

coinbase DERIVATIVES

May 15, 2024

VIA CFTC 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 40.2(a) Certification: Listing of nano Crude Oil Futures Contract

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.2(a), Coinbase Derivatives, LLC (the “Exchange” or “COIN”) hereby submits for self-certification its initial listing of the nano Crude Oil Futures Contract to be offered for trading on the Exchange on or after June 3, 2024. 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”).

Contract Description

The nano Crude Oil Futures contract (the “Contract”) will be a monthly cash-settled and margined Contract with the following specifications:

Product	nano Crude Oil Futures
Product Type	USD-settled future
Contract Size	10 barrels x WTI Crude Oil price
Displayed Price Example	\$80.01
Contract Notional	~\$800.10 Contract notional (i.e. ~\$80.01 x 10)
Contract Code	NOL
Minimum Tick Size and Value	Min tick size: \$0.01 per 10 barrels Min tick value: \$0.10 per Contract
Listed Contracts	Three (3) nearest monthly Contracts
Daily Settlement	Daily Settlement: 1:30 PM CT Tier 1: If a Trade occurs in the sixty (60) seconds prior to 1:30 PM CT, the Daily

	<p>Settlement will be calculated using the VWAP of such Trades, rounded to the nearest tradable tick.</p> <p>Tier 2: If there are no Trades during this time, the Exchange will use the TWAP of the Futures Contract's midpoint of the bid/ask from the sixty (60) seconds prior to 1:30 PM CT, rounded to the nearest tradable tick.</p> <p>Tier 3: If a two-sided market is not available, the last Traded price of the current trade day will be used.</p> <p>Tier 4: If there are not any Trades for that day, market data made publicly available on other CFTC-registered designated contract markets will be used.</p> <p>Tier 5: If there is not any publicly available market data, the Contract will use the prior day's settlement price.</p>
Last Trading Day	Trading terminates 1:30 PM CT four (4) Business Days prior to the 25th calendar day of the month prior to the Contract month. If the 25th calendar day is not a Business Day, trading will terminate five (5) Business Days prior to the 25th calendar day of the month prior to the Contract month ("Termination of Trading").
Final Settlement	The Final Settlement Price shall be set to the publicly available daily settlement value of the NYMEX WTI future (CL) at the Termination of Trading of the Contract. Expiration will occur the same Business Day as the Final Settlement of the Contract, which is the Business Day following the Contract's Termination of Trading.
Price Fluctuation Limits	10% of hourly calculated reference price
Position Limits	40,000 OIL Contracts, aggregate, three (3) days prior to the end of trading in the spot month.
Large Trader Reporting	350 Contracts
Trading Hours	5:00 - 4:00 PM CT Sunday - Friday, with a trading halt from 4:00 PM - 5:00 PM CT Monday - Thursday.

The nano Crude Oil Futures Contract offers Participants the opportunity to trade one of the world's most liquid oil commodities in a smaller contract size and in easily understandable increments. The nano Crude Oil futures contract is cash settled against the prevailing market price for US light sweet crude. It is a price in USD per barrel equal to the settlement price for WTI crude futures as made public by NYMEX for the month of production per 2005 ISDA Commodity Definitions.

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 has identified that the Contract may most directly implicate the following Core Principles:

Core Principle 2 -- Compliance with Rules

Trading in the Contract is subject to the Exchange Rulebook (the "Rulebook") including Chapter 5, which prohibits fraud, non-competitive trading, market manipulation and abusive and

disruptive trade practices. Additionally, as with all contracts traded on the Exchange, trading 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.

Core Principle 3 -- Contracts Not Readily Subject to Manipulation

The nano Crude Oil Futures Contract 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 contracts¹, it would be difficult to manipulate the price of the underlying contract.

Core Principle 4 -- Prevention of Market Disruption

Chapter 5 of the Rulebook prohibits Participants from manipulating, distorting the price of, and disrupting the settlement process of the Contract. As with all contracts traded on the Exchange, trading in the Contract will be subject to monitoring and surveillance by the Market Regulation Department. Further, trading in the Contract shall be subject to price fluctuation limits.

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

Core Principle 7 -- Availability of General Information

The Exchange shall publish on its website and in its Rulebook the specifications, terms and conditions of the Contract.

Core Principle 8 -- Daily Publication of Trading Information

The Exchange shall publish on its website on a daily basis the trading volumes, open interest, and price information for the Contract.

Core Principle 9 -- Execution of Transactions

The Contract shall be listed for trading on the Exchange's trading system, which provides for efficient, competitive, and open execution of transactions.

Core Principle 10 -- Trade Information

All requisite trade information shall be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.

Core Principle 11 -- Financial Integrity of Transactions

The Contract shall be cleared by Nodal Clear, LLC, a CFTC registered derivatives clearing organization subject to the CFTC regulations related thereto.

Core Principle 12 -- Protection of Markets and Market Participants

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

Chapters 4 and 5 of the Rulebook require all market participants, including futures commission merchants (“FCMs”) carrying customer accounts, 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 will be subject to monitoring and surveillance by the Market Regulation Department.

Core Principle 13 -- Disciplinary Procedures

Rulebook Chapter 7 sets forth the rules and procedures for the investigation, enforcement, and sanctioning of persons that violate the Exchange’s Rules.

Core Principle 14 - Dispute Resolution

Disputes related to the Contract are governed by Chapter 8 of the Rulebook, which provides for arbitration procedures overseen by the National Futures Association.

Certification

The Exchange has spoken with FCMs and market participants who support the decision to launch a nano Crude Oil Contract. The Exchange is not aware of any substantive opposing views to the Contract. The Exchange certifies that the Contract and related rules certified herein 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: 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

Attachments:

- Appendix A Amendments to COIN Rulebook Chapter 11
- Appendix B Amendments to COIN Rulebook Chapter 5
- Appendix C Amendments to COIN Fee Schedule

APPENDIX A

(Additions underscored; deletion are ~~struckthrough~~)

CHAPTER 11: CONTRACTS

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RULE 1114. nano Crude Oil Futures

- (a) Scope. Rule 1114 is limited in application to the trading of the nano Crude Oil Futures (“NOL Contract”). In addition to Rule 1114, the NOL Contract is subject to all Rules of the Exchange as applicable. Unless otherwise stated, all times referred to herein are Central Time Zone.
- (b) Trading Schedule. The NOL Contract shall be offered for trading in the front three (3) months during such hours as the Exchange shall determine from time-to-time.
- (c) Contract Size. The Contract size is equal to 10 times the WTI Crude Oil price.
- (d) Price Increments. The minimum price increment shall be \$0.01 per 10 barrels (\$0.10 per NOL Contract).
- (e) Position Limits, Position Accountability, and Reportable Levels. Pursuant to Rules 530 to 533 and subject to the requirements and exceptions therein, the NOL Contract is subject to the following:
 - (1) Position Limit. 40,000 OIL aggregate.
 - (2) Reportable Level. 350 NOL Contracts.
- (f) Price Fluctuation Limits. Trading in the NOL Contract shall be subject to price fluctuation limits. If a price fluctuation limit is reached on the lead month of NOL Contract, all related instruments will be halted. If a price fluctuation limit is reached on the non-lead month NOL 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)(i)(1) (the “Reference Price”).
 - (2) A 10% up and down price 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 the last price fluctuation limit for the remainder of that hour.
- (g) Termination of Trading and Expiration. Trading in expiring NOL Contracts shall terminate at 1:30 PM CT four (4) Business days prior to the 25th calendar day of the month prior to the Contract month. If the 25th calendar day is not a Business Day, trading terminates five (5) Business Days prior to the 25th calendar day of the month prior to the Contract

month (“Termination of Trading”). Expiration will occur the Business Day following Termination of Trading for the Contract.

(h) Settlement. The NOL Contract is cash settled.

- (1) Daily Settlement Price of the Contract, which is an Exchange energy Futures Contract, will be determined pursuant to the process set forth in Exchange Rule 906(b)(i).
- (2) On the day of expiration, the Final Settlement of the Contract, which is an Exchange energy Futures Contract, will be determined pursuant to the process set forth in Exchange Rule 906(c)(i).
- (3) Final Settlement. Clearing Firms holding open positions in an expiring NOL Contract at the Termination of Trading shall make or receive payment in accordance with the rules of the Clearing House.

(i) Disclaimer.

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APPENDIX B

(Additions underscored; deletion are ~~struckthrough~~)

CHAPTER 5: TRADING PRACTICES AND BUSINESS CONDUCT

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RULE 533. Position Limit, Position Accountability, Reportable Level, and Volume Threshold Level Table

The reportable levels for all Contracts covering Position Limit, Position Accountability, Reportable Level, and Volume Thresholds will be made available to Market Participants.

Product	CDE Code	Contract Size	Aggregate Into Futures	Aggregate Ratio	Exchange Reporting Level	Position Limit
Nano Bitcoin Futures	BIT	0.01	BTI	100 BIT = 1 BTI	25	20,000 (BTI Aggregate)
Bitcoin Futures	BTI	1	BTI	N/A	25	
Nano Ether Futures	ET	0.1	ETI	100 ET = 1 ETI	25	40,000 (ETI Aggregate)
Ether Futures	ETI	10	ETI	N/A	25	
Bitcoin Cash Futures	BCH	1	BCH	N/A	25	14,000
Litecoin Futures	LC	5	LC	N/A	25	10,000
Dogecoin Futures	DOG	5,000	DOG	N/A	25	20,000
<u>nano Crude Oil Futures</u>	<u>NOL</u>	<u>10</u>	<u>OIL</u>	<u>10 NOL = 1 OIL</u>	<u>350</u>	<u>40,000 three (3) days prior to the end of trading in the spot month</u>
Micro Crude Oil Futures	OIL	100	OIL	N/A	350	5,000 three (3) days prior to the end of trading in the spot month

APPENDIX C
(Additions underscored; deletion are ~~struckthrough~~)

Fee Schedule

~~April 1, 2024~~ June 3, 2024

Coinbase Derivatives, LLC charges fees according to the below schedule:

Exchange Product Symbol	Symbol	Fees Charged Per Side					
		Market Maker		Non-Pro		Pro	
		Electronic	Block	Electronic	Block	Electronic	Block
Bitcoin Futures	BTI	\$0.45	\$0.60	\$0.75	\$1.00	\$0.75	\$1.00
Ether Futures	ETI	\$0.45	\$0.60	\$0.75	\$1.00	\$0.75	\$1.00
nano Bitcoin Futures	BIT	\$0.07	N/A	\$0.10	N/A	\$0.07	N/A
nano Ether Futures	ET	\$0.07	N/A	\$0.10	N/A	\$0.07	N/A
Bitcoin Cash Futures	BCH	\$0.07	N/A	\$0.10	N/A	\$0.07	N/A
Litecoin Futures	LTC	\$0.07	N/A	\$0.10	N/A	\$0.07	N/A
Dogecoin Futures	DOGE	\$0.07	N/A	\$0.10	N/A	\$0.07	N/A
<u>nano Crude Oil Futures</u>	<u>NOL</u>	<u>\$0.07</u>	<u>N/A</u>	<u>\$0.10</u>	<u>N/A</u>	<u>\$0.07</u>	<u>N/A</u>
Micro Crude Oil Futures	OIL	\$0.30	N/A	\$0.02	N/A	\$0.05	N/A
Delivery Fee All	All	\$0.00		\$0.00		\$0.00	

*For purposes of determining the fee amount the following definitions apply:

Market Maker - Account in the name of any person that has signed a market maker agreement with Coinbase Derivatives.

Non-Professional Trader - Account in the name of an individual or entity that is:

A. Not registered, qualified, or otherwise identified as a professional trader, market maker, liquidity provider, money manager, commodity trading advisor, or investment adviser with any stock, commodities or futures exchange or contract market, or with any financial regulatory authority;

B. Not engaged in brokerage, banking, investment, or financial activities, as part of their regular course of business;

C. Not using a fully automated order generating computer system; and

D. Trading for its own account.

Professional Trader - Account in the name of any person that is not a Market Maker or a Non-Professional Trader.