ErisX

October 9, 2020

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 Financially Settled Bounded Futures Contract on Ether/Bitcoin pair (Eris Exchange Submission #2020-09E)

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 financially settled Bounded Futures Contract on Ether/Bitcoin pair (the "Contracts") on Eris Exchange's electronic trading platform, anticipated to begin on or after October 23, 2020.

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. Certifications of compliance with the Act and rules thereunder, and posting on the Exchange's website (see Section 3);
4. A copy of the Contract Specifications, which shall appear in Exchange Rule 1101 (see Exhibit A); and
5. An example of the trade and settlement process for the Contracts (see Exhibit B).

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

1. Summary of the Terms of the Contract

The commodities underlying the Contracts are the Ether/Bitcoin pair (i.e. Ether and Bitcoin). The Contracts incorporate the concept of lower and upper boundaries that effectively minimize the gains and losses for owners of long and short positions. Specifically, the settlement price of the Contracts cannot exceed the upper boundary and cannot fall below the lower boundary. This means that the maximum exposure that a short position can incur is the difference between the current price of the Contract and the specified upper boundary. Similarly, the maximum exposure that a long position can incur is the difference between the current price of the Contract and the lower boundary. At expiration, the Contracts are cash settled.

The Contracts are fully funded, and both the buyer and seller are required to have funds sufficient to cover their respective maximum losses on deposit with the Clearing House at the time of execution. Only positions in the Contracts with the same upper and lower boundary offset each other.

In developing the Contracts the Exchange consulted 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's Regulatory Oversight 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."
- 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 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. These contracts are fully-funded at the time of execution, the daily closing price for these contracts is relevant only for purposes of providing market participants with statements. The Exchange will provide final settlement pursuant to the "Settlement Rules" provided for in the product specification (which differs from Exchange Rule

906). Pursuant to Exchange Rule 906, the Exchange will publish a daily settlement price determined in accordance with the procedure described in the Rulebook.

Core Principle 4 – Prevention of Market Distortion

Chapter 5 of the Rulebook prohibits Participants from manipulating, distorting the price of, and disrupting the settlement process of the Contracts. Such Rulebook provisions are enforced by the Market Regulation Department. As with all contracts offered for trading on the Exchange, the Contracts will be subject to monitoring and surveillance by the Exchange's Market Regulation Department.

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. The reportable level for the Contracts is set at 25 contracts, consistent with CFTC Rule 15.03 and CFTC Staff Advisory No. 18-14, Date May 21, 2018. Position limits are adopted in order to reduce the potential threat of market manipulation. The Exchange sets the position limit at a fraction of the deliverable supply of the underlying commodity, and can be readily adjusted by the Exchange based on market conditions. The Exchange has determined to set the position limit at 75,000 Contracts for the Ether/Bitcoin Pair contract.

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 at 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, block trades for trades above certain minimum quantities pursuant to and in conformance with Rulebook Chapter 6 (Privately Negotiated Transactions).[1]

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

[1] Block trades on the Contracts will only be permitted after all necessary regulatory filings and approvals.

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 (the "Clearing House"), which is registered as a derivatives clearing organization. Exchange Rules are in place to ensure the financial integrity of futures commission merchants as well as the protection of customer funds, to the extent that such entities and funds are associated with trading the Contracts.

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. 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 the same for the new contracts.

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 646-961-4487 or laurian.cristea@erisx.com.

Sincerely,
/s/
Laurian Cristea
General Counsel

Exhibit A

Description	*A financially-settled bounded futures contract for Ether Bitcoin Pair*
Contract Symbol	BEB
Contract Size	$10,000
Price Quotation	BTC equivalent of 1 ETH
Minimum Price Increment	0.00001 ($0.10 per contract)
Upper and Lower Boundaries	Upper and Lower boundaries determine and set by the clearinghouse at time of contract listing based on methodology that considers, among other things, historical volatility of spot market
Listed Contracts	Up to 5 Daily expirations, 3 Weekly expirations, nearest 2 serial months and nearest 2 quarterly months.
Settlement Rules	Financially Settled at expiry. The final settlement price is calculated by dividing the settlement of the BE and BB expiring contracts. BEB Settlement = BE Settlement / BB Settlement.
Trading Hours	Sunday - Friday, 17:00 – 16:00 (CT)
Daily Closing Time	16:00 (CT)
Last Trading Day/Time	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
Position Limit	75,000 Contracts
Large Trader Reporting	25 Contracts
Collateral Withheld	Buyer: No. of Contracts * Contract Multiplier * (Trade Price - Lower) Seller: No. of Contracts * Contract Multiplier * (Upper - Trade Price)
Forks	Support for forks in the underlying product will be evaluated in accordance with the ErisX Fork Policy

Exhibit B

Trade Flow Example

This document provides an example of a Ether Bitcoin Bounded Futures (BEB) Trade and Delivery.

Example Bounded Future Specification:

Upper Boundary	0.05000
Lower Boundary	0.02000
Contract Size	$ 10,000

Trade Flow:

A member sends an order to Sell 10 Ether Bitcoin Bounded Futures @ 0.03516, therefore aggressing the current best bid in the market and generating a trade.

Side	*Collateral Withheld*
Buyer + 10 @ 0.03516	10 * 10000 * (0.03516 - 0.02) = 1516.00 USD
Seller – 10 @ 0.03516	10 * 10000 * (0.05 - 0.03516) = 1484.00 USD

In this example the members have funded and the clearing house has reserved the full collateral from each party and is holding a total of 3,000 USD.

Theoretical P&L through the life of the open positions:

Settlement Price	*Buyer Theo P&L*	*Seller Theo P&L*
0.02	-$ 1516.00	$ 1566.00
0.03	-$ 516.00	$ 516.00
0.04	$ 484.00	-$ 484.00
0.05	$ 1484.00	-$ 1484.00

Settlement Example 1:

Final Settlement Between the Upper and Lower boundaries

Lower Boundary	*Upper Boundary*	*Final Settlement Price*
$ 0.02	$ 0.05	**$0.04**

- The Final Settlement price is between the Upper and the Lower boundary.
- The Clearing House processes delivery:
  - The Long position holder (buyer) receives the amount of USD which realizes their profit or loss:

        - Original collateral + Number of Contracts * Contract Multiplier * (Final Settlement Price - Original Trade Price)
        - $1,516 + 10 * 10,000 * (0.04 - 0.03516) = $2,000
    - The Short position holder (Seller)receives the amount of USD which realizes their profit or loss:
        - Original collateral + Number of Contracts * Contract Multiplier * (Original Trade Price - Final Settlement Price)
        - $1,484 + 10 * 10,000 * (0.03516 - 0.04) = $1,000

Settlement Example 2:

Final Settlement Above the Upper Boundary

Lower Boundary	*Upper Boundary*	*Final Settlement Price*
$ 0.02	$ 0.05	**$0.06**

- The Final Settlement price is above the Upper boundary making the contract cash settled at the upper boundary.
- The Clearing House follows the delivery processes delivery:
    - Long position holder (buyer) receives the amount of USD which realizes their profit or loss:
        - Original collateral + Number of Contracts * Contract Multiplier * (Final Settlement Price - Original Trade Price)
        - $1,516 + 10 * 10,000 * (0.05 - 0.03516) = $3,000
    - The Short position holder (Seller)receives the amount of USD which realizes their profit or loss:
        - Original collateral + Number of Contracts * Contract Multiplier * (Original Trade Price - Final Settlement Price)
        - $1,484 + 10 * 10,000 * (0.03516 - 0.05) = $0