coinbase DERIVATIVES

August 14, 2024

<u>**VIA CFTC Electronic Portal**</u>

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 Rule 906

Submission #2024-44

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.6(a), Coinbase Derivatives, LLC (the "Exchange") hereby submits for self-certification amendments to Exchange Rule 906, as more specifically described below (the "Rule Amendments"). The modifications will become effective on August 28, 2024. The purpose of the modification is to clarify daily settlement for the Exchange's contracts.

<u>Compliance with Core Principles</u>

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 Rule Amendments:

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

All trading on the Exchange is subject to the Exchange's 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 is 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 Exchange continues to believe that the Contracts are not subject to manipulation.

Core Principle 7 - Availability of General Information

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

Core Principle 8 - Daily Publication of Trading Information

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

Core Principle 11 - Financial Integrity of Transactions

The Contracts will 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

Chapters 4 and 5 of the Rulebook require all market participants 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, the Contracts will be subject to monitoring and surveillance by the Market Regulation Department.

Certification

The Exchange is not aware of any substantive opposing views to the Rule Amendments. The Exchange certifies that the Rule Amendments 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/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: Appendix A

Appendix A

Rulebook

(additions <u>underlined</u>; deletions ~~stricken through~~)

CHAPTER 9: CLEARING

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Rule 906. Daily and Final Settlement Prices

(a) Definitions of the lead and non-lead month. The lead month is the Contract nearest to expiration for a particular Exchange product. The lead month is the anchor leg for settlements with the expectation of having the most activity. All other Contracts not the lead month are the non-lead month<u>s</u>.

(b) Daily Settlement Price

    (i)   For all Exchange energy Futures Contracts, the following applies, unless otherwise indicated.

        (1) Lead Month

           a) If a Trade occurs in the sixty (60) seconds prior to 1:30 PM CT, the Daily Settlement will be calculated using the <u>volume-weighted average price ("VWAP")</u> of such Trades, rounded to the nearest tradable tick.

           b) If there are no Trades during this time, the Exchange will use the <u>time-weighted average price ("TWAP")</u> 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.

           c) If a two-sided market is not available,<u> market data made publicly available on other CFTC-registered designated contract markets will be used</u> ~~the last Traded price of the current trade day will be used~~.

           d) <u>If publicly available market data is not available, the last Traded price of the current trade day will be used.</u> ~~If there are not any Trades for that day, market data made publicly available on other CFTC-registered designated contract markets.~~

           e) If there <u>are not any Trades for that day</u> ~~is not any publicly available market data~~, the Contract will use the prior day's settlement price.

        (2) Non-Lead Month

           a) If a Trade occurs in the sixty (60) seconds prior to 1:30 PM CT, the Daily Settlement will be calculated using the VWAP of such Trades, rounded to the nearest tradable tick.

           b) If there are no Trades during this time, but the spread trades between 1:29 PM - 1:30 PM CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick, and then applied to the lead month's settlement to derive the Future

Contract's Daily Settlement Price.

    c) In the absence of this, 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.

    d) If a two-sided market is not available during this time, the last spread Trade price is applied to the lead month settlement to derive the Daily Settlement Price.

    e) If this can not be calculated, the Exchange will use <u>market data made publicly available on other CFTC-registered designated contract markets</u> ~~the lead month's Settlement Price +/- the previous day's calendar spread~~.

<center>*   *   *</center>

(iii) For all Exchange metal Futures Contracts, the following applies, unless otherwise indicated.

    (1) Lead Month

        a) If a Trade occurs in the sixty (60) seconds prior to 12:30 PM CT, the Daily Settlement will be calculated using the VWAP of such Trades, rounded to the nearest tradable tick.

        b) 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 12:30 PM CT, rounded to the nearest tradable tick.

        c) If a two-sided market is not available, <u>market data made publicly available on other CFTC-registered designated contract markets will be used</u> ~~the last Traded price of the current trade day will be used~~.

        d) <u>If publicly available market data is not available, the last Traded price of the current trade day will be used</u> ~~If there are not any Trades for that day, market data made publicly available on other CFTC-registered designated contract markets will be used~~.

        e) If there<u> are not any Trades for that day</u> ~~is not any publicly available market data~~, the Contract will use the prior day's settlement price.

    (2) Non-Lead Month

        a) If a Trade occurs in the sixty (60) seconds prior to 12:30 PM CT, the Daily Settlement will be calculated using the VWAP of such Trades, rounded to the nearest tradable tick.

        b) If there are no Trades during this time, but the spread trades between 12:29 PM - 12:30 PM CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick, and then applied to the lead month's settlement to derive the Future Contract's Daily Settlement Price.

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seconds prior to 12:30 PM CT, rounded to the nearest tradable tick.

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e) If this can not be calculated, the Exchange will use <u>market data made publicly available on other CFTC-registered designated contract markets</u> ~~the lead month's Settlement Price +/- the previous day's calendar spread~~.

CHAPTER 9: CLEARING

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Rule 906. Daily and Final Settlement Prices

(c) Definitions of the lead and non-lead month. The lead month is the Contract nearest to expiration for a particular Exchange product. The lead month is the anchor leg for settlements with the expectation of having the most activity. All other Contracts not the lead month are the non-lead months.

(d) Daily Settlement Price

    (i) For all Exchange energy Futures Contracts, the following applies, unless otherwise indicated.

        (1) Lead Month

            a) If a Trade occurs in the sixty (60) seconds prior to 1:30 PM CT, the Daily Settlement will be calculated using the volume-weighted average price ("VWAP") of such Trades, rounded to the nearest tradable tick.

            b) If there are no Trades during this time, the Exchange will use the time-weighted average price ("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.

            c) If a two-sided market is not available, market data made publicly available on other CFTC-registered designated contract markets will be used.

            d) If publicly available market data is not available, the last Traded price of the current trade day will be used.

            e) If there are not any Trades for that day, the Contract will use the prior day's settlement price.

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            a) If a Trade occurs in the sixty (60) seconds prior to 1:30 PM CT, the Daily Settlement will be calculated using the VWAP of such Trades, rounded to the nearest tradable tick.

            b) If there are no Trades during this time, but the spread trades between 1:29 PM - 1:30 PM CT, then the spread VWAP is calculated, rounded to the spread's nearest tradable tick, and then applied to the lead month's settlement to derive the Future Contract's Daily Settlement Price.

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            d) If a two-sided market is not available during this time, the last

spread Trade price is applied to the lead month settlement to derive the Daily Settlement Price.

e) If this can not be calculated, the Exchange will use market data made publicly available on other CFTC-registered designated contract markets.

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(iii) For all Exchange metal Futures Contracts, the following applies, unless otherwise indicated.

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