



Submitted via: *CFTC Portal*

Christopher Kirkpatrick
Office of the Secretariat
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

June 9, 2022

RE: Clear Markets North America, Inc.: Physically-Settled U.S. Dollar/Bitcoin – Options

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Clear Markets North America, Inc. (“CMSEF”) hereby notifies the Commission pursuant to Commission Regulation 40.2, of its product listing of CMSEF Physically-Settled U.S. Dollar/Bitcoin – Options (“CMSEF BTC Options”) on CMSEF beginning June 14, 2022 (the “Submission”).

The Submission contains the following:

1. A summary of the terms of the CMSEF BTC Options specifications;
2. The listing date of the CMSEF BTC Options;
3. An explanation and analysis of the CMSEF BTC Options’ compliance with the relevant Core Principles for Swap Execution Facilities (“SEF Core Principles”) as set forth by section 5h of the Commodity Exchange Act;
4. A certification that, concurrent with the filing of the Submission, CMSEF posted on its website a notice of pending certification of the CMSEF BTC Options with the Commission.

I. Summary of Terms of the CMSEF BTC Options

U.S. Dollar/Bitcoin – Options	
Seller	USD
Buyer	
Exercise	The buyer of the option must notify the seller of the option of the buyer’s intent to exercise the option during business hours on the expiration date of the option. Notice shall be in the form and manner as agreed by the counterparties.
Physically-Settled	BTC
Stated Tenors	1d, 2d, 3d, 5d, 7d, 14d, 21d, 28d, 1m, 2m, 3m, 6m, 1y, custom
Day Count Conventions – Currency One	30/360; ACT/360; ACT/365.FIXED
Day Count Conventions – Currency Two	30/360; ACT/360; ACT/365.FIXED
Payment Frequency	Monthly, Quarterly, Semi-Annual, Annual, Maturity

Business Day Convention	Modified Following, Following, Preceding
Holiday Calendar	New York, Tokyo, London, None
Cleared	No
Settlement	Determined by Participants in conformity with CMSEF Rulebook Rule 303A, which requires all Participants to represent to CMSEF in writing that they have entered into the necessary documentation in their trading and credit support bilateral agreements to address: a) liabilities caused by an event that delays settlement of the Swap; b) settlement of a Swap where the settlement occurs in a Cryptocurrency that has been subject to a Hard Fork; and c) when Settlement Finality occurs.
Settlement Method	Physical
Exercise method:	Determined by Participants
Exercise procedure:	Determined by Participants
Strike price listing provisions:	Determined by Participants
Strike price intervals:	Determined by Participants
Quantity	Determined by Participants, minimum \$10,000
Effective Date	Date on which parties begin calculating accrued obligations
End Date	Date on which obligations no longer accrue
Trading Hours	M-F (9AM – 5PM) New York (may be extended upon request at discretion of CMSEF)
Block Trades	Yes (minimum 5 BTC)
Position Limits	Set by: Part 151 of CFTC Regulations; CMSEF Rule 413A
Position Accountability and Reporting	Set by: Part 15 of CFTC Regulations; CMSEF Rule 413B

II. Listing Date

The intended listing date of the CMSEF BTC Options is June 14, 2022.

III. Analysis of Compliance with Core Principles

We have reviewed the SEF Core Principles and have identified that the listing of CMSEF BTC Options may have bearing on SEF Core Principle 3: Swaps Not Readily Susceptible to Manipulation. For the reasons stated below we believe that the listing of CMSEF BTC Options complies with the Commodity Exchange Act and SEF Core Principle 3.

A. The Underlying Bitcoin Market is not Readily Susceptible to Manipulation

Bitcoin was created by Satoshi Nakamoto, a pseudonymous person or team who outlined the technology in a 2008 white paper. The Bitcoin network went live in 2009. Every transaction involving a bitcoin is tracked on the Bitcoin blockchain ledger which is public and permissionless. Unlike a bank's ledger, the Bitcoin blockchain is distributed across the entire network. No company, country, or third party is in control of it; and anyone can become part of that network.

The network's native cryptocurrency token is bitcoin. According to Coinmarketcap.com (<https://coinmarketcap.com/>), the market cap for all digital assets is over \$1.24 TN. Bitcoin is the largest cryptocurrency by market capitalization, estimated to be \$576.8 BN as of June 8, 2022. The 24-hour trading volume in bitcoin for June 8, 2022, was \$37.6 BN. Bitcoin is traded against many other crypto pairs (e.g., Ether) and in a number of fiat currency pairs.

Several bitcoin futures and swaps have already been listed on various designated contract markets (DCMs) and SEFs. Further, while bitcoin is not a currency, in many ways it is traded and used like a currency. Therefore, physically-settled USD/BTC Options would share many features with FX Options

B. Conditions that Prevent the CMSEF BTC Options from Being Readily Susceptible to Manipulation

Clear Markets has established rules and an enforcement infrastructure to prevent the manipulation of the Contract. The contract specifications for the Bitcoin Physically Delivered Swap were drafted to conform with the guidance and/or acceptable practices in appendix B of Part 37 of the CFTC Regulations and appendix C to part 38 of the CFTC Regulations.

C. Settlement Procedure

The settlement of CMSEF BTC Options occurs off-SEF in accordance with the terms of the trading relationship between the parties subject to CMSEF Rule 303A. CMSEF may use its records request authority in order to ensure that the proper settlement of CMSEF BTC Options occurs, particularly in the first six months of operation. This additional layer of protection is warranted due to the novelty of the CMSEF BTC Options contract, settlement of which requires the transfer of a digital asset, and CMSEF's obligation to ensure the financial integrity of transactions on its platform.

IV. Position Limits or Accountability

Clear Markets has established the following large trader reporting for CMSEF BTC Options:

Reportable at 25,000 BTC across all tenors, consistent with market practice.

V. Certification

CMSEF hereby certifies that:

The CMSEF BTC Options comply with the Commodity Exchange Act, 7 U.S.C. §1 et seq. and the regulations thereunder.

This Submission has been concurrently posted on CMSEF's website at <http://www.clear-markets.com/>.

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If you have any questions regarding the above, please contact me at shawn@clearmarkets.io or +1-704-906-8277.

Respectfully submitted,



Shawn A. Dorsch
Chief Executive Officer
Clear Markets North America, Inc.