



October 28, 2019

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: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of Eris Exchange Physically Delivered Bitcoin Futures (Eris Exchange Submission #2019-01)

Dear Mr. Kirkpatrick:

Eris Exchange, LLC (“Eris Exchange” or the “Exchange”) hereby notifies the Commodity Futures Trading Commission (the “Commission”), pursuant to Commission Regulation § 40.2, of its listing of Physically Delivered Bitcoin Futures (the “Contracts”) on Eris Exchange’s electronic trading platform, anticipated to begin on or after December 1, 2019.

This submission contains the following:

1. A summary of the terms of the Contracts (see Section 1);
2. A discussion of the Contracts’ compliance with the relevant Designated Contract Market Core Principles (“Core Principles”) as set forth in the Commodity Exchange Act (the “Act”) and Commission Regulations (see Section 2);
3. A copy of the Contract Specifications, which shall appear in Exchange Rule 1101 (see Exhibit A); and
4. Certifications of compliance with the Act and rules thereunder, and posting on the Exchange’s website (see Section 3).

The listing of these Contracts will not otherwise require amendments to the Eris Exchange Rulebook.

1. Summary of the Terms of the Contract

Eris Exchange (the “Exchange”) plans to list physically-settled digital currency futures contracts (the “Contracts”), with the specifications detailed below. The Contracts are physically-settled futures based on bitcoin, a virtual currency commodity. The Contracts are fully funded at the time of execution, with final settlement at the execution price, and, as such, do not require any transfers of assets as part of a variation margin process. On a daily basis there will be a closing price based upon a weighted average price from executed trades on the Exchange’s spot market during a specified period on each trading day or, based upon a third party or combination of third party index or reference prices. Because the contracts are fully-funded at the time of execution, the daily closing or settlement price for these contracts is relevant only for purposes of providing market participants with statements.

In developing these Contracts the Exchange has had conversations with anticipated market participants and intermediaries, including those that have indicated an interest in becoming members of the Exchange. These discussions have helped to inform the development of the contract specifications and related rules. The Exchange will continue to reach out to market participants prior to launch of the Contracts, including industry groups such as FIA. Moreover, the Exchange’s Regulatory Oversight Committee and Exchange Practices Committee reviewed the Contracts prior to being submitted to the CFTC.

2. Core Principle Compliance

Core Principle 2 – Compliance with Rules

- Impartial access to the Exchange, and thus trading of the Contracts by Participants, is governed by Chapter 3 and Rule 207 of the Exchange Rulebook (the “Rulebook”), which establishes the Exchange Participant Committee. Under Rule 207 the “Exchange Participant Committee shall not, and shall not permit the Exchange to, restrict access or impose burdens on access in a discriminatory manner, within each category or class of Participants or between similarly-situated categories or classes of Participants.”
- Under Rule 215 the Exchange has the authority to enter into and carry out information sharing agreements for the coordination of surveillance.
- Pursuant to Exchange Rule 314, any person initiating or executing a transaction in the Contract consents to the jurisdiction of the Exchange.
- Under Chapter 4 the Exchange has the ability and authority to obtain any information from market participants necessary to perform its obligations under Core Principle 2.
- Abusive trading practices in the Contract are prohibited by Chapter 5 of the Rulebook.
- Chapter 7 of the Rulebook sets forth the rules governing both the investigations and prosecutions of Rule violations. Pursuant to Rule 208, the Regulatory Oversight Committee (1) ensures that the Market Regulation Department has sufficient resources to perform its obligations, and (2) oversees the Exchange’s regulatory program.

Core Principle 3 – Contracts Not Readily Subject to Manipulation

The Contracts are fully funded and physically settled and, therefore, the financial incentive for manipulation is greatly outweighed by the cost. Specifically, an attempt to manipulate, corner, squeeze or congest final settlement, or attempt to do so would be unsuccessful. A market participant must post the underlying commodity to the Clearinghouse before they may sell the Contracts on the Exchange, so the necessary deliverable supply will be available at all times. Additionally, due to the lack of variation margin, any attempts to manipulate daily settlement prices will not provide a benefit to a market participant because the mark-to-market price movements will not result in any additional funds being available for trading or profit that can be withdrawn. Further, as noted above, the settlement price will be based on a weighted average price from executed trades on the Exchange's spot market during a specified period on each trading day or, based upon a third party or combination of third party index or reference prices during the settlement period so as to mitigate the influence of trades executed as outliers.

Core Principle 4 – Prevention of Market Distortion

Chapter 5 of the Rulebook prohibits Participants from manipulating, distorting the price of, and disrupting the physical settlement process of the Contracts. Such Rulebook provisions are enforced by the Market Regulation Department. The Contracts are physically settled and, therefore, are not settled based upon an underlying BTC reference price. Accordingly, there are no identifiable spot market venues the manipulation of which would directly impact the settlement price of the Contracts.

Core Principle 5 – Position Limits or Accountability

Pursuant to Rules 530, 531 and 532 the Exchange has the authority to establish position limits, accountability levels and reportable levels for Contracts listed on the Exchange. Position limits are adopted in order to reduce the potential threat of market manipulation. The Exchange bases position limits on specific risk factors of the product, the limit is set at a small fraction of the deliverable supply of the underlying commodity, and can be readily adjusted by the Exchange based on market conditions. Reporting levels and position limits are identified in the contract specification.

Core Principle 7 – Availability of General Information

The Exchange will publish on its website, www.erisx.com, and in its Rulebook accurate information concerning the terms and conditions of the Contracts. The current Exchange rulebook may be found www.erisx.com.

Core Principle 8 – Daily Publication of Trading Information

The Exchange will publish on its website daily trading volume, open interest, and price information pertaining to the Contracts.

Core Principle 9 – Execution of Transactions

The Contracts will be listed for trading on the Exchange, which provides for efficient, competitive, and open execution of transactions. All trades must be executed through the Exchange centralized market. As is customary in futures markets, we anticipate permitting block trades for trades above certain minimum quantities pursuant to and in conformance with Rulebook Chapter 6 (Privately Negotiated Transactions).

Core Principle 10 – Trade Information

Pursuant to Exchange Procedures, all information pertaining to trading of the Contracts will be retained in a manner that enables the Exchange to use the information to assist in the prevention of customer and market abuses and to provide evidence of any violations of the rules of the Exchange. This includes maintaining a full audit trail for reconstructing all transactions, permitting the detection, investigation and prevention of customer and market abuse and providing evidence of violations of Exchange rules.

Core Principle 11 – Financial Integrity of Transactions

The Contracts will be cleared by Eris Clearing, which is registered as a derivatives clearing organization. Following the implementation of support for intermediaries at the Clearing House, Exchange Rules will be in place to ensure the financial integrity of futures commission merchants and introducing brokers as well as the protection of customer funds, to the extent that such entities and funds are associated with the trading the Contract. Additionally, the Exchange will be establishing minimum financial standards for direct (non-intermediated) market participants so as to assure that participants are sufficiently sophisticated to transact directly on the Exchange.

Core Principle 12 – Protection of Markets and Market Participants

Chapter 5 of the Rulebook establishes rules to protect Participants who trade the Contracts from abusive practices by parties, including those operating as agents of the Participants, and promotes fair and equitable trading in the Contracts. Currently, the trade surveillance program, operated by the Exchange Market Regulation Department routinely monitors and surveils trading activity. It is anticipated that the program will remain the same or substantially similar for the new asset class.

Core Principle 13 – Disciplinary Procedures

Chapter 7 of the Rulebook sets forth the rules related to the investigation and prosecution of potential rule violations in the trading of the Contracts. Additionally, Chapter 7 sets forth potential sanctions for rule violations.



3. Conclusion

The Exchange certifies that the listing of the Contracts complies with the Act and the rules thereunder. The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <https://www.erisx.com/regulation/exchange-notices/> under "CFTC Submissions."

In the event that you have any questions, please contact me at (312)626-2698 or david.karrow@erisx.com

Sincerely,

A handwritten signature in black ink, appearing to read "D K", with a stylized flourish extending from the end of the "K".

David Karrow
Chief Regulatory Officer and Senior Counsel

Exhibit A

Bitcoin Futures

<i>Description</i>	<i>A fully funded physically settled futures contract for Bitcoin</i>
<i>Contract Symbol</i>	BTC
<i>Contract Size</i>	0.1 Bitcoin
<i>Price Quotation</i>	USD per 1 Bitcoin
<i>Minimum Price Increment</i>	\$1.00 per Bitcoin (\$0.10 per contract)
<i>Listed Contracts</i>	Up to 5 Daily expirations, 4 Weekly expirations, nearest 2 serial months and nearest 2 quarterly months.
<i>Settlement</i>	Physical Delivery
<i>Trading Hours</i>	Regular Trading Hours as determined by the Exchange from time to time.
<i>Daily Closing Time</i>	16:00 (CT)
<i>Last Trading Day/Time</i>	Daily - 10:00 (CT) of the expiry day Weekly - 10:00 (CT) Friday* of the expiry Week Monthly - 10:00 (CT) Last Friday* of the contract month * Preceding business day if day falls on a non-business day
<i>Block Trade Minimum</i>	10 Contracts
<i>Position Limit</i>	200,000 Contracts
<i>Large Trader Reporting</i>	50 Contracts
<i>Collateral Withheld</i>	Buyer: No. of Contracts * Contract Size * Trade Price Seller: No. of Contracts * Contract Size
<i>Delivery</i>	Pursuant to the Eris Clearing rulebook, purchase price of the future and the underlying deliverable commodity are deposited with the Clearinghouse (in accordance with Eris Clearing Rules 403 and 310(a)(iii)) by the buyer and seller prior to the futures trade. Therefore, delivery is made through the Clearinghouse to the buyer's account. Further information about delivery can be found in Eris Clearing Rule 410.
<i>Forks</i>	Support for forks in the underlying product will be evaluated in accordance with the ErisX Fork Policy ¹

¹ <https://www.erisx.com/wp-content/uploads/2019/04/ErisX-Fork-Policy-V2.pdf>