August 12, 2022

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

RE: Clear Markets North America, Inc.: Physically Settled 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 Options ("CMSEF Physical Options") on CMSEF beginning August 24, 2022 (the "Submission").

The Submission contains the following:

1. A summary of the terms of the CMSEF Physical Options specifications;
2. The listing date of the CMSEF Physical Options;
3. An explanation and analysis of the CMSEF Physical 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 Physical Options with the Commission.

I.   Summary of Terms of the CMSEF Physical Options

Physical Options	
Seller / Buyer	USD
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, ETH
Stated Tenors	1d, 2d, 3d, 5d, 7d, 14d, 21d, 28d,1m, 2m, 3m, 6m, 1y, custom

Business Day Convention	Modified Following, Following, Preceding, None
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
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 or 5 ETH)
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 Physical Options is August 24, 2022.

III.   Analysis of Compliance with Core Principles

We have reviewed the SEF Core Principles and have identified that the listing of CMSEF Physical 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 Physical Options complies with the Commodity Exchange Act and SEF Core Principle 3.

A. The Underlying Bitcoin and Ethereum 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.

The network's native cryptocurrency token is bitcoin. According to Coinmarketcap.com (https://coinmarketcap.com/), the market cap for all digital assets is over $921 BN. Bitcoin is the largest cryptocurrency by market capitalization, estimated to be $389 BN as of July 7, 2022. The 24-hour trading volume in bitcoin for July 7, 2022, was $21.6 BN. Bitcoin is traded against many other crypto pairs (e.g., Ether) and in a number of fiat currency pairs.

Ethereum was conceived in 2013 by Vitalik Buterin and the network went live on July 30, 2015. Ethereum allows anyone to deploy permanent and immutable decentralized application onto it, with which users can interact. A series of upgrades called Ethereum 20 includes a transaction to a proof of stake and aims to increase transaction throughput by using sharding.

The network's native cryptocurrency token is Ether. Ether is the second largest cryptocurrency by market capitalization, estimated to be $143.9 BN as of July 7, 2022. The 24-hour trading volume in bitcoin for July 7, 2022, was $13 BN. Ether is traded against many other crypto pairs (e.g., Bitcoin) and in a number of fiat currency pairs.

Every transaction involving Bitcoin or Ethereum is tracked on their respective network ledgers which are public and permissionless. Unlike a bank's ledger, the Bitcoin and Ethereum blockchains are distributed across their entire network. No company, country, or third party is in control of them; and anyone can become part of their networks.

Several Bitcoin and Ether futures and options 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 and USD/ETH Options would share many features with FX Options.

B. Conditions that Prevent the CMSEF Physical 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 CMSEF Physically Delivered Options 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 Physical 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 Physical Options occurs, particularly in the first six months of operation. This additional layer of protection is warranted due to the novelty of the CMSEF Physical 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 Physical Options:

Reportable at 25,000 BTC or 20,000 ETH across all tenors, consistent with market practice.

V. Certification

CMSEF hereby certifies that:

The CMSEF Physical 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.

2022.08.12