

coinbase DERIVATIVES

LMX Labs, LLC d/b/a Coinbase Derivatives
20 N. Wacker Drive
Suite 3000
Chicago, IL 60606

LMX Labs, LLC Submission #2022-16E

August 15, 2022

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
VIA CFTC Electronic Filing

Re: CFTC Regulation 40.6 Certification: Amendment to the bNano Crypto Futures Lead Market Maker Program

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), LMX Labs, LLC, d/b/a Coinbase Derivatives (the “Exchange”) hereby submits for self-certification an amendment to its lead market maker program (the “Program”) to modify the incentive benefits and will encourage liquidity and volume in the Exchange’s products. The terms and conditions of the Program are set forth in Exhibit A. The amendment to the Program will become effective on August 29, 2022.

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 Program may most directly implicate the following Core Principles:

Core Principle 2 -- Compliance with Rules and Core Principle 4 -- Prevention of Market Disruption

All trading on the Exchange, including any trading and related activity by participants under the Program, 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. Capitalized terms not otherwise defined herein are defined in the Rulebook. Additionally, as with all trading on the Exchange, trading in the Program’s products 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 9 -- Execution of Transactions

The Program’s products are listed for trading on the Exchange’s trading system, which provides for efficient, competitive, and open execution of transactions pursuant to the Exchange rules.

Core Principle 12 -- Protection of Markets and Market Participants

Chapters 4 and 5 of the Rulebook require all market participants, including those participating in the Program, 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 in the Program's products will be subject to monitoring and surveillance by the Market Regulation Department and compliance with the Program will be monitored and enforced by the Exchange.

Core Principle 18 – Recordkeeping

Records related to the Program will be maintained by the Exchange in compliance with its recordkeeping policies and the requirements of the Commodity Exchange Act and CFTC Rules.

Certification

The Exchange is not aware of any substantive opposing views to the Program. The Exchange certifies that the Program complies 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 773-409-4128 or anne.loranger@coinbase.com.

Sincerely,

/s/

Anne Loranger
Chief Regulatory Officer
Attachments: Exhibit A

coinbase DERIVATIVES

EXHIBIT A

Amendment to the Nano Crypto Futures Lead Market Maker Program

Program Purpose

The purpose of the amendment to the Nano Crypto Futures Lead Market Maker Program (the “Program”) is to support the development of the products listed below by increasing liquidity in the Exchange’s central limit order book and, therefore, benefit all Participants in the market. Specifically, the amendment provides a minimum incentive payment to all participants.

Product Scope

All “nano-sized” cryptocurrency futures available for trading on the Exchange.

Eligible Participants

The Program is open to any firm or individual who completes the application and agrees to make two-sided markets according to the Program quoting requirements. All applicants are subject to review and approval by the Exchange Onboarding Committee.

Interested participants must submit an application and begin quoting before the *fifteenth calendar day* of a given month in order to be deemed a Program participant effective that same month. Otherwise, participants will be added to the Program effective the first business day for the following month.

Program Term

The amendment to the program becomes effective on August 29, 2022 and ends on December 31, 2022, unless otherwise extended by the Exchange.

Obligations

[REDACTED]

Monitoring and Termination of Status

The Exchange will monitor each participant’s trading activity and performance and retains the right to revoke participant’s status if it determines that a participant failed to meet the obligations of the Program. However, the Exchange will also offer the following: a one-time exception for missing quoting obligations in a single month. In addition, during periods of elevated volatility, the Exchange, in its sole discretion, may elect to relax quoting requirements for all Market Makers for the remainder of a given month or until market conditions return to normal.