstatement of a material fact to the Exchange, any Exchange Official, or any Board committee or Exchange panel.

## **RULE 512. Adherence to Law**

No Participant (or any of its Authorized Traders, Authorized Brokers, or Supervised Persons) shall engage in conduct that is a violation of the Act or CFTC Regulations.

## **RULE 513. Supervision**

A Participant shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of Authorized Traders, Authorized Brokers, and Supervised Persons with the Exchange Rules and any applicable provisions of the Act or CFTC and such Participant may be held accountable for the actions of such Authorized Traders or Supervised Persons.

## **RULE 522. Simultaneous Buy And Sell Orders For Different Beneficial Owners**

On the Exchange Trading System, opposite Orders for different beneficial owners that are simultaneously placed by a Participant with discretion over both accounts may be entered into the Exchange Trading System, provided that one Order is exposed for a minimum of 5 seconds in the case of Futures Orders or a minimum of 15 seconds in the case of Options Orders. An Order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another Order entered by the same firm only if this other Order has been entered immediately upon receipt and has been exposed on the Exchange Trading System for a minimum of 5 seconds for Futures Orders or a minimum of 15 seconds for Options Orders.

## **RULE 523. Wash Sales Prohibited**

No Person shall place or accept buy and sell Orders in the same product and expiration month, and, for a put or call Option, the same strike price, where the person knows or reasonably should know that the purpose of the orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell Orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no Person shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.