

# coinbase DERIVATIVES

LMX Labs, LLCd/b/a Coinbase Derivatives

June 13, 2023

## **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 the Lead Market Maker Program**

**Coinbase Derivatives Submission #2023-7**

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 notifies the Commission that it plans to modify the Lead Market Maker Program (the “**Program**”). The modifications to the Program will become effective on July 1, 2023.

Exhibit A sets forth the terms of the Program. Modifications appear below, with additions underlined and deletions stricken-through.

### 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 the following Core Principles that may be directly implicated by Program:

#### *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 LMX Labs 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 Rulebook.

*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/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: Exhibit A

## EXHIBIT A

### Lead Market Maker Program

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

#### Program Purpose

The purpose of the 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.

#### Product Scope

All cryptocurrency futures contracts available for trading on the Exchange.

#### Eligible Participants

In order to be considered, Participants must agree to make two-sided markets, have a demonstrable ability to quote two-sided markets during all trading hours, have the technological and operational ability to connect to the Exchange, and be ready to begin making two-sided markets. In determining whether to accept a Participant, Exchange staff will take into account a variety of factors, which may include among other things, industry reputation, the robustness of the quoting obligations to which the Participant will commit, the likelihood the Participant will be able maintain such obligations, demonstrated track record of being a top tier market maker in related derivatives and/or spot markets, and commit to completing necessary connectivity and testing to support the relevant products. The Exchange may add or subtract from the aforementioned criteria as it deems necessary.

#### Program Term

The ~~initial~~ term of the Program shall be effective as of the date of certification (with quoting requirements and rebates effective as of ~~January 1, 2023~~ July 1, 2023) and shall end on ~~June 30, 2023~~ December 31, 2023, ~~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.