coinbase DERIVATIVES

LMX Labs, LLC
d/b/a Coinbase Derivatives
20 N. Wacker Drive
Suite 3000
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LMX Labs, LLC Submission #2022-21E

December 13, 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(a) Certification: Renewal of Nano Crypto Futures Broker Rebate 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 a renewal of its nano crypto futures broker rebate program (the "**Program**"). The Program will incentivize liquidity and volume in the Exchange's products. The terms and conditions of the Program are set forth in Exhibit A, attached hereto, and will become effective on January 1, 2023.

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 908-601-6075 or gregory.compa@coinbase.com.

Sincerely,

/s/

Gregory Compa
Chief Regulatory Officer

EXHIBIT A

Nano Crypto Futures Broker Rebate Program

Program Purpose

The purpose of the Nano Crypto Futures Broker Rebate 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 nano-sized cryptocurrency futures contracts available for trading on the Exchange.

Eligible Participants

There is no limit to the number of participants in the Program. The Program is open to CFTC-registered introducing brokers ("**IBs**") and futures commission merchants ("**FCMs**") that have active direct retail customers; are capable of providing their customers access to Exchange products; promote the Exchange products to its customers, through marketing, sales, and commercial initiatives; agree to provide the Exchange with evidence of such promotional activity; complete and submit an application form to the Exchange; and comply with such other criteria as the Exchange deems appropriate and necessary. Participants shall disclose their participation in this Program to their customers in writing. The Exchange may add or subtract from the aforementioned criteria as it deems necessary.

Program Term

The term of the Program shall begin on January 1, 2023 and shall end on June 30, 2023, unless otherwise extended by the Exchange.

Obligations

Participants must be registered with the CFTC as an IB or FCM, must have direct retail customers, and must provide their customers access to Exchange products to be eligible for Incentives.

Incentives

[REDACTED]

Monitoring and Termination of Status

The Exchange retains the right to revoke a Participant's status in the Program or terminate the Program at any time at its sole discretion.

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December 13, 2022

Assistant Secretary of the Commission for
FOIA Privacy and Sunshine Acts Compliance
U.S. Commodity Futures Trading
Commission Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

VIA EMAIL: FOIAsubmissions@cftc.gov

RE: FOIA Confidential Treatment Request -- LMX Labs, LLC

Dear Assistant Secretary:

LMX Labs, LLC ("**LMX Labs**"), operator of Coinbase Derivatives, hereby requests that the U.S. Commodity Futures Trading Commission (the "**CFTC**" or "**Commission**") accord confidential treatment under the Freedom of Information Act (the "**FOIA**") to the documents identified in the attached appendix ("**Appendix A**") which was submitted to the Commission staff via CFTC electronic filing on this date and relates to a filing pursuant to Commission Rule 40.6(a). This request pertains to all material set forth in Appendix A and the documents set forth therein. LMX Labs requests that confidential treatment be afforded as long as the Commission retains Appendix A and the documents listed therein. In accordance with the Commission's FOIA regulations, Appendix A and the documents listed therein bear the designation "CONFIDENTIAL TREATMENT REQUESTED BY LMX LABS, LLC PURSUANT TO 17 CFR PART 145".

This request for confidential treatment under the FOIA is made pursuant to Commission Regulations 40.8 and 145.9(d), as Appendix A and the documents produced contain information that would reveal the trade secrets or confidential commercial or financial information of LMX Labs and its affiliates. As required by Commission Regulation 40.8(c)(1), LMX Labs has submitted, together with this request, a detailed written justification in support of the confidentiality of Appendix A attached as Appendix B.

This request shall not be construed as a waiver of any protection from disclosure or confidential treatment under Commission Regulations or any other protection from disclosure or confidential treatment accorded by law, and LMX Labs will rely on and invoke any such confidentiality protection with respect to Appendix A and the documents produced. LMX Labs requests that the Commission advise the undersigned, its representative, in advance of any disclosure of Appendix A and the documents produced pursuant to the FOIA so that this request for confidential treatment may be further substantiated. LMX Labs further requests that if any of the Confidential Information is to be

disclosed to Congress or any other federal or state governmental agency or department, a request for confidential treatment be made by the Commission on LMX Labs' behalf, or that we be permitted to make such a request directly.

If you have any questions or require any further information, please contact the undersigned at 908-601-6075 or gregory.compa@coinbase.com.

Sincerely,

Gregory Compa
Chief Regulatory Officer

APPENDIX A

The following materials that accompanied LMX Labs, LLC, submission #2022-20E pursuant to 17 C.F.R. § 40.6(a) dated December 13, 2022:

Documents:

- Exhibit A Lead Market Maker Renewal

APPENDIX B

This detailed written justification for confidential treatment of the attached appendix ("**Appendix A**") under the Freedom of Information Act ("**FOIA**") is made pursuant to U.S. Commodity Futures Trading Commission ("**Commission**") Regulations 40.8 and 145.9(d), as Appendix A contains information that would reveal the trade secrets or confidential commercial or financial information of LMX Labs, LLC ("**LMX**").

The general test for determining whether commercial information is exempt from disclosure under FOIA pursuant to this exemption is whether release of the information would "cause substantial harm to the competitive positions of the person from whom the information was obtained." *Acumenics Research & Tech. v. Dep't of Justice*, 843 F.2d 800, 807 (4th Cir. 1988) (*quoting National Parks & Conservation Ass'n v. Morton*, 498 F.2d 765, 770 (D.C. Cir. 1974)). There is no requirement to demonstrate actual competitive harm, rather "[a]ctual competition and the likelihood of substantial competitive injury is all that need to be shown." *Gulf & Western Indus., Inc. v. United States*, 615 F.2d 527, 530 (D.C. Cir. 1979). Information is considered confidential where (i) there is actual competition in the relevant market, and (ii) disclosure is likely to cause substantial competitive injury. *Id*. With regard to proof of potential injury, evidence demonstrating the potential for economic harm is sufficient, and neither the omission nor the courts must conduct a sophisticated economic analysis to determine the likely effects of disclosure. *Utah v. Bahe et al.*, 256 F.3d 967, 970 (10th Cir. 2001); *Public Citizen Health Research Group v. Food & Drug Admin.*, 704 F.2d 1280, 1291 (D.C. Cir. 1983).

The information contained in Appendix A includes non-public information regarding confidential commercial and/or financial information. LMX believes that disclosure of this information would provide its competitors with valuable insights regarding LMX's clients, access to its products, and how LMX operates and funds its business. Disclosure of such information would allow other execution facilities insight into the strengths and weaknesses of LMX which could be used to achieve a competitive advantage. Disclosure of Appendix A would thus result in precisely the type of competitive harm to LMX that the provisions of FOIA and 17 C.F.R. § 145.9(d)(ii) are designed to prevent. *See National Parks & Conservation Ass'n v. Kleppe*, 547 F.2d 673, 684 (D.C. Cir. 1976) (prohibiting disclosure where it would "provide competitors with valuable insights into the operational strengths and weaknesses" of a company). Disclosure of the Confidential Information would provide LMX's competitors with an informational windfall at LMX's expense that they are not entitled to under FOIA. *See Worthington Compressors, Inc. v. Costle*, 662 F.2d 45, 52 (D.C. Cir. 1981) ("as a matter basic to our free enterprise system, private business information should be afforded appropriate protection, at least from competitors"). The Confidential Information thus falls squarely within the type of information that the provisions of FOIA and Commission Regulation 145.9(d)(ii) are designed to protect from disclosure.

For the foregoing reasons, LMX respectfully requests that the Commission maintain the confidential privilege afforded to this type of information and refrain from releasing Appendix A as such action could prove harmful to LMX.