

coinbase DERIVATIVES

LMX Labs, LLC d/b/a Coinbase Derivatives

December 21, 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: Modification to Rules Related to the
Coinbase Derivatives' Rulebook**

Coinbase Derivatives Submission #2023-18

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 modifications to the following Exchange Rules 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 Rule changes are effective January 8 2024.

- Rule 101. Definitions: updating the definition of “Customer” as defined in CFTC Regulation 1.3; new definition of the term “Final Settlement Price,” correcting the alphabetical order of the definitions; including the additional types of accepted Order Qualifiers; other non-substantive changes.
- Rule 202. Board: modifications made so this is consistent with the LLC Agreement
- Rule 538. The Exchange Trading System Algorithms: clarifying changes on the Order matching algorithm.
- Rule 906. Settlement Prices: Updated to include the Daily and Final Settlement Prices for the Exchange’s Contracts and made corresponding changes to remove these procedures from the Contract’s specifications in Chapter 11, as applicable.
- Chapter 11: moved the Daily and Final Settlement procedures to Rule 906; made clarifying updates to the price limits; added fork language to 1108 and 1109 as to be consistent with 1106 and 1107; other non-substantive changes.

The purpose of these rule changes is to ensure the consistent use of certain defined terms in the Exchange’s Rules, to correct typographical errors throughout the Rulebook, to correct

numerated references to other sections within the Rulebook throughout, and to make other non-substantive edits to provide additional clarity where the Exchange deemed as needed.

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.

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.

Sincerely,

/s/

Jane Downey
Chief Regulatory Officer

Attachment: Appendix A