coinbase DERIVATIVES

September 18, 2026

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 41.23(b) Listing of Security Futures Product for Trading: Voluntary Submission of Security Futures Products for Commission Approval Regarding the Initial Listing of Equity Perpetual Contracts

Coinbase Derivatives Submission #2026-62

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the "CEA" or "Act"), and Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 41.23(b), Coinbase Derivatives, LLC ("CDE" or "Exchange"),[1] hereby requests that the Commission approve the Equity Perpetual Contracts (the "Contracts").

The Contracts will be subject to the Rules set forth in the CDE Rulebook, including Chapter 12, as supplemented by the specifications attached hereto as Appendix B.

The Exchange intends to make this request effective and list the Contracts shortly following approval by the Commission, pending any additional necessary regulatory approvals.

Along with this submission, CDE submits the following documents:

- Appendix A, with a concise explanation and analysis of the Contracts;
- Appendix B, with the Contracts' Terms and Conditions;
- Appendix C, with further considerations regarding the Contracts; and
- Appendix D, describing the Contracts' compliance with the Core Principles.

The Exchange hereby certifies that: (a) the securities underlying the Contracts satisfy the requirements of Commission Regulation 41.21; (b) only futures commission merchants, introducing brokers, commodity trading advisors, commodity pool operators or associated persons subject to suitability rules comparable to those of a national securities association registered pursuant to Section 15A(a) of the Securities Exchange Act of 1934 ("Exchange Act") and the rules and regulations thereunder, except to the extent otherwise permitted under the Exchange Act and the rules and regulations thereunder, may solicit, accept any order for, or otherwise deal in any transaction in or in connection with the Contracts; (c) dual trading in the

[1] CDE is a designated contract market ("DCM") and notice registered as a national securities exchange with the Securities and Exchange Commission ("SEC") for the sole purpose of trading security futures products. Pursuant to its notice registration, CDE plans to list cash-settled futures on individual equity securities and exchange-traded fund shares, including perpetual futures.

Contracts is restricted in accordance with CFTC Regulation 41.27; (d) trading in the Contracts is not readily subject to manipulation of the price of any Contracts, nor to causing or being used in the manipulation of the price of any underlying security, option on such security, or option on a group or index including such security, consistent with the conditions for trading of CFTC Regulation 41.25; (e) processes are in place for coordinated surveillance among the Exchange, any market on which the securities underlying the Contracts are traded and other markets on which any related securities are traded to detect manipulation and insider trading; (f) an audit trail is in place to facilitate coordinated surveillance among the Exchange, any market on which the securities underlying the Contracts are traded, and any market on which any related securities are traded; (g) processes are in place to coordinate regulatory trading halts between the Exchange and markets on which the securities underlying the Contracts are traded and other markets on which any related securities are traded; and (h) the margin requirements for the Contracts will comply with the provisions specified in CFTC Regulations 41.43 through 41.48.

The Exchange hereby further certifies that the Contracts comply with the additional conditions for trading set forth in CFTC Regulation 41.25, and comply with the Act and the regulations thereunder. There were no substantive opposing views to the proposal.

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 do not hesitate to contact me at jane.downey@coinbase.com.

Sincerely,

/s/

Jane Downey
Chief Regulatory Officer

Appendix A

Concise Explanation and Analysis of the Contracts and their Compliance with Applicable Provisions of the Act, Including Core Principles and the Commission's Regulations Thereunder

The Exchange submits for the Commission's approval a suite of perpetual futures contracts, each referencing a single underlying equity security or exchange-traded fund ("ETF") share (the "Contracts").

The Exchange first describes the mechanics of perpetual futures before turning to the Contracts themselves.

I. Perpetual Futures

A perpetual future is a type of cash-settled futures contract that has no fixed expiration date.[2] Rather, a perpetual future has an indefinite, perpetual term and "rel[ies] on a periodic funding rate mechanism, rather than a fixed expiration date, to maintain relative price parity with the underlying asset's spot price."[3]

Pursuant to the funding rate mechanism, holders of long and short positions periodically pay or receive a funding amount determined by the gap between the contract's price and a reference price that tracks the prevailing spot price of the underlying security.[4] The direction of that payment turns on where the contract trades relative to the spot price: when the contract is priced above the spot price, longs pay and shorts collect, and when the contract is priced below the spot price, this flow reverses. Because the paying side bears a recurring charge for holding the position that has pushed the contract away from the spot price, each funding cycle generates an ongoing economic incentive to trade in the direction that narrows the gap. The funding rate mechanism thus incentivizes arbitrage activity that drives convergence between the perpetual future price and the underlying spot price.[5]

Perpetual futures have become an increasingly popular derivatives product globally.[6] Until recently, however, these instruments could not be traded on any U.S. platform. Equity perpetuals remain unavailable to U.S. investors today, trading instead on offshore venues beyond the reach of U.S. regulators.

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[2] As the CFTC has recognized, a perpetual futures contract can constitute a contract of sale for future delivery. *See* CFTC, Order Approving KalshiEX LLC BTCPERP Futures Contract (May 29, 2026) ("BTCPERP Order"); CFTC, Policy Statement Concerning the Listing of Perpetual Contracts, 91 Fed. Reg. 33160 (June 3, 2026) ("CFTC Perpetual Contracts Policy Statement").

[3] CFTC Perpetual Contracts Policy Statement at 33160-61.

[4] *See id.* ("A perpetual contract has no fixed expiration date through which it can achieve convergence. It therefore requires a substitute mechanism to maintain relative price parity with the underlying spot price of the asset that it references. The mechanism that has emerged in the global crypto asset markets is known as a funding rate, or a periodic payment between the long and short sides of the contract, the direction and magnitude of which is generally determined by the difference between the perpetual contract's market price and the underlying asset's spot price.")

[5] *See id.* ("When a perpetual contract trades above the spot price, the traders with long positions make payments while the traders with short positions receive payments; and vice versa. These payments are intended to create an economic incentive for market participants to arbitrage away the price differential by opening positions on whichever side of the market is accruing the payments. In this way, the funding rate is designed to keep closely aligned a perpetual contract's price to the underlying asset's price and functions as a replacement to the traditional expiration-based convergence mechanism upon which a futures contract typically relies.")

[6] *See id*. ("Perpetual contracts have become a dominant form of crypto derivative trading in global markets.")

The Contracts would bring equity perpetual derivatives within a U.S.-regulated framework for the first time, consistent with the President's Working Group on Digital Asset Markets recommendation that the CFTC and SEC permit eligible market participants to access derivatives, including perpetual contracts, through regulated intermediaries and that the agencies use existing exemptive and interpretative authorities to provide near-term clarity for innovative derivatives products.[7] In the case of perpetuals that reference a single underlying equity security or ETF share, approving these contracts would subject them and market participants to the security futures regulatory framework, which is jointly overseen by the SEC and the CFTC, and includes a broad array of safeguards, such as centralized clearing, cross-market surveillance, and supervisory and enforcement authority under the CEA and Exchange Act.

II. The Contracts

As described above, the Contracts are cash-settled, perpetual futures contracts, each of which references a single underlying equity security or ETF share. Because each Contract is a futures contract that references a single security, each Contract is a "security futures product" within the meaning of the CEA and Exchange Act, subject to the joint jurisdiction of the Commission and the SEC.[8]

The Contracts covered by this submission reference the most liquid U.S.-listed equity securities and ETFs that satisfy CDE's listing standards, set forth in Rule 1203 of the Exchange Rulebook (each, a "Reference Security," and collectively, the "Reference Securities"), with the AAPL Single Stock Perpetual Future set forth in Appendix B serving as the representative specification. CDE set forth, in Submission No. 2026-61, listing standards with robust, objective criteria that limit the potential universe of underliers to the most actively traded, liquid equity securities and ETF shares.[9] CDE confirms that these Contracts are in accordance with such listing standards.

The Exchange, which is designated as a contract market ("DCM") by the CFTC and notice registered as a national securities exchange with the Securities and Exchange Commission ("SEC") for the sole purpose of trading security futures products, accordingly submits the Contracts for the Commission's review and approval under Section 5c(c)(1) of the Act and Regulation 41.23(b). As set forth in this submission, the Contracts are not inconsistent with the CEA or the Commission's regulations, and therefore the Commission should approve the Contracts.[10]

a. Equity and ETF Perpetuals

Highly liquid equity securities and ETF shares are natural underliers for perpetual futures. A perpetual contract on an individual equity or ETF share eliminates the roll cost and roll-date basis risk that come with rolling a position in a dated future from one expiration to the next. The underlying securities for the Contracts meet the Exchange's listing standards, which restrict the

[7] *See id*. (citing President's Working Group on Digital Asset Markets, Strengthening American Leadership in Digital Financial Technology (July 30, 2025), available at https://www.whitehouse.gov/wp-content/uploads/2025/07/Digital-Assets-Report-EO14178.pdf).
[8] A "security futures product" is defined as "a security future or any put, call, straddle, option, or privilege on any security future." 15 U.S.C. § 78c(a)(56); 7 U.S.C. § 1a(45). A "security future," in turn, is generally defined as "a contract of sale for future delivery of a single security or of a narrow-based security index, including any interest therein or based on the value thereof," subject to certain exceptions. 15 U.S.C. § 78c(a)(55); 7 U.S.C. § 1a(44).
[9] CDE submitted these listing standards for Commission approval pursuant to CFTC Regulation 41.24(b). In addition, CDE filed these listing standards with the SEC in accordance with Section 19(b)(7) of the Exchange Act and Rule 19b-7 thereunder.
[10] *See* 17 C.F.R. § 40.5(b).

eligible universe of underliers to the most actively traded U.S.-listed equities and ETF shares, selected precisely because their depth and liquidity make them well suited to support a continuously traded, funding-based instrument. A thick, active market in the underlying share means the reference price used to calculate funding at each interval is difficult to move and reflects a genuine consensus value, rather than a thinly traded quote susceptible to distortion.

b. Funding Rate

As described in Rule 1212 of the Exchange Rulebook, the Contracts' funding rate is calculated hourly by measuring the difference between the Contract's mark price and the Reference Security's spot price (derived from a Reference Security-specific Index that is live 8:00 p.m. ET Sunday to 5:00 p.m. ET Friday) every three minutes, averaging those readings, and applying a smoothing weight against the prior hour's rate, subject to a cap of plus or minus 0.10% per hour. Depending on whether the Contract trades above or below the Reference Security's spot price, longs pay shorts or shorts pay longs, respectively. In accordance with Rule 1212 of the Exchange Rulebook, these payments are aggregated at the time of mid-day and end-of-day margin runs and settled in cash through the clearinghouse. No funding rate is published for any hour in which the market is closed, paused, or halted.

This design is consistent with the Commission's guidance on perpetual contracts. The CFTC's Perpetual Contracts Policy Statement explains that a funding mechanism of this kind functions as the substitute for the expiration-based convergence a dated future relies on, and that the reference price must remain reliable at every funding interval for as long as the contract is outstanding.[11] The Contracts' frequent, short-interval sampling and their exclusion of funding during any hour when the market is inactive are directed at exactly that requirement, which is ensuring funding is never calculated against a stale or unavailable reference.

c. Spot Market Index

As described in Rule 1211 of the Exchange Rulebook, each Reference Security's spot price will be derived from a Reference Security-specific index calculated by CDE. Each Reference Security-specific index is calculated once per second from direct institutional market-data feeds covering the Pre-Market Session (4:00 a.m. ET – 9:30 a.m. ET), Regular Trading Hours (9:30 a.m. ET – 4:00 p.m. ET), the After-Hours Session (4:00 p.m. ET – 8:00 p.m. ET), and the Overnight Session (8:00 p.m. ET – 4:00 a.m. ET), so that a price is maintained on a continuous basis across each Contract's trading window. The methodology validates each contributing input for freshness, discards outliers, and resolves the remaining prices on a median basis, which limits the influence of any single source on the Index value. Where inputs are insufficient, the methodology falls back to a defined reference price.

d. Trading Hours

The Contracts' trading hours fall entirely within the availability of the pricing reference used to calculate funding. The Contracts trade from Sunday at 8:00 p.m. ET through Friday at 5:00 p.m. ET. As set forth in Rule 1211 of the Exchange Rulebook, the Reference Security-specific Index from which the Contracts' funding rate is derived is itself live across that identical window. As a result, there is no period in which the Contracts trade without a live, continuously updated price for the corresponding Reference Security. No funding rate is published for any hour in which the

[11] CFTC Perpetual Contracts Policy Statement at 33161.

market is closed, paused, or halted, so funding is calculated only when both the Contract and its pricing reference are active.

This design reflects Commission guidance. The Commission has explained that the “presence, or absence, of continually available spot price data” is relevant to how a perpetual contract should be structured, and that a perpetual’s reference price must remain reliable at every funding interval for as long as the contract is active.[12] By aligning the Contracts’ trading hours with the operating window of the Reference Security-specific Index, the Contract ensures that a live, reliable reference price is available for the entire period in which funding may be calculated.

III. Security Futures Regulatory Framework

Each Contract is a perpetual futures contract that references a single underlying security. The CFTC has expressly recognized that perpetual futures contracts can constitute contracts of sale for future delivery.[13] A contract of sale for future delivery of a single security is a “security future” under the CEA and Exchange Act, and its listing and trading fall within the jurisdiction of the CFTC and SEC. Each Reference Security satisfies the eligibility requirements of Regulation 41.21(a): it is registered pursuant to Section 12 of the Exchange Act; it is common stock or an ETF share, which the Commissions have jointly determined can underlie a security futures product;[14] and it conforms to the listing standards for security futures products that the Exchange has filed with the CFTC under Regulation 41.24(b) and with the SEC under Section 19(b)(7) of the Exchange Act.

As demonstrated in Appendix C, the Contracts possess the characteristics of futures contracts identified in judicial precedent and Commission guidance.

As set forth in Appendix D, the Contracts satisfy the additional conditions for trading security futures products, including daily market-data reporting, coordinated regulatory trading halts keyed to the underlying security, position limits, and coordinated cross-market surveillance.

This submission is also precisely the procedural path for listing that the Commission has directed for perpetual contracts on equity securities. The Commission has expressly indicated that “perpetual contracts that reference equity securities or narrow-based security indexes, among others, would benefit from review by the Commission and the U.S. Securities and Exchange Commission.”[15] By submitting the Contracts as security futures products under Regulation 41.23(b), the Exchange proceeds in the manner the Commission has identified as appropriate for a novel, equity-referenced perpetual.

IV. General Contract Terms and Conditions

As set forth in Appendix B and the Exchange Rulebook, each Contract is a cash-settled perpetual futures contract on a single underlying security, with a standardized contract size and no fixed expiration date. The Contracts are quoted by reference to the price of the corresponding Reference Security, such that a long position gains value as that price rises and loses value as it falls, with the economics reversed for a short position. Positions may be established, adjusted, or closed out through offsetting transactions at any time the Contracts are open for trading. Convergence between each Contract and the Reference Security is maintained through the

[12] BTCPERP Order at 9.
[13] *See id.*; *see also* CFTC Perpetual Contracts Policy Statement.
[14] *See* 74 Fed. Reg. 61380 (Nov. 24, 2009) (Joint Order Modifying the Listing Standards Requirements Under Section 6(h) of the Securities Exchange Act of 1934 and the Criteria Under Section 2(a)(1) of the Commodity Exchange Act).
[15] BTCPERP Order at 9 n.25; CFTC Perpetual Contracts Policy Statement at 33161 n.5.

funding rate mechanism, under which periodic payments—based on the difference between each Contract's mark price and the applicable Reference Security-specific Index—are exchanged between the long and short sides of the Contracts, as detailed in Rule 1212 of the Exchange Rulebook.

Appendix B

Contracts' Terms and Conditions[16]

Term	Description
Product	AAPL Single Stock Perpetual Future.
Product Type	USD-settled single stock future.
Underlying	AAPL.
Contract Size (Contract Unit)	0.01 x AAPL index.
Displayed Price (Example)	$225.10.
Contract Notional	~$2.25 Contract notional (i.e. ~$225 x 0.01).
Contract Code	AAPL.
Minimum Tick Size and Value	As set forth in Rule 1204(d) of the Exchange Rulebook, Min tick size: $0.01 per share; Min tick value: $0.0001 per Contract or such other min tick size or min tick value identified by the Exchange in a Notice to Participants.
Listed Contracts	1 perpetual Contract.
Clearing	The Contract will be centrally cleared by Nodal Clear, LLC, a derivatives clearing organization registered with the Commission, as central counterparty.
Daily Settlement	As set forth in Rule 1209 of the Exchange Rulebook, Daily Settlement: 4:00 PM ET — 1. 1-min VWAP of futures Contract, rounded to the nearest tradable tick; 2. 1-min TWAP of futures Contract midpoint of the bid/ask, rounded to the nearest tradable tick; 3. if no two-sided market is available during the sixty (60) seconds preceding 16:00 Eastern Time, the Index Price less the difference between the prior day's Index Price and the prior day's Daily Settlement Price.

[16] As discussed above, the AAPL Single Stock Perpetual Future terms and conditions in this Appendix are representative of the other Contracts contemplated by this submission. The corresponding specifications for the other Contracts, including those referencing ETF shares, are identical in structure and differ only as to the identity of the Reference Security and security-specific parameters (e.g., Contract Code, Contract Notional, etc.).

Term	Description
Last Trading Day	There is no scheduled last trading day for this perpetual Contract. Any wind-down, termination, or delisting of the Contract shall be conducted in accordance with Rule 1214 of the Exchange Rulebook.
Cash Adjustment (Funding)	As set forth in Rule 1212 of the Exchange Rulebook. Procedure: Funding Payments will be calculated every hour by the Clearing House. The Clearing House will aggregate each account's Funding Payments at the time of mid-day and end-of-day margin runs and disseminate them to all clearing firms, who will then adjust accounts accordingly via a cash adjustment. This process will occur during the regular mark to market and will be shared in the Clearing House postings file. Funding Payment Calculation: Funding Rate * Open Position Quantity * Contract Multiplier * Futures Mark Price * -1. Funding Rate Calculation: The Funding Rate calculation takes the difference between the Mark Price and the Index Price every three minutes over an hour (twenty 3-minute periods), averaged and scaled down by a factor of 24 to represent the hourly premium. A smoothing factor is applied: current hour's premium at 75% weight and previous hour's funding rate at 25% weight. The resulting Funding Rate is subject to a clamp of ±0.10% (±10 bps) per hour. Formula: clamp(Premium × α + Previous Funding Rate × (1 − α), −0.10%, +0.10%), where Premium = TWAP([(Mark Price – Index Price) / Index Price / 24], 1 hour, 3 min); α = 0.75. NOTE: If the futures market is CLOSED, PAUSED, or HALTED for an ENTIRE hour, then there will be no Funding Rate published for that hour.
Price Fluctuation Limits	As determined and published by the Exchange: Price Limits.
Underlying Market Halt	As set forth in Rules 1204(d) and 1207 of the Exchange Rulebook.
Market-Wide Halt	As set forth in Rules 1204(d) and 1207 of the Exchange Rulebook.
Position Limits, Position Accountability	As set forth in Rule 1208 of the Exchange Rulebook.

Term	Description
Block Trade Eligible	Yes.
Trading Hours	Sunday 8:00 PM ET – Friday 5:00 PM ET.
Spot Market Index	CDE’s Reference Indices, as set forth in Rule 1211 of the Exchange Rulebook.
Initial Margin	As determined and published by the Exchange in accordance with the Rulebook.

Corporate Actions Handling

Corporate actions, including their handling, will be communicated to market participants in advance and handled in accordance with Rule 1213 of the Exchange Rulebook, which sets forth how the Exchange will handle specific corporate actions.

In accordance with Rule 1213 of the Exchange Rulebook, for certain corporate actions that change the underlying share economics, CDE adjusts the holder’s position. Such adjustments are intended solely to preserve, as nearly as practicable, the holder’s existing economic exposure and constitute a continuation of the holder’s existing position rather than the establishment of a new position, liquidation of an existing position, or replacement of a Contract.

In connection with any corporate action, the Exchange reserves the right to halt the impacted product as necessary to perform any required actions in accordance with the Exchange Rulebook. Any such adjustments are effected pursuant to the original terms of the Contract and are intended, where applicable, to preserve existing economic exposure rather than create, terminate, or replace economic exposure.

Appendix C

Further Considerations Regarding the Contracts

I. The Contracts are Security Futures Products

The Contracts are security futures products, subject to the joint jurisdiction of the Commission and the SEC. That cash-settled perpetual futures contracts on equity securities and ETF shares are security futures is consistent with Commission guidance and is compelled by the statutory framework. A "security future" is generally defined as "a contract of sale for future delivery of a single security or of a narrow-based security index, including any interest therein or based on the value thereof," subject to certain exceptions.[17] As the CFTC has recognized, a perpetual futures contract can constitute a contract of sale for future delivery.[18] Accordingly, it follows that these Contracts—perpetual futures contracts on a single equity security or ETF share—are likewise contracts of sale for future delivery of that security, and therefore security futures within the meaning of the Exchange Act and the CEA.

The Commission's own precedent reaffirms this conclusion. In approving the first domestic perpetual contract for listing (a cash-settled contract on bitcoin), the Commission found that a perpetual contract exhibits the features long associated with futures contracts under judicial precedent and Commission guidance.[19] The Commission further held that a contract's indefinite duration does not undermine its categorization as a futures contract, and courts have recognized that futures contracts "generally have a specified future delivery date . . . [but] that date is not always specified thus allowing some futures contracts to be of 'indefinite duration.'"[20] In addition, the Commission has expressly recognized that a perpetual contract's funding mechanism can substitute for the "traditional expiration-based convergence mechanism upon which a futures contract typically relies."[21]

These Contracts are no different in this respect. In every aspect relevant to the futures categorization, they exhibit the same features as other perpetual contracts that currently trade on DCMs. Specifically, each Contract has a fixed, standardized contract size; each is cleared through a registered derivatives clearing organization, which acts as a central counterparty and sets margin; each maintains convergence with the spot price through a funding mechanism; and each settles exclusively in cash. Accordingly, because each Contract references a single security, it is a "security futures product" subject to the joint jurisdiction of the Commission and the SEC.

II. Risk Mitigation and Hedging Utility

The Contracts serve critical risk-mitigation functions for market participants with economic exposure to individual large-capitalization U.S. companies and, in the case of Contracts referencing ETF shares, to the sectors or indexes those funds track. The Reference Securities are limited by the Exchange's listing standards to the most liquid U.S.-listed equity securities and ETF shares, trading in the largest and most liquid securities market in the world.

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[17] 15 U.S.C. § 78c(a)(55); 7 U.S.C. § 1a(44). A "security futures product," in turn, is defined as "a security future or any put, call, straddle, option, or privilege on any security future." 15 U.S.C. § 78c(a)(56); 7 U.S.C. § 1a(45).
[18] *See* BTCPERP Order; CFTC Perpetual Contracts Policy Statement.
[19] *See* BTCPERP Order.
[20] *See id.*; *see also Standard Forex II*, 1996 WL 435440, at *10, 1996 U.S. Dist. LEXIS 14778, at *29.
[21] *See* CFTC Perpetual Contracts Policy Statement at 33161.

In many cases, market participants' exposure to the Reference Securities is continuous and indefinite. A hedging instrument that itself never expires is a better fit for this reality in many contexts than dated futures, which require the holder to unwind, re-establish their position, and absorb roll cost and roll-date basis risk. Because the Contracts do not expire, trading interest is not split across separate expirations but instead sits in one continuously traded instrument, concentrating liquidity.

Further, the absence of a fixed expiration date also permits market participants to adjust a hedge precisely as the underlying exposure changes, without any potential mismatch that can arise when a dated contract's remaining tenor no longer lines up with the exposure being hedged. Accordingly, these Contracts are well suited to hedging exposures that build or unwind gradually, such as a dealer's inventory, where a fixed-expiration product would otherwise require re-sizing through additional trades.

III. The Nature of U.S. Securities Markets Supports the Safe Functioning of the Contracts

The Commission has indicated that "the market attributes of the asset class underlying a perpetual contract – including the presence, or absence, of continually available spot price data – may be relevant" to its regulatory treatment and to compliance considerations,[22] and that, for a perpetual contract, the settlement reference "must be reliable at every funding interval, without interruption, for as long as the contract remains active."[23] The markets for the Reference Securities bear directly on both points: they are among the most liquid and most heavily regulated equity markets in the world, and they supply the continuously reliable pricing data necessary to ensure the safe functioning of the Contracts.

a. The Reference Securities Trade in the Deepest, Most Liquid Securities Market in the World

In the BTCPERP Order, the Commission found that the bitcoin spot market's depth, breadth, and continuous, broadly distributed trading allowed the perpetual contract's funding mechanism to function consistently with DCM Core Principle 3 by protecting against settlement payments "being calculated against stale or synthesized prices that are less reliable convergence signals."[24] Those protective attributes are present here. The Exchange's listing standards limit the universe of potential underliers to the most liquid U.S.-listed equity securities and ETF shares: large-capitalization issuers and broadly-held funds whose shares trade at substantial daily volumes, with tight spreads and deep two-sided books. Distorting the price of such a security in an effort to impact the funding or settlement calculation would therefore require moving a highly liquid, heavily surveilled market at prohibitive cost and with a high probability of detection.

Further, each Reference Security trades on SEC-registered national securities exchanges subject to a comprehensive regulatory regime. This regime includes, for example, Regulation NMS and the consolidated tape, which produce a reliable, publicly available national best bid and offer and official closing prices; the exchanges' and FINRA's trade-practice surveillance; the limit up-limit down and market-wide circuit-breaker mechanisms, which constrain aberrant single-name and market-wide price moves; Regulation SHO's short-sale requirements; and the anti-manipulation and anti-fraud provisions of Sections 9 and 10(b) of the Exchange Act and Rule 10b-5, backed

[22] *See* BTCPERP Order at 9.
[23] *See* CFTC Perpetual Contracts Policy Statement at 33161.
[24] BTCPERP Order at 7.

by the issuer-reporting obligations of Section 12 of the Exchange Act or the Investment Company Act of 1940 and the rules promulgated thereunder. Because the Reference Security-specific Index that anchors each Contract's funding rate is itself derived from prices formed on these regulated exchanges, that Index reflects the output of a comprehensively regulated price-formation process.

b. The Exchange has Established Safeguards for the Contracts

The Exchange has adopted a series of safeguards specifically designed to address any potential manipulation risk inherent in a single-name reference and to ensure that the Contracts' funding and settlement are anchored to a reliable, continuously validated price signal.

First, the Contracts are limited to the most liquid Reference Securities, each of which satisfies the Exchange's listing standards and trades in deep, two-sided markets where the cost of moving the market is greatest and the probability of detection highest. Any activity designed to manipulate the prices of the Reference Securities would likely require large-scale trading activity that would raise red flags and likely be conspicuous to the Exchange's surveillance systems and those of other self-regulatory organizations and regulators.

Second, in accordance with regulatory requirements and reflected in Appendix B and the Exchange Rulebook, trading in each Contract is halted at all times that a regulatory halt is in effect for the underlying Reference Security, so that the Contract cannot trade or generate funding or settlement values against a security whose own market has been halted for regulatory reasons.

Third, consistent with the security futures product framework, the Exchange maintains coordinated surveillance, a shared audit trail, and coordinated regulatory trading halts with the national securities exchanges on which the Reference Securities trade, as certified in the transmittal letter and described in Appendix D, enabling cross-market detection of manipulation and insider trading that spans the cash and derivatives markets. This inter-market surveillance capability allows the Exchange to detect and respond to potential efforts to manipulate the Contracts, reinforcing the integrity of the market for the Contracts.

c. The Funding and Settlement of the Contracts Facilitates the Safe Functioning of the Contracts

The Contracts' funding and settlement mechanics are designed to ensure that a reliable reference is available whenever a funding or settlement value is calculated. As described in Rule 1209 of the Exchange Rulebook, the daily Settlement Price is struck at 4:00 p.m. ET (the close of the Reference Security's regular trading session) when an official closing price is available and the reference is liquid and reliable. Each Contract's funding rate, in turn, is calculated using the corresponding Reference Security-specific Index, which is live across the same window in which the Contract itself trades, ensuring that funding is derived from a continuously updated, live reference price throughout the life of the Contract.

This design is consistent with the Commission's guidance on perpetual contracts. As discussed above, the CFTC has explained that a perpetual contract's reference price must remain reliable at every funding interval for as long as the contract is active, and the BTCPERP Order likewise approved a funding mechanism anchored to a continuously available, live reference price.[25] By striking the daily Settlement Price against the Reference Security's official close and calculating

[25] *See* BTCPERP Order; CFTC Perpetual Contracts Policy Statement.

funding against a live index throughout the Contract’s trading window, the Contracts satisfy that same standard and ensure continuous reference reliability.

Appendix D

Compliance with Core Principles

Trading in the Contracts will be subject to the Rules of the Exchange, which are designed to satisfy the DCM Core Principles set forth in Section 5(d) of the Act and Part 38 of the Commission's regulations, as well as the additional listing standards for security futures products set forth in Rule 1203 of the Exchange Rulebook. The Exchange has reviewed the DCM Core Principles and the following describes the Contracts' compliance with the Core Principles most relevant to the Contracts.

I. Core Principle 2 – Compliance with Rules

Trading in the Contracts is subject to the Exchange 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. In addition, the Contracts will be subjected to the provisions of Chapter 12, which specifically address security futures products.

II. Core Principle 3 – Contracts Not Readily Susceptible to Manipulation

As discussed in Appendix C, the specific attributes of the Contracts render them not readily susceptible to manipulation. In particular, in accordance with the Exchange's listing standards, the Contracts are limited to the most liquid Reference Securities, whose prices are formed in the deepest, most transparent, and most heavily regulated equity market in the world; the Reference Security-specific Index against which funding is calculated is derived from prices formed on SEC-registered national securities exchanges; and trading in each Contract is halted whenever a regulatory halt is in effect for the underlying Reference Security.

The Exchange Rulebook requires that each Index Price have a transparent, objective methodology designed to reflect the price of the Reference Security in a manner that is reliable and resistant to manipulation. Further, as set forth in Rule 1211 of the Exchange Rulebook, the Reference Security-specific Index methodology incorporates several features designed to limit susceptibility to manipulation and provides multiple independent layers of manipulation resistance. Specifically, this methodology incorporates independent institutional inputs, as Pyth—one of the indices' data sources—aggregates price data contributed directly by institutional participants including trading firms, exchanges, and market makers. Similarly, the indices' other data source, dxFeed, independently sources overnight prices. Accordingly, influencing the Index through the direct-feed layer would require distorting contributed prices at the source rather than executing at a single venue.

In addition, in accordance with Rule 1211 of the Exchange Rulebook, any input deviating more than 5% from the median of fresh inputs is discarded before the Index is computed, so an anomalous or manipulated print is removed rather than averaged in. The Index methodology also incorporates median-based resolution—where more than one input survives, the Index is the median, which caps the influence of any single input. Further, where the surviving input set is thin, the Index is validated against, blended with, or replaced by an exponential moving average

("EMA")[26] of the Contract's own mark price. Due to this EMA anchoring, a short-lived price dislocation cannot move the Index far or fast; the EMA is a smoothed temporal construct and mean-reverts any transient move.

Similarly, the calculation used for the hourly funding rate, as detailed in Rule 1212 of the Exchange Rulebook, makes any attempt to manipulate the funding rate mechanism very difficult due to frequent short-interval sampling, smoothing factors, and the cap on the funding rate. This design, along with the construction of the Reference Security-specific Index set forth in Rule 1211 of the Exchange Rulebook, controls against potential manipulation efforts to artificially drive futures and spot prices away from each other in an attempt to earn larger funding payments.

In addition, and as certified in this submission and pursuant to Exchange Rule 1203, the Exchange conducts coordinated surveillance on the markets where the Reference Securities trade, enabling cross-market detection of manipulation and insider trading that spans the cash and derivatives markets. Together, these features supply a reliable, continuously validated reference and address manipulation risk associated with a single-name reference.

Given all of these factors, the constraints imposed by the Exchange's listing standards, and the manner in which the Index is calculated, it would be incredibly difficult to manipulate the price of the underlying market in a way that would affect the Contracts. Given this oversight, the Contracts are not readily subject to manipulation.

III. 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 Contracts. As with all contracts traded on the Exchange, trading in the Contracts will be subject to monitoring and surveillance by the Market Regulation Department. Further, trading in the Contracts shall be subject to price fluctuation limits, as reflected in Appendix B and the Exchange Rulebook.

Trading in the Contracts will be halted whenever a regulatory halt is in effect for the underlying Reference Security. This is an additional protection against disorderly trading during any period in which the primary market for the Reference Security is unavailable.

IV. Core Principle 5 – Position Limitations or Accountability

Consistent with CFTC Regulation 41.25(b)(3), the Contracts are subject to position limits, as set forth in Rule 1208 of the Exchange Rulebook.

V. 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 Contracts, and shall make publicly available information regarding the Rules and mechanisms for executing transactions on the Exchange.

VI. Core Principle 8 – Daily Publication of Trading Information

[26] The EMA is a one-hour EMA, 30-minute EMA or such other EMA identified by the Exchange in a Notice to Participants.

The Exchange shall publish on its website on a daily basis the trading volumes, open interest, and price information for the Contracts, and shall report daily market data in accordance with Part 16 of the Commission's regulations, as required by CFTC Regulation 41.25(b)(1).

VII. Core Principle 9 – Execution of Transactions

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

VIII. 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, including through the coordinated cross-market audit trail.

IX. Core Principle 11 – Financial Integrity of Transactions

The Contracts shall be cleared by Nodal Clear, LLC, a CFTC registered derivatives clearing organization subject to the CFTC regulations related thereto.

X. Core Principle 12 – Protection of Markets and Market Participants

Chapters 4 and 5 of the Rulebook require all market participants, including futures commission merchants carrying customer accounts, to observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade, and prohibit, among other things, fraud, non-competitive trading, market manipulation, and abusive and disruptive trade practices. Consistent with Section 6(h)(3)(F) of the Exchange Act, only intermediaries subject to suitability rules comparable to those of a national securities association registered under Section 15A(a) of the Exchange Act may solicit or accept orders in the Contracts. As with all contracts traded on the Exchange, trading will be subject to monitoring and surveillance by the Market Regulation Department.

XI. Core Principle 13 – Disciplinary Procedures

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

XII. Core Principle 14 – Dispute Resolution

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