

coinbase DERIVATIVES

October 15, 2024

VIA CFTC 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 40.2(a) Certification: Listing of Silver Futures Contract

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.2(a), Coinbase Derivatives, LLC (the “Exchange” or “COIN”) hereby submits for self-certification its initial listing of the Silver Futures contract to be offered for trading on the Exchange on or after November 11, 2024.

Contract Description

The Silver Futures contract (the “Contract”) will be a cash-settled and margined Contract with the following specifications:

Product	Silver Futures
Product Type	USD-settled future
Contract Size	50 troy ounces of silver
Displayed Price Example	\$30.005
Contract Notional	~\$1500 Contract notional (i.e. ~\$30 x 50)
Contract Code	SLR
Minimum Tick Size and Value	Min tick size: \$0.005 per troy ounce Min tick value: \$0.25 per Contract
Listed Contracts	Three (3) nearest active Contracts. Active Contracts are March, May, July, September, and December.
Daily Settlement	Lead Month Daily Settlement: 12:25 PM CT 1. If a Trade occurs in the sixty (60) seconds prior to 12:25 PM CT, the Daily Settlement will be calculated using the VWAP of such Trades, rounded to the nearest tradable tick. 2. 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

	<p>(60) seconds prior to 12:25 PM CT, rounded to the nearest tradable tick.</p> <ol style="list-style-type: none"> 3. If a two-sided market is not available, market data made publicly available on other CFTC-registered designated contract markets will be used. 4. If publicly available market data is not available, the last Traded price of the current trade day will be used. 5. If there are not any Trades for that day, the Contract will use the prior day's settlement price.
Final Settlement	The Final Settlement Price shall be set to the publicly available daily settlement price of COMEX SI future at the Termination of Trading of the Contract. Expiration will occur the same Business Day as the Final Settlement of the Contract, which is the Business Day following the Contract's Termination of Trading.
Price Fluctuation Limits	10% of hourly calculated reference price
Last Trading Day	Trading terminates at 12:25 PM CT three (3) Business Days prior to the Contract's expiration month. If that day is not a Business Day in the U.S., trading will terminate on the preceding Business Day ("Termination of Trading").
Position Limits	300,000 Contracts
Large Trader Reporting	150 Contracts
Trading Hours	5:00 - 4:00 PM CT Sunday - Friday, with a trading halt from 4:00 PM - 5:00 PM CT Monday - Thursday.

Contents:

- I. Silver Contract Overview
- II. Cash Market Summary
- III. Analysis of Deliverable Supply
- IV. Compliance with Core Principles

I. Silver Futures Contract Overview

The Contract offers Participants the opportunity to trade one of the world's most liquid metal commodities in a smaller contract size and in easily understandable increments. The Contract is cash settled against the prevailing market price for COMEX SI futures. It is a price in USD per ounce equal to the settlement price for COMEX SI futures as made public by COMEX for the month of production per 2005 ISDA Commodity Definitions. Each Contract represents 50 troy ounces of silver. At the current price the notional value of each contract would be approximately \$1500.

II. Cash Market Summary

Silver is a globally traded commodity with extensive use in industrial applications, jewelry, and investment. The cash market for silver is diverse, with significant activity in physical bullion, bars, and coins. Prices are influenced by both supply-demand fundamentals and macroeconomic factors like interest rates, inflation, and geopolitical events.

III. Analysis of Deliverable Supply

The Exchange is basing its estimates of deliverable supply of silver on registered stock as well as such silver stock meeting all specifications of the COMEX Silver futures contract stored at COMEX approved depositories. The Exchange recognizes that silver is used as an investment vehicle and as such some silver stock may be held as a long-term investment. In an effort to represent a conservative deliverable supply that may be readily available for delivery, the Exchange made a determination to discount from its estimate of deliverable supply 50% of the reported eligible silver at this time. As of October 2024¹, the current registered silver is 1.4m SLR futures equivalent contracts. The current eligible silver is 2.4m SLR futures equivalent contracts accounting for a 50% discount. The Exchange estimates monthly deliverable supply at approximately 3.77m SLR futures equivalent contracts. The current spot month position limit of 300,000 contracts represents 8.0% of the estimated monthly deliverable supply.

IV. 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 Contract may most directly implicate the following Core Principles:

Core Principle 2 -- Compliance with Rules

Trading in the Contract 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. Additionally, as with all contracts traded on the Exchange, trading 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 3 -- Contracts Not Readily Subject to Manipulation

The Contract is based on the long-established and highly liquid COMEX SI Futures contract, SI. The SI contract offers transparent pricing and is traded on a central limit order book. With daily

¹<https://www.cmegroup.com/clearing/operations-and-deliveries/registrar-reports.html?redirect=/market-data/reports/registrar-reports.html>

trading volumes of more than 70,000 contracts and open interest of over 140,000 contracts², it would be difficult to manipulate the price of the underlying contract.

Core Principle 4 -- Prevention of Market Disruption

Chapter 5 of the Rulebook prohibits Participants from manipulating, distorting the price of, and disrupting the settlement process of the Contract. As with all contracts traded on the Exchange, trading in the Contract will be subject to monitoring and surveillance by the Market Regulation Department. Further, trading in the Contract shall be subject to price fluctuation limits.

Core Principle 5 -- Position Limits or Accountability

The Contract shall be subject to a position limit of no more than 300,000 Contracts with a reportable level of 150 Contracts. The position limit is comparable to limits imposed on the COMEX SI contract. By way of providing context, a 300,000 SLR position would represent 8% of the estimated deliverable supply, as mentioned in the deliverable supply analysis.

Core Principle 7 -- Availability of General Information

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

Core Principle 8 -- Daily Publication of Trading Information

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

Core Principle 9 -- Execution of Transactions

The Contract shall be listed for trading on the Exchange's trading system, which provides for efficient, competitive, and open execution of transactions.

Core Principle 10 -- Trade Information

All requisite trade information shall be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.

Core Principle 11 -- Financial Integrity of Transactions

The Contract shall 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, including futures commission merchants ("FCMs") carrying customer accounts, 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 will be subject to monitoring and surveillance by the Market Regulation Department.

Core Principle 13 -- Disciplinary Procedures

² <https://www.cmegroup.com/markets/metals/precious/silver.volume.html>

Rulebook Chapter 7 sets forth the rules and procedures for the investigation, enforcement, and sanctioning of persons that violate the Exchange's Rules.

Core Principle 14 - Dispute Resolution

Disputes related to the Contract are governed by Chapter 8 of the Rulebook, which provides for arbitration procedures overseen by the National Futures Association.

Certification

The Exchange has spoken with FCMs and market participants who support the decision to launch a Silver Futures Contract. The Exchange is not aware of any substantive opposing views to the Contract. The Exchange certifies that the Contract and related rules certified herein 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: 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

Attachments:

- Appendix A Amendments to COIN Rulebook Chapter 11
- Appendix B Amendments to COIN Rulebook Chapter 5
- Appendix C Amendments to COIN Rulebook Chapter 9

APPENDIX A

Additions underscored; deletion are ~~struckthrough~~

CHAPTER 11: CONTRACTS

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RULE 1120. Silver Futures

- (a) Scope. Rule 1120 is limited in application to the trading of the Silver futures (“SLR Contract”). In addition to Rule 1120, the Silver Contract is subject to all Rules of the Exchange as applicable. Unless otherwise stated, all times referred to herein are Central Time Zone.
- (b) Trading Schedule. The Silver Contract shall be offered for monthly trading in the front three (3) months during such hours as the Exchange shall determine from time-to-time. The active Contracts are March, May, July, September, and December.
- (c) Contract Size. The Contract size is equal to 50 troy ounces of silver.
- (d) Price Increments. The minimum price increment shall be \$.0005 per troy ounce of silver (\$0.25 per SLR Contract).
- (e) Position Limits, Position Accountability, and Reportable Levels. Pursuant to Rules 530 to 533 and subject to the requirements and exceptions therein, the Silver Contract is subject to the following:
 - (1) Position Limit. 300,000 SLR Contracts.
 - (2) Reportable Level. 150 SLR Contracts.
- (f) Price Fluctuation Limits. Trading in the SLR Contract shall be subject to price fluctuation limits. If a price fluctuation limit is reached on the lead month of SLR Contract, all related instruments will be halted. If a price fluctuation limit is reached on the non-lead month SLR Contracts, only the specific instrument which reached the price fluctuation limit will be halted.
 - (1) Each hour, a Reference Price is calculated for each Contract using the Lead Month settlement procedures outlined in Rule 906(b)(iii)(1) (the “Reference Price”).
 - (2) A 10% up and down price limit will be applied to that Contract’s Reference Price.
 - (3) The market will enter a halt state for two (2) minutes if a price fluctuation limit is reached. Orders can be submitted, canceled, and amended during this state but no matching will occur.
 - (4) If a price fluctuation limit is reached, the new Reference Price will be the last price fluctuation limit for the remainder of that hour.
- (g) Termination of Trading and Expiration. Trading in expiring SLR Contracts shall terminate at 12:25 PM CT three (3) Business Days prior to the Contract’s expiration month. If that day is not a Business Day, trading will terminate on the preceding Business Day (“Termination of Trading”). Expiration will occur the Business Day following Termination

of Trading for the Contract.

(h) Settlement. The SLR Contract is cash settled.

- (1) Daily Settlement Price of the Contract, which is an Exchange metal Futures Contract, will be determined pursuant to the process set forth in Exchange Rule 906(b)(iii).
- (2) On the day of expiration, the Final Settlement of the Contract, which is an Exchange metal Futures Contract, will be determined pursuant to the process set forth in Exchange Rule 906(c)(iii).
- (3) Final Settlement. Clearing Firms holding open positions in an expiring SLR Contract at the Termination of Trading shall make or receive payment in accordance with the rules of the Clearing House.

(i) Disclaimer.

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APPENDIX B

(Additions underscored; deletion are ~~struckthrough~~)

CHAPTER 5: TRADING PRACTICES AND BUSINESS CONDUCT

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RULE 533. Position Limit, Position Accountability, Reportable Level, and Volume Threshold Level Table

The reportable levels for all Contracts covering Position Limit, Position Accountability, Reportable Level, and Volume Thresholds will be made available to Market Participants.

Product	CDE Code	Contract Size	Aggregate Into Futures	Aggregate Ratio	Exchange Reporting Level	Position Limit
nano Bitcoin Futures	BIT	0.01	BTI	100 BIT = 1 BTI	25	20,000 (BTI Aggregate) three (3) Business Days prior to the contract's expiration
Bitcoin Futures	BTI	1	BTI	N/A	25	
nano Ether Futures	ET	0.1	ETI	100 ET = 1 ETI	25	40,000 (ETI Aggregate)
Ether Futures	ETI	10	ETI	N/A	25	
Bitcoin Cash Futures	BCH	1	BCH	N/A	25	14,000
Litecoin Futures	LC	5	LC	N/A	25	10,000
Dogecoin Futures	DOG	5,000	DOG	N/A	25	20,000
Stellar Futures	XLM	5,000	XLM	N/A	25	3,000
Avalanche Futures	AVA	10	AVA	N/A	25	20,000
Chainlink Futures	LNK	50	LNK	N/A	25	6,000
Polkadot Futures	DOT	100	DOT	N/A	25	7,500
1k Shib Futures	SHB	10,000,000	SHB	N/A	25	30,000
Gold Futures	GOL	1	GOL	N/A	200	600,000
<u>Silver Futures</u>	<u>SLR</u>	<u>50</u>	<u>SLR</u>	<u>N/A</u>	<u>150</u>	<u>300,000</u>
nano Crude Oil Futures	NOL	10	OIL	10 NOL = 1 OIL	350	40,000 three (3) days prior to the end of trading in the spot month
Micro Crude Oil Futures	OIL	100	OIL	N/A	350	40,000 three (3) days prior to the end of trading in the spot month

APPENDIX C

(Additions underscored; deletion are ~~struckthrough~~)

CHAPTER 9: CLEARING

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Rule 906. Daily and Final Settlement Prices

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(b) Daily Settlement Price

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- (iii) For all Exchange metal Futures Contracts, the following applies, unless otherwise indicated. Daily Settlement for Gold Futures Contracts occurs at 12:30 PM CT and Daily Settlement for Silver Futures Contracts occurs at 12:25 PM CT.

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(c) Final Settlement Price

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- (iii) For all Exchange metal Futures Contracts, the following applies, unless otherwise indicated. Expiration will occur the same Business Day as the Final Settlement of the Contract, which is the Business Day following the Contract's Termination of Trading. The Final Settlement Price shall be set to the publicly available daily settlement value of:
- (1) the NYMEX Gold future (GC) at the Termination of Trading of the Gold Contract, as specified in Rule 1113; and
 - (2) the COMEX Silver future (SI) at the Termination of Trading of the Silver Contract, as specified in Rule 1120.