

November 13, 2023  
BY ELECTRONIC FILING  
Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: BTNL 2023-006 Self-Certification Pursuant to CFTC Regulation 40.2(a)  
Certification. Listing of Ether US Dollar Deca Futures and Options Contracts**

Dear Mr. Kirkpatrick:

Bitnomial Exchange, LLC. (“Bitnomial” or “Exchange”), a designated contract market (“DCM”), hereby notifies the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it hereby submits for self-certification its initial listing of the Ether US Dollar Deca Futures (“EUD”) and Options (“EUDO”) contracts to be offered for trading on the Exchange for an intended trade date on or after November 15, 2023. Ether US Dollar Deca Futures and Options-related rules 1301-1305 will be added to the Bitnomial Rulebook.

Contract Descriptions

Ether (ETH) is the native cryptocurrency of the Ethereum platform, used primarily as a form of payment for transactions and computational services on the Ethereum network.

The EUD contract is a physically settled, margined futures contract based on the price of ten Ether. The EUDO options contract is based on one EUD contract. The EUD contract is a physically delivered contract. At the current price of approximately \$2,000, the notional value of each contract would be approximately \$20,000. Attached Exchange Rules 1301 and 1302 detail the product specifications for EUD and EUDO, respectively.

Ether Market Overview

Ethereum is a decentralized, open-source blockchain platform that enables developers to build and deploy smart contracts and decentralized applications. Its native cryptocurrency is called Ether (ETH). Smart contracts are self-executing contracts with the terms directly written into code, automatically executing actions when predetermined conditions are met. These smart contracts and decentralized applications can be built and deployed by anyone, operating on a global network of public nodes.

Figure 1: Ether Price History

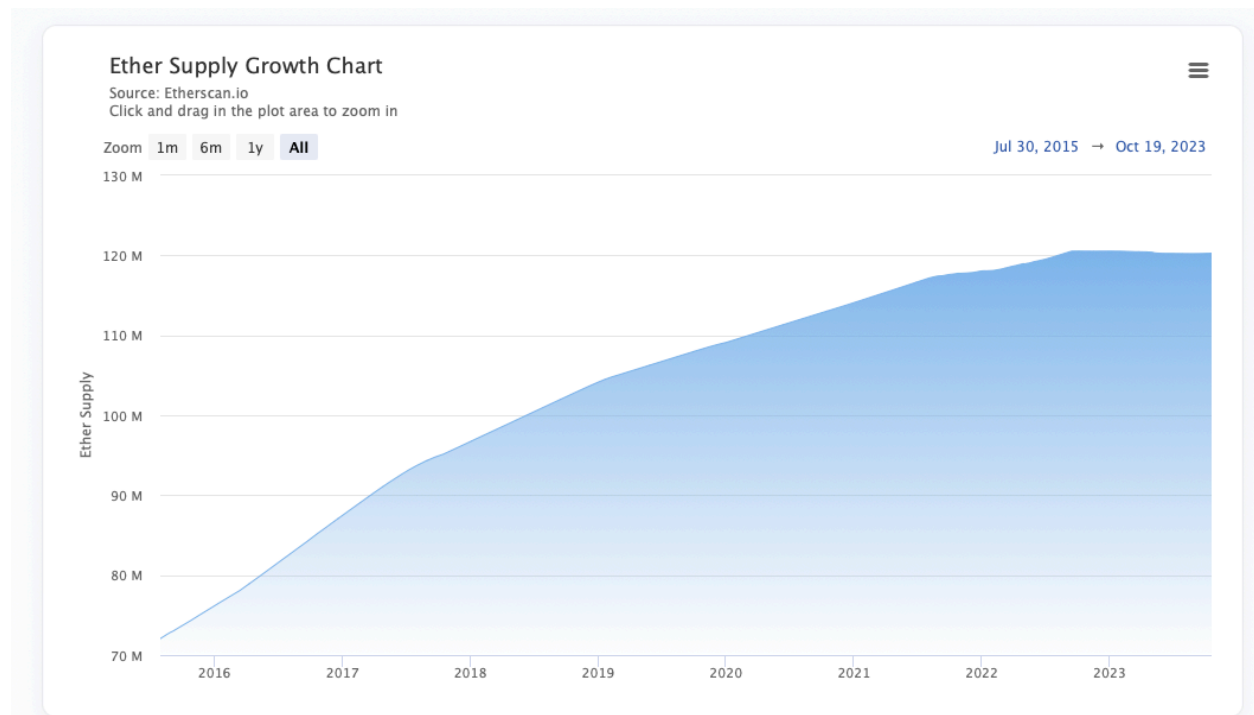


Source: <https://coinmarketcap.com/currencies/ethereum/>

### Current Ether Circulation

Currently there are approximately 120M (as of Oct. 20<sup>th</sup>) Ether in circulation. The below chart shows the Ether supply growth since the genesis block.

*Figure 2: Ether Supply Growth Chart*



Source: <https://etherscan.io/chart/ethersupplygrowth>

Before Ethereum transitioned to a proof-of-stake consensus mechanism, miners were issued approximately 13,000 ETH per day. After the transition, also known as The Merge, this has significantly reduced to approximately 1,700 ETH per day issued to stakers, based on about 14 million total ETH staked. It's important to note that the exact staking issuance fluctuates based on the total amount of ETH staked. With The Merge, only the ~1,700 ETH/day remains, which has dropped the total new ETH issuance by about 88%. (Source: <https://ethereum.org/en/roadmap/merge/issuance/>)

### Cash Market Ether Trading

Ether is a highly liquid, highly traded digital asset. Ether is ranked #3 in terms of 24hr volume only behind USDT (Tether) and BTC (Bitcoin). Source: <https://coinmarketcap.com>. Figure 3 is a historical, 3-year snapshot of month-by-month ETH-USD trading pair volume.

*Figure 3: ETH-USD Trading Pair Volume By Month*

Month	2020	2021	2022	2023
Jan	327,976,431,869	1,181,644,236,261	491,108,556,504	224,952,954,314
Feb	578,092,481,246	1,007,718,046,121	416,163,449,938	223,749,343,195
Mar	498,921,414,458	730,832,219,123	436,852,450,559	302,468,060,876
Apr	532,158,870,567	995,334,204,881	493,826,441,956	277,179,762,298
May	505,593,287,696	1,510,329,786,014	636,271,175,493	202,326,166,173
Jun	252,220,724,156	813,523,116,983	562,032,668,964	206,194,132,396
Jul	251,431,946,993	591,738,936,958	534,457,515,643	177,596,680,398
Aug	374,122,796,720	703,006,251,884	554,162,785,316	168,678,383,229
Sep	518,354,378,929	653,984,909,752	496,652,295,826	134,781,867,370
Oct	416,749,195,873	574,798,465,423	382,071,643,030	95,478,064,340
Nov	487,476,388,045	573,546,775,953	421,797,905,717	-
Dec	470,673,397,126	621,042,023,890	161,130,639,970	-

Source: <https://finance.yahoo.com/quote/ETH-USD/history>

On average, approximately 402,756,694,771 Ether trade as the ETH-USD pair on ETH cash markets per month.

### Deliverable Supply Estimate

As stated above, there are approximately 120M Ether in circulation, with a supply growth of approximately ~0.52% annually (624,000 Ether). The Exchange proposes a spot month position

limit of 60,000 ETH or 6,000 Ether futures contract equivalents, representing 0.05% of total deliverable supply.

### Core Principle Compliance

Bitnomial has determined that its rules related to the listing of EUD and EUDO contracts comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated by the Commission thereunder. Bitnomial has reviewed the DCM Core Principles and related guidance and determined that the listing of EUD and EUDO contracts impact the following Core Principles:

#### Core Principle 2 - Compliance with Rules:

Trading and delivery of EUD contracts are subject to the Business Conduct and Trading Practice Rules found in Chapter 4 of the Bitnomial Rulebook including Rule 403 which forbids pre-arranged, pre-negotiated non-competitive trades. Trading and delivery in these products will also be subject to Market Operations and Discipline and Enforcement Rules found in Chapters 5 and 6, respectively.

#### Core Principle 3 - Contracts Not Readily Subject to Manipulation:

Trading and delivery of EUD contracts are not readily subject to manipulation because they are subject to position limits. Daily and Final settlement will be determined in accordance with Bitnomial Rule 509.

#### Core Principle 4 - Prevention of Market Disruption:

Trading and delivery of EUD contracts are subject to prohibitions of market disruption under Chapters 4, 5, and 6 relating to Business Conduct and Trading Practices, Market Operations, and Discipline and Enforcement, respectively. All trading at Bitnomial Exchange is subject to market surveillance and a robust disciplinary framework.

#### Core Principle 5 - Position Limits or Accountability:

Trading and delivery of EUD contracts are subject to position limits set forth in Chapter 13. The position limits are consistent with Commission guidance. Position limits may be adjusted based on market needs.

#### Core Principle 7 - Availability of General Information:

Prior to the launch of trading of EUD contracts, product terms and conditions will be available on the Bitnomial website. Information on delivery of EUD contracts is also available on the Bitnomial website.

#### Core Principle 8 - Daily Publication of Trading Information:

The Exchange will publish EUD trading volumes, open interest levels, and price information on its website and through quote vendors.

#### Core Principle 9 - Execution of Transactions:

Execution of all EUD contracts will take place on the Bitnomial electronic trading platform. Electronic execution provides competitive and transparent transactions. All EUD contracts will be cleared by MGEX.

#### Core Principle 10 - Trade Information:

All requisite trade information will be recorded and stored in the audit trail and will be surveilled and monitored in accordance with Bitnomial Rules.

#### Core Principle 11 - Financial Integrity of Transactions:

All EUD contracts will be cleared through MGEX, a DCO subject to Commission rules and oversight.

#### Core Principle 12 - Protection of Markets and Market Participants:

Bitnomial Rules have set forth numerous requirements and protections to prevent intermediaries from disadvantaging customers.

#### Core Principle 13 - Disciplinary Procedures:

All EUD contracts are subject to the protections provided by Chapter 6 of the Bitnomial Rulebook. Chapter 6 describes the disciplinary procedures of the Exchange that authorize the Exchange to discipline, suspend, or expel Participants that violate Exchange Rules.

#### Core Principle 14 - Dispute Resolution:

Disputes arising from trading of EUD contracts must be arbitrated in accordance with Bitnomial Rules found in Chapter 7. All disputes, controversies or claims between or among themselves that relate to or arise out of any contract or otherwise arise out of one or more transactions made or to be made on the Exchange or subject to the Rules and are based upon facts and circumstances that occurred at a time when the parties were Participants or Customers.

#### Certification

The Exchange has spoken with Clearing Members and market participants who support the decision to launch Ether US Dollar Deca Futures and Options contracts. The Exchange is not aware of any substantive opposing views to the Contracts. The Exchange certifies that the Contracts 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: <https://bitnomial.com/exchange/regulation/>

If you have any questions or require further information, please contact the undersigned at [james.walsh@bitnomial.com](mailto:james.walsh@bitnomial.com).

Sincerely, /s/

James A. Walsh  
Chief Regulatory Officer  
Bitnomial Exchange, LLC

## ETHER US DOLLAR DECA FUTURES AND OPTIONS

### Rule 1301 Ether US Dollar Deca Futures

Product Name	Ether US Dollar Deca Futures
Product Code	EUD
Contract Size	10 Ether
Price Quotation	US Dollars per Ether
Minimum Price Fluctuation	\$1 per Ether (\$10 per contract)
Trading Hours	8:30 Open to 14:30 Close CPT, Monday through Friday
Trading Termination	9:30 CPT of the trading day two trading days prior to the last Friday of the expiry month
Reportable Position Level	25 contracts
Margin	US Dollars
Settlement	Deliverable <sup>1</sup>
Settlement Price	See Rule 1305
Listing	Up to twelve consecutive contract months
Deliver Rules	Bitnomial Rulebook Chapter 11
Clearing and Delivery Timeline	See MGEX Rulebook Chapter 23: Bitnomial Exchange Clearing Rules

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<sup>1</sup> Bitnomial Settlement, LLC is authorized by the Exchange and not licensed, approved, or registered with the CFTC.

**Rule 1302 Ether US Dollar Deca Futures Options**

Product Name	Ether US Dollar Deca Futures Options
Product Code	EUDO
Strike Price Listing	Initial listing includes at least one strike at the previous settlement price of the underlying contract rounded down to the nearest minimum strike interval. Minimum strike interval is \$100.00. Additional strikes may be listed at the discretion of the Exchange on any trading day.
Contract Size	One EUD futures contract
Exercise Style	European
At-The-Money Behavior	Abandon Calls and Puts. Please see MGEX Rule 23.8.2: Options - Automatic Exercise
Underlying Product Code	EUD
Minimum Price Fluctuation	\$1 per Ether (\$10.00 per contract)
Trading Hours	8:30 Open to 14:30 Close CPT, Monday through Friday.
Trading Termination	Trading in an option class shall terminate at 14:30 CPT six business days prior to trading termination of the underlying futures contract.
Reportable Position Level	25 contracts
Margin Unit	US Dollars
Settlement	Deliverable into EUD futures contract
Settlement Price	See Rule 1305
Listing	Up to 4 consecutive quarterly contract months or as otherwise determined by the Exchange from time to time.

**Rule 1303 Ether US Dollar Deca Futures and Options Price Bands and Price Limits**

(a) **Price Bands.** Price Bands are a per-product price range for aggressive orders based on the latest top-of-book price. The initial Price Bands are based on the previous day settlement price +/- the Price Band Variation which is set by the Bitnomial Market Operations & Risk Team. The Price Band Variation range is continuously re-



calculated from top-of-book.

(b) **Price Limits.** Price Limits are a per product price range based on a percentage of the previous day settlement price. If a trade occurs at the Price Limit for a side, the matching engine triggers a timer. If the timer elapses and no trades occur inside of the Price Limit, the Price Limits are re-calculated and reset. The resultant Price Limits are outside the original Price Limits to allow for additional price movement. The Exchange Market Operations & Risk Team may adjust the daily Price Limits at its sole discretion based on market conditions.

<b>Products</b>	<b>Price Band Variation</b>	<b>Price Limit (the greater of)</b>
EUD	\$25	50% or \$1,000
EUD-EUD	\$5	50% or \$500
EUDO	\$25	100% or \$1,000

#### **Rule 1304 Ether US Dollar Deca Futures and Options Position Limits**

For purposes of aggregation, no market participant shall own or control any combination of futures and options contracts that exceeds sixty thousand (60,000) Ether US Dollar Deca Futures-equivalent contracts net long or short in any single month, twelve thousand (12,000) of such contracts net long or short beginning on the first trading day of the delivery month, or six thousand (6,000) of such contracts net long or short beginning on the first day of the Delivery Period. In no case may a market participant own, or control more than two hundred forty thousand (240,000) Ether US Dollar Deca Futures-equivalent contracts net long or short for all contract months.

In determining whether any market participant has exceeded the position limits, all positions in accounts for which such market participant by power of attorney or otherwise directly or indirectly holds positions or controls trading will be included with the positions held by such market participant. Position limits will apply to positions held by two or more market participants acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by a single market participant.

#### **Rule 1305 Ether US Dollar Deca Futures and Options Settlement Price Computation**

##### **(a) Settlement Times and Definitions**

Daily Settlement Period	Five minutes prior to Trading Close
Final Settlement Period	Five minutes prior to Trading Termination
Settlement Period	Daily or Final Settlement Period
Roll Period	Five trading days prior to contract expiration day
Front Month Contract After Roll Period	Next contract to expire

Deferred Month Contracts	All contracts yet to expire excluding the Front Month Contract
Pricing Contract	Contract used for determining settlement prices

(b) **Futures Pricing Contract Selection.** Unless during the Roll Period, the Front Month Contract is the Pricing Contract for determining settlement prices. During the Roll Period, the next-to-expire Deferred Month Contract is used as the Pricing Contract.

(c) **Futures Settlement Price Computation**

- (i) The settlement price of the Pricing Contract is the volume-weighted average price (VWAP) of all the trades during the Settlement Period.
- (ii) If no trades occur during the Settlement Period, the settlement price is the time-weighted average price (TWAP) of the bid-ask spread midpoint during the Settlement Period.
- (iii) If a bid-ask spread isn't available during the Settlement Period, earlier market data or a composite spot price is used from spot markets deemed acceptable by Bitnomial.
- (iv) All settlement prices are rounded to the nearest tick.

(d) **Options Settlement Price Computation**

- (i) The settlement price of the Pricing Contract is the volume-weighted average price (VWAP) of all the trades during the Settlement Period.
- (ii) If no trades occur during the Settlement Period, the settlement price is the time-weighted average price (TWAP) of the bid-ask spread midpoint during the Settlement Period.
- (iii) If a bid-ask spread isn't available during the Settlement Period, the settlement price is the output of the Black-Scholes model based on that day's settlement price and 30-day volatility of the underlying contract.
- (iv) All settlement prices are rounded to the nearest tick.

(e) **Futures Non-Pricing Contract Settlement Prices.** The settlement prices for non-Pricing Contracts are inferred from the quoted spread market relationships to the Pricing Contract settlement price, directly or indirectly.

(f) **Futures Final Settlement.** During the Final Settlement Period the Front Month Contract final settlement price is determined using the non-Pricing Contract settlement price procedure.

(g) **Options Final Settlement.** During the Final Settlement Period the Front Month Option Contract will settle based on the underlying Futures Contract.

(h) **Sole Discretion.** The Exchange has sole discretion to determine an alternative settlement price if the stated settlement procedure produces prices which are not representative of the fair value of the contract.