

# coinbase DERIVATIVES

July 23, 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 Rule 705  
Coinbase Derivatives Submission #2024-24**

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 Exchange Rule 705 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 are effective August 6, 2024.

The purpose of the modifications are to permit the Chief Regulatory Officer to close an investigation through informal disposition, including issuing a warning letter.

### **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 changes will not impact the Exchange’s ability to perform its trade practice and market surveillance obligations under the CEA, CFTC Regulations, and its Rules.

### *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.

### *Core Principle 13 - Disciplinary Procedures*

Rulebook Chapter 7 provides for the Exchange to discipline, suspend, or expel members or market participants who violate the rules of the Exchange and trading in the Contracts is subject to these provisions. The Exchange's Market Regulation Department has the authority to exercise its powers of enforcement in the event that Rule violations are identified. The modifications are in furtherance of the Exchange's requirement to establish disciplinary procedures to authorize the Exchange to discipline, suspend, or expel Participants that violate the Exchange's Rules.

### Certification

The Exchange is not aware of any substantive opposing views to the Rule changes. 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](mailto:jane.downey@coinbase.com).

Sincerely,

/s/

Jane Downey  
Chief Regulatory Officer

Attachment: Appendix A

## APPENDIX A

### Rulebook

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

#### CHAPTER 7: DISCIPLINARY RULES

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##### RULE 705: Review of Investigative Reports

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- (3) Upon receiving the completed Investigative Report or after receiving additional information upon the completion of an investigation, the Chief Regulatory Officer will determine for each potential respondent whether to authorize:
- i. the informal disposition of the investigation (by issuing a warning letter or otherwise) because disciplinary proceedings are unwarranted in which case the Chief Regulatory Officer shall provide a written explanation. For avoidance of doubt, the Chief Regulatory Officer can authorize the issuance of a warning letter without approval from the Review Panel. In the case where the investigation is closed through informal disposition, including issuing a warning letter, this will be documented in the Investigative Report and the investigation will be closed without further action ~~is issued the Investigative Report, including a copy of the warning letter, will be provided to the Review Panel for informational purposes;~~
  - ii. the closing of the investigation without any action because no reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur in which case the Chief Regulatory Officer shall provide a written explanation. In this case, the Investigative Report will not go to the Review Panel and the investigation will be deemed closed; or
  - iii. the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur.

## APPENDIX A

### Rulebook

(Clean)

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  - iii. the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur.