coinbase

To:

Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
1155 21st St NW
Washington, DC 20581

October 5, 2026

Re: Notice of Proposed Rulemaking: Conflicts and Affiliations (RIN 3038-AF76)

Coinbase Global, Inc. (together with its subsidiaries, "**Coinbase**") appreciates the opportunity to respond to the Commodity Futures Trading Commission's ("**CFTC**" or the "**Commission**") proposed rules addressing potential conflicts of interest arising from CFTC-registered entities with certain affiliated entities (the "**NPRM**").[1]

Coinbase operates Coinbase Derivatives, LLC ("**CDE**"), a CFTC-designated contract market ("**DCM**") and Coinbase Financial Markets, Inc. ("**CFM**"), a futures commission merchant ("**FCM**") registered with the National Futures Association ("**NFA**"). Coinbase recently registered Coinbase Clearing LLC ("**CBC**") as a derivatives clearing organization ("**DCO**").

Coinbase supports the NPRM's proposals that would codify common-sense, principles-based solutions to conflicts of interest concerns for vertically-integrated firms in regulated derivatives markets. This longstanding CFTC approach is appropriate for a market structure that continues to evolve along with innovation in products and underlying technology.

For these reasons, we also urge the Commission to resist codifying overly-prescriptive rules that may unduly burden affiliated entities from leveraging company-wide resources even where documented controls fully protect regulatory independence and non-public information.

Coinbase appreciates the CFTC's attention and efforts to affiliate relationships in derivatives markets and looks forward to working with the Commission on these important issues.

Yours sincerely,

Boris Ilyevsky
Head of US Futures
Coinbase

Julia Hueckel
Director, Regulatory Policy
Coinbase

[1] Conflicts and Affiliations, 91 Fed. Reg. 50926 (Aug. 6, 2026) [hereinafter, "**NPRM**"].

Introduction

Affiliations among registered entities are a common feature of U.S. derivatives markets. Exchanges and clearinghouses have long operated under common ownership and control, and these entities are increasingly affiliated with clearing members and sometimes trading firms, respectively.[2] These structures benefit markets and customers by reducing costs and frictions, enhancing capital efficiency, allowing better-coordinated responses and customer support, and increasing execution speed. The NPRM rightly recognizes that affiliations can produce "efficiencies and competitive benefits, including with respect to market access and liquidity…"[3]

As an operator of an affiliated FCM, DCM, and DCO, Coinbase has a strong interest in ensuring that the regulatory framework continues to promote market integrity, customer protection, innovation, and competition. Coinbase supports the NPRM's approach to managing market structures involving affiliated entities through principles-based safeguards rather than outright prohibitions.

This NPRM is the culmination of years of engagement between the CFTC, the derivatives industry, and the public on how to best regulate new, integrated market structures. The CFTC has diligently explored benefits and detriments of these market structure developments, including potential conflicts of interest, over several years, through a 2022 staff roundtable on intermediation in derivatives trading and clearing, a 2023 staff request for comment on affiliations, and a 2024 Commission proposed rule on governance and conflicts of interest at DCMs and SEFs.[4] During this time and under CFTC supervision, registrants have developed many of the best practices now proposed, including information barriers, conflict procedures, disclosures, and governance standards.

Coinbase has appreciated the opportunity to engage in this process. We agree that now is the right time to issue industry-wide rules and commend the CFTC for taking this important step.

Coinbase strongly supports the majority of the proposals in the NPRM. Most of the measures proposed by the NPRM are appropriate to codify for CFTC-regulated derivatives markets. They appropriately address the specific ways affiliations could harm markets and their participants (for example, through misuse of non-public information, preferential treatment, or lenient oversight), without prescribing a "one-size-fits-all" organizational model, which could unnecessarily harm existing firms and new entrants. We respectfully urge that the Commission retain a principles-based approach to the entirety of its proposal and recommend that the Commission:

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[2] *See id.* at 50932 (noting existing DCM and DCO affiliations).
[3] *Id.* at 50947.
[4] As noted by the NPRM and as Coinbase has seen first-hand, the CFTC has also considered these issues during its consideration of new DCM designations, DCO registrations, rule enforcement reviews, and ongoing registrant engagement. *See id.* at 50927.

- **Adopt the majority of the conflicts framework as proposed.** Specifically, the CFTC should finalize the information-barrier, documentation, disclosure, and equal treatment requirements. These directly address the specific risks that affiliations present, and registrants already follow these steps as "best practices."
- **Avoid overly-prescriptive requirements related to personnel and office space.** The Commission should reconsider its personnel and office space sharing rules and formulate outcome-based rules, rather than mandating a prescriptive approach to addressing the potential conflicts. One-size-fits-all rules will not appropriately tailor the requirements for mitigating conflicts to the wide variations in how modern firms operate (e.g., remote-first settings and variations in staffing models).
- **Keep the affiliate trading prohibition focused on proprietary trading activity.** Coinbase supports limiting proprietary trading by a DCM's affiliates, but cautions that this prohibition should be focused on enterprises engaged in proprietary trading for such affiliate's own account in the normal course of business.

We appreciate the CFTC's attention to these important issues and look forward to engaging further on this proposal.

The CFTC Should Adopt Principles-Based Requirements for the Management of Conflicts of Interest among Registrants and their Relevant Affiliates

The NPRM requests comment on proposals to establish additional conflicts procedures for DCMs and DCOs, and their affiliates.[5] The proposal would require a DCM to maintain procedures for identifying, addressing, and managing conflicts of interest involving an affiliate market participant, covering applications and systems, personnel, office space, documentation, and disclosures.[6] Similar requirements would also be imposed on DCOs and any affiliate clearing members.[7] Finally, the proposal would require equal access to DCMs' incentive programs for all participants, affiliates and non-affiliates alike.[8]

Coinbase has consistently taken the view that most conflicts among affiliated entities can be managed via information barriers, independent governance, disclosures, and equal treatment protections.[9] The NPRM builds on the existing core principles framework for

[5] *See id.* at 50947-50948, 50963 (Questions 30-38; 60-71). Coinbase does not operate a registered swap execution facility. Accordingly, we do not address proposed amendments to swap execution facility rules.
[6] *See id.* at 50992.
[7] *See id.* at 50994.
[8] *See id.* at 50992.
[9] *See* Faryar Shirzad, Coinbase, Comment on the Impact of Affiliations of Certain CFTC Regulated Entities, Comment No. 73145 (Sept. 28, 2023) (promoting a principles-based approach for conflicts of interest issues related to affiliates).

conflicts of interest in a constructive manner, and the CFTC should finalize these amendments.

We support most of the proposed requirements governing conflicts of interest involving affiliated entities, including requirements applicable to a DCM and affiliated FCM, and a DCO and affiliated clearing member. These requirements are aimed at ensuring that registered entities maintain independent regulatory judgment, protect non-public information, address conflicts of interest, promote equal treatment of all market participants, and ensure proper disclosure of affiliate relationships.

Affiliations among CFTC registrants can provide significant benefits for customers and the broader market. In addition to the efficiencies of shared resources and access to highly skilled, experienced professionals, DCMs and DCOs with affiliates have the advantage of understanding their affiliate's operational structure and resources, allowing for more informed and effective collaboration. Such affiliations can promote investment in market infrastructure, improve coordination across trading and clearing, enhance risk-management, and encourage the development of new, innovative products. The CFTC's rules should allow for these benefits, while ensuring affiliates operate within a framework that protects against conflicts of interest and ensures fair and impartial treatment of all market participants.

The NPRM would codify important safeguards that will help promote confidence in affiliate market structures, and these provisions are particularly well suited for application to the derivatives markets the CFTC regulates. In our experience, these principles can be effectively implemented through a principles-based framework that does not require a single organizational model for all registered entities.[10]

Coinbase's existing controls are already designed to achieve most of the outcome contemplated by the NPRM. Among other measures, for example, CDE and CFM already maintain controls intended to segregate regulatory systems and information, apply systematic controls to limit access to non-public information to personnel with a need-to-know, document and address conflicts of interest, disclose relevant affiliate

[10] *See* Coinbase Comment on the Impact of Affiliations of Certain CFTC Regulated Entities, *supra* note 9, at 4 ("Coinbase believes that DCMs should not be required to adopt specific additional measures to ensure compliance with Core Principle 2 (Impartial Access)..."), 6 ("These issues are best addressed on a platform-by-platform basis, depending on the unique facts and circumstances as part of a holistic compliance program."); Julia Hueckel, Coinbase, Comment on the Direct Clearing of Derivatives by Retail Participants, Comment No. 114041, at 5 (Feb. 27, 2026) ("Indeed, the CFTC's principles-based regulatory framework does not require a singular solution."); Faryar Shirzad, Coinbase, Comment for General CFTC Request Input on All Recommendations for the CFTC in the President's Working Group Report on Digital Asset Markets, Comment No. 113954, at 3 (Nov. 28, 2025) ("[T]he CFTC's principles-based regulatory framework does not require a one-size fits all solution.").

relationships, and apply exchange access standards on an impartial basis.[11] For example, CDE Rule 307 discloses CDE's affiliation with CFM and explicitly prohibits CDE from giving CFM preferential pricing, any advantage in CDE's trade matching engine, or access to CDE's material non-public information.

CDE also does not serve as CFM's designated self-regulatory organization ("**DSRO**"), and CDE's Regulatory Oversight Committee, which oversees its self-regulatory functions, consists entirely of public directors. CBC's Rule 8.4.B stipulates that if the DCO's compliance department institutes an investigation of any affiliate, the DCO's Chief Compliance Officer must notify the Commission's Division of Market Oversight or the Division of Clearing and Risk.

The structure of these proposed requirements allows affiliated entities to operate efficiently while effectively maintaining the integrity of their regulatory and compliance functions.[12]

The CFTC Should Not Adopt Prescriptive Separation Requirements for Personnel and Physical Office Space

The NPRM requests comments on its proposed requirements to identify, address, and manage potential conflicts, including those arising from shared personnel and office space. The proposal would further prohibit a DCM or DCO from sharing staff with an affiliated market participant or clearing member, respectively, except for administrative functions. And, DCMs and DCOs would be required to maintain office space that is separate from an affiliated clearing member or principal trading firm.[13] Proposed Appendix B offers additional guidance, and would treat accounting, human resources, payroll, and DCM Core Principle 20 technology staff as administrative, but takes the position that legal and compliance functions are not administrative. Proposed Appendix B also suggests physical barriers and monitoring of any instance in which an affiliate "has gained physical access" to a DCM.

We agree in principle that separation of employees and distinct physical premises are critical tools for managing potential conflicts of interest, and we currently implement

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[11] *See* Coinbase Comment on the Impact of Affiliations of Certain CFTC Regulated Entities, *supra* note 9, at 6 ("Coinbase agrees that information barriers, disclosures, and controls with respect to shared resources between a DCM and affiliated FCM are powerful tools that can be used to mitigate or even prevent certain conflicts of interest from arising. In fact, CDE has implemented all of these as part of its overall compliance with the Core Principles.").

[12] *See* Coinbase Comment on the Direct Clearing of Derivatives by Retail Participants, *supra* note 10, at 2 ("Conflicts of interest in vertically-integrated models can be addressed with existing tools focusing on information walls and separation of sensitive functions that ensure customer orders and private information are protected.").

[13] *See* NPRM, *supra* note 1, at 50991-50992, 50994 (proposed §§ 38.852(b)(1)(ii)–(iii), 38.606(b)(2)–(3), and 39.25(d)(2)–(3)).

these controls across our registrants.[14] However, the proposed regulations and proposed additions to Appendix B are too prescriptive. Coinbase respectfully suggests the Commission reconsider mandating a complete separation of all non-administrative personnel and prescriptive requirements pertaining to separation of physical premises.

As written, the proposed requirements do not account for differences in how registrants operate their business, their size, or how or where their people work.[15] The core risks that these proposed mitigants would address are the sharing of non-public information and inappropriate commercial pressures, which can be (and currently are) managed with a variety of tools that are better-tailored to a given registrant's operating model.

The CFTC had similar reasoning when declining to codify Appendix B's "additional specific separation requirements–including dedicated staff, and separate physical locations" in the proposal itself. The CFTC explained that a prescriptive mandate "could impose costs ... without corresponding benefit and deter entry and competition," and noted that the Commission "regulates an evolving industry with unique market structures and it wants to support innovation."[16]

Consistent with its own reasoning, the Commission should utilize principles-based procedure requirements that achieve the underlying outcomes it seeks.

Affiliates Can Effectively Mitigate Conflicts Without Universal Personnel Separation

The proposal asks whether DCMs should be able to share legal and compliance staff with an affiliated market participant.[17] Coinbase agrees that personnel separation can be an effective tool for managing conflicts of interest, and it is one that we employ where required by the nature of an employee's role. However, we do not believe that the CFTC should adopt bright line personnel separation requirements based on high-level departmental categories, such as "legal" or "compliance." The CFTC should instead require DCMs to evaluate where separation should be required based on the nature of a registrant's business and the specific employee's role. The Commission should focus on whether effective safeguards exist rather than categorically requiring a particular organizational structure. With appropriate controls, affiliates may responsibly share legal,

[14] As discussed further below and in our 2023 response to the Commission's RFC, Coinbase has conflict management policies and procedures in place that separate CDE and CFM personnel. These policies establish information barriers as well as physical barriers. *See* Coinbase Comment on the Impact of Affiliations of Certain CFTC Regulated Entities, *supra* note 9, at 6.
[15] For example, the NPRM indicates the Commission's view, in the form of guidance, that "a DCM should establish office space for itself that is separate from the office space of any affiliate FCM, and that the separation should include physical barriers and the ability of the DCM to monitor for any instances where an affiliate FCM has gained physical access to the DCM." NPRM, *supra* note 1, at 50943. We believe this level of prescription will be read as if it were regulation, not guidance, and strongly urge the Commission to provide principles-based rules and guidance on this topic.
[16] NPRM, *supra* note 1, at 50947.
[17] *See id.* at 50948 (Question 34).

compliance, technology, cybersecurity, finance, and human-resources personnel, among others, without compromising regulatory independence. Such controls could include role-based access restrictions, information-barrier policies, confidentiality obligations, supervision, audit trails, and records documenting the effectiveness of the measures.

The right limitations and controls on personnel should depend on the precise nature of the role in question. The proposal already accepts this kind of function-based line drawing by allowing shared administrative and systems-safeguards staff, and adopted rules should allow firms to make similar decisions outside of administrative staff.

Coinbase's approach to our legal and compliance departments help illustrate the point.[18] For example, each of the FCM and DCM/DCO have legal personnel who are responsible for day-to-day coverage for that business. Each of our registered entities also has the compliance officer required by Commission regulations: CFM's chief compliance officer, CDE's chief regulatory officer, and CBC's chief compliance officer.[19]

On the other hand, employees that rarely handle market participants' non-public information or make regulatory decisions that implicate a registrant's self-regulatory obligation ("**SRO**") functions, such as employment or tax counsel, should not require a categorical ban on shared staff. Such a ban would force hiring duplicate staff for work that presents no conflict.

Legal and compliance staff are subject to information barriers and other controls with respect to the affiliations described by the Commission.[20] Strict role-based access controls and audit trails limit each entity's non-public information to personnel with a need-to-know. Supervisors who oversee employees across entities sit "above" the information barrier. Having supervisors "above" the information barrier is fundamental to the concept of a vertically-integrated firm, but does not displace the authority of each entity's compliance officer: regulatory decisions remain with that entity's chief compliance officer or chief regulatory officer.

We therefore urge the Commission to avoid broad personnel separation requirements for affiliates, and instead confirm that they may evaluate where separation should be required based on the nature of a registrant's business and the specific employee's role.

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[18] These examples of personnel are intended to be illustrative. Coinbase does not limit its separation of personnel solely to legal and compliance functions, nor is this intended to be a full description of the separations in place.

[19] In some cases where there is not a potential conflict of interest, one individual can hold multiple of these roles. For example, one individual currently serves as both CDE's Chief Regulatory Officer and CBC's Chief Compliance Officer, a long-standing practice for affiliated DCMs and DCOs.

[20] The proposed rules are concerned with (1) DCM affiliations with "affiliate market participants" and (2) DCO affiliations with clearing members.

Affiliates Can Mitigate Conflicts Without Strict Office Space Separation and Monitoring

A prescriptive requirement that DCMs "monitor for any instances where an affiliate market participant has gained physical access to the [DCM]" would impose substantial costs and operational complexity without corresponding benefits.

As noted above, Coinbase already implements physical barriers and access controls across shared office space used by DCM staff. However, the proposed change assumes a DCM, its staff, and its information sit in a centralized office that an affiliated market participant's employee could enter. This is not always the case.

For example, Coinbase is a remote-first company. Many employees of CDE and CFM work remotely, and CDE's non-public information resides on its systems. "Physical access to the DCM" is not a meaningful concept in that context. The relevant risk is *digital* access, which CDE controls through role-based permissions, logging, and access monitoring, the same controls proposed Appendix B already expects for applications and systems.[21]

Physical barriers may remain a sensible tool for registrants in traditional offices – indeed, CDE and CFM implement these as a best practice in key office locations. However, Coinbase respectfully suggests that Appendix B's guidance remain principles-based. For example, it should provide that the registrant maintain reasonable controls on physical access, such as key-card access, rather than monitor every instance of access.

The CFTC Should Preserve a DCM's Choice of Financial Surveillance Service Provider for Affiliates

The NPRM proposes that a DCM with an affiliate FCM either designate an independent regulatory service provider to perform § 38.604 financial surveillance of that FCM or, if the DCM conducts the surveillance itself, adopt conflict-of-interest procedures for its financial surveillance.[22] The conflicts procedures in proposed § 38.606(b) mirror the general DCM-affiliate conflicts procedures discussed above.[23] Coinbase supports preserving the choice for a DCM to surveil its affiliate FCM and the conflicts procedures that should apply to that surveillance, subject to the changes we propose to the personnel and office-space sharing limitations above.

In-house surveillance should remain an option because a DCM can perform it impartially and effectively. CDE's routine financial surveillance of FCM members relies principally on reports and information supplied through third-party and established regulatory reporting channels. CDE receives the same reports for CFM as for every other FCM member and evaluates the reports consistently. That model limits the circumstances in which CDE

[21] *See* Coinbase Comment on the Impact of Affiliations of Certain CFTC Regulated Entities, *supra* note 9.
[22] *See* NPRM, *supra* note 1, at 50942-50943.
[23] *See id.* at 50991.

personnel would obtain affiliate-specific non-public information and reduces the conflicts that the NPRM's proposed rules are intended to address. The Commission reached the same view, concluding that a "principles-based approach" would address concerns "at lower cost" than a mandatory third-party surveillance requirement.[24]

Similar to the general conflicts provisions, the final rule should require controls proportional to the information accessed, functions performed, and conflicts presented by a DCM's particular surveillance model, rather than assume that every affiliated DCM conducts the same activities or presents the same risks.

Coinbase Supports Limits to Affiliate Proprietary Trading on DCMs While Protecting Necessary Principal Trading

The NPRM proposes prohibiting "affiliate principal trading firms" (as defined in the NPRM)[25] from trading on their affiliated DCM, subject to a narrow exception for affiliate market making activity. This stems from the view that a DCM's relationship with an affiliated market maker or principal trading firm presents heightened conflict risks, as those entities may influence liquidity, trading activity, or market operations.

Coinbase generally supports this approach, but urges the Commission to confirm that an affiliate may engage in trading on a principal basis that is **not** market making, liquidity provision, or acting as an affiliated *proprietary* trading enterprise. In addition to this being a general concern for affiliates of a DCM, FCMs need to have the ability to engage in risk-mitigating hedging, default management, error trades, and other operational transactions on the affiliated DCM without being classified as an "affiliate principal trading firm." The Commission should clarify that non-market making, non-liquidity providing principal transactions are not subject to the NPRM's prohibition. The NPRM appropriately recognizes that a DCM's self-regulatory responsibilities require heightened safeguards where an affiliated participant could benefit from, or be perceived as benefiting from, the DCM's regulatory, operational, or commercial decisions. The same limitations should not be inadvertently extended to trading activity that does not pose those risks.

As drafted, the language defining "affiliate principal trading firm" (proposed § 38.852(a)) is overly broad. The "affiliate principal trading firm" definition includes any affiliated member that "[t]rades on a principal basis ... or otherwise, for its own account ..."[26] The NPRM explains that the harms of affiliate principal trading "turn on the affiliate's ability to convert operational and information advantages into *proprietary profit*, and on the

[24] *Id.* at 50943.
[25] *See id.* at 50950 ("An 'affiliate principal trading firm' would be a member of a DCM that is under common control with the exchange. . . .and that trades on a principal basis for its own account on that exchange as a market maker, liquidity provider, or otherwise.").
[26] *Id.* at 50991.

exchange's stake in the affiliate's directional gains[,]"[27] and describes the "or otherwise" catch-all as reaching affiliates "engaging in proprietary trading."[28]

But a firm may trade "for its own account" for reasons beyond proprietary profit. An affiliate can be a principal to a transaction without seeking profit from a directional position or from information about other participants' orders. Coinbase drew this distinction in our 2023 response: the degree of conflict "varies depending on whether the trader is trading on behalf of others … or whether the trader is solely trading for its own profit."[29]

Prohibiting these types of transactions would not advance the Commission's conflict of interest objectives and would instead impair critically necessary trading. While we support the idea of addressing an affiliated market maker, or an affiliate trading for its own account as its primary commercial function, we do not believe the framework was intended to categorically prohibit an affiliated entity from engaging in non-proprietary trading as principal so long as it is done in compliance with the DCM's rules, including conflicts of interest provisions. The Commission should address this point in any adopting release, and we urge the Commission to clearly exclude this type of activity from the definition, while still focusing this definition on its primary interest, which is proprietary trading.

Coinbase also supports the affiliate market maker exception. Some conditions, however, exceed what is needed to manage conflicts that would arise:

- **Per-session acknowledgment (§ 38.852(c)(3)).** An interruptive notice that cannot be dismissed without affirmative acknowledgment at every session will teach customers to click through it. The Commission should adopt the lighter alternative it identifies: rulebook and website disclosure plus a one-time notice at account opening or before a customer first trades a product with an affiliate market maker.[30]
- **Financial surveillance "as if" an FCM (§ 38.852(c)(2)(i)).** An affiliate market maker holds no customer funds. A tailored financial-resources standard would be more appropriate than importing FCM-style surveillance. FCM surveillance centers on protecting customer funds, while an affiliate market maker carries no customer accounts. For a market maker, the relevant question is whether it has the capital to meet its own obligations, which a tailored standard addresses directly.

[27] *Id*. at 50949 (emphasis added).
[28] *Id*. at 50950.
[29] *Id*. at 50945 (citing Faryar Shirzad, Coinbase, Comment on the Impact of Affiliations of Certain CFTC Regulated Entities, Comment No. 73145 (Sept. 28, 2023)).
[30] *See id.* at 50954-50955 (Questions 52-54).

The NPRM Appropriately Proposes Certain Common-Sense Rules That it Should Adopt

The CFTC Should Require Third-Party DSROs to Supervise Affiliated FCMs

The NPRM's amendments would largely formalize governance practices already implemented by many affiliated entities and will not impose significant operational burdens on affected market participants.

We support the suggested approach that SROs affiliated with an FCM designate an independent third-party SRO to perform the supervisory functions required by Commission Regulation 1.52(c) with respect to that affiliate. These changes are intended to reduce potential conflicts of interest in the supervision of affiliated FCMs and strengthen the independence of the financial-surveillance function.

We also support the parallel restriction under the Joint Audit Plan that an affiliated DSRO not serve as the DSRO for its affiliate FCM, as well as the proposed option permitting an FCM that is a member of a registered futures association to elect that association as its DSRO. Requiring an independent examiner where SRO and FCM affiliations exist will reduce the risk that affiliate relationships could influence supervisory judgments, while the option for an eligible FCM to elect a registered futures association as its DSRO provides a practical mechanism for implementing that objective.

The CFTC Should Adopt Appropriate Information-Sharing Limitations While Allowing SROs to Fulfill Their Regulatory Responsibilities

The NPRM proposes restrictions on the sharing of certain non-public information between an SRO and its affiliated FCM. These provisions are intended to mitigate conflicts of interest and reduce the risk that affiliate relationships could result in inappropriate information sharing.

Coinbase supports a framework that restricts unnecessary information sharing while preserving a SRO's ability to access and use information required to fulfill its regulatory obligations. CDE's existing practices are already consistent with the NPRM's approach. CDE does not obtain access to its affiliate FCM's non-public information based solely on the affiliate relationship. Rather, CDE obtains such information only where it is necessary to perform its regulatory responsibilities and through supervisory processes that are applied on a consistent basis across its FCM membership, such as inquiries concerning trade-practice compliance or examinations and reviews conducted as part of CDE's broader oversight program.

Coinbase therefore supports appropriately tailored restrictions on an SRO's access to its affiliate FCM's non-public information and on the disclosure to an affiliate FCM of non-public information obtained through oversight of non-affiliate FCMs. These will help

mitigate potential conflicts of interest and reduce the risk that affiliate relationships could result in inappropriate information sharing.[31]

At the same time, any final rule should preserve the NPRM's recognition that a DCM must be able to obtain and use information reasonably necessary to discharge its obligations under Part 38 and to perform its responsibilities as an SRO.

The CFTC Should Adopt Public Director Requirements that Promote Independent Regulatory Oversight

The NPRM proposes codifying best practices for the public director composition of a DCM's Board, executive committee, Regulatory Oversight Committee ("**ROC**"), and disciplinary panel. A DCM's ROC consists only of public directors. Its role is to "assist [the DCM] in minimizing actual and potential conflicts of interest,"[32] consistent with the CFTC's guidance that "contract markets should be particularly vigilant for such conflicts between and among any of their self-regulatory responsibilities, their commercial interests, and the several interests of their management, members, owners, customers and market participants, other industry participants, and other constituencies."[33]

The same structure addresses conflicts arising from affiliations. Because a public director cannot be an officer or employee of the DCM or its affiliates, public directors are independent of that stake, and placing them on the ROC and disciplinary panels puts the most important decisions in the hands of people with no conflict.

We support codifying these governance safeguards. CDE's Board and committees already comply with these governance principles. Properly structured, the requirements reinforce independent oversight and public confidence while retaining sufficient flexibility for each DCM to implement governance arrangements suited to its organization.

Conclusion

Coinbase thanks the Commission for its attention to these issues and welcomes the opportunity to engage further.

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[31] *See* Coinbase Comment for General CFTC Request Input on All Recommendations for the CFTC in the President's Working Group Report on Digital Asset Markets, *supra* note 10, at 5 ("These should include clear rules regarding information sharing to prevent the disclosure of material non-public information.").
[32] NPRM, *supra* note 1, at 50993.
[33] *Id.* at 50993.