



January 11, 2022

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-0609

RE: Order Instituting Proceedings (“Order”) to Determine Whether to Approve or Disapprove a Proposed Rule Change to List and Trade Shares of the One River Carbon Neutral Bitcoin Trust under NYSE Arca Rule 8.201-E
File No.: SR-NYSEArca-2021-67
Release No.: 34-93840

Dear Ms. Countryman:

Introduction

The purpose of this letter is to respond to the request for written comments by the Securities and Exchange Commission (the “Commission” or the “SEC”), as set out in Release No. 34-93840; File No. SR-NYSEArca-2021-67, dated December 21, 2021, with respect to a proposed rule change (“Proposal”) to list and trade shares of One River Carbon Neutral Bitcoin Trust (“One River Trust” or the “Trust”) under NYSE Arca (“Arca”) Rule 8.201-E (“Rule Change”).

Coinbase Global, Inc.

Coinbase started in 2012 with the radical idea that anyone, anywhere, should be able to easily and securely send and receive Bitcoin, the first crypto asset. Coinbase built a trusted platform for accessing Bitcoin and the broader crypto economy by reducing the complexity of the industry through a simple and intuitive user experience. Today, Coinbase is a leading provider of end-to-end financial infrastructure and technology for the crypto economy.

Coinbase’s mission is to increase economic freedom in the world. Many customers around the world discover and begin their journeys with crypto through Coinbase. In the early days of the internet, Google democratized access to information through its user-friendly search engine, enabling virtually any user with an internet connection to discover the world’s information. Similarly, Coinbase is democratizing access to the crypto economy by enabling anyone with an internet connection to easily and securely invest in and use crypto assets. Customers that start with Coinbase grow with the company as they experience the benefits of the open financial system by using crypto-based products for staking, spending, saving, and borrowing. Today,



Coinbase's platform enables approximately 73 million verified users, 10,000 institutions, and 185,000 ecosystem partners in over 100 countries to participate in the crypto economy.

Comments on the One River Trust and Proposal

We believe that, for reasons outlined below, Arca's Proposal addresses the questions raised in the Commission's Order. Specifically, we believe that Arca's Proposal sufficiently addresses: risks of fraud and manipulation; maturation of the Bitcoin marketplace; and protection of investors, and financial stability. Each of these is discussed in greater detail below.

Arca's proposal addresses the risks of fraud and manipulation

In the Order the Commission solicits commenters' views on Bitcoin markets' susceptibility to manipulation, and thus the suitability of Bitcoin as an underlying asset for an exchange-traded product ("ETP"). We believe the Commission's recent approval of the listing and trading of ETPs that hold Bitcoin futures contracts signifies a significant development in the Bitcoin marketplace. Moreover, we believe that the approval of a futures-based ETP, consistent with requirements of Section 6(b)(5) of Securities Exchange Act of 1934, as amended ("Exchange Act"), should allow for the Commission to approve Arca's Proposal because, among other things, both products are reliant on Bitcoin's underlying price in the spot markets. Section 6(b)(5), requires, *in relevant part*, that the rules of a national securities exchange be "designed to prevent fraudulent and manipulative acts and practices [and] to protect investors and the public interest." As noted above, because a futures-based ETP and One River Trust are both reliant on Bitcoin's underlying price, we believe ETPs that invest in Bitcoin futures contracts present substantially-similar risk of manipulation as One River Trust. Moreover, Arca's Proposal notes that "the design of the methodology and framework of the Index are sufficiently resistant to market manipulation..."¹ Arca's Proposal further notes that,

the Index eliminates those bitcoin spot markets with indicia of suspicious, fake, or non-economic volume from the NAV calculation methodology pursuant to which the Trust prices its Shares. In addition, the use of multiple eligible bitcoin spot markets is designed to mitigate the potential for idiosyncratic market risk, as the failure of any individual bitcoin spot market should not materially impact pricing for the Trust.²

Moreover, because One River Trust will, in all ordinary circumstances, not purchase or sell Bitcoin, but instead process all creations and redemptions in-kind in transactions with authorized participants, One River Trust should be protected against potential attempts by bad actors to manipulate the price of Bitcoin on spot markets contributing to the MVIS One River Carbon Neutral Bitcoin Index (the "Index") and thereby the One River Trust's NAV calculation.

¹ See, Securities Exchange Act Release No. 93171 (Sept. 29, 2021), 86 FR 55073 ("Notice"), at 27.

² Id.



In approving ETPs that hold Bitcoin futures, as a matter of public interest and protection of investors, the Commission was able to get comfortable that the underlying Bitcoin market is resistant to manipulation or at least that the Bitcoin market is subject to sufficient oversight by the Commodity Futures Trading Commission (“CFTC”) such that any manipulation would be addressed by the CFTC.³ For these same reasons, we believe that the Commission’s concerns with respect to fraud and manipulation have been adequately addressed for purposes of Arca’s Proposal. As noted in Arca’s Proposal, trading in the shares of the One River Trust will be subject to the existing trading surveillances administered by Arca, as well as cross-market surveillances administered by FINRA on behalf of Arca, which are designed to detect violations of Arca’s rules and applicable federal securities laws.⁴ As a result, for the reasons outlined in Arca’s Proposal and herein, we believe that Arca’s Proposal sufficiently addresses the Commission’s concerns with respect to potential risks of fraud and manipulation relating to shares of the Trust.

Maturation of the Bitcoin marketplace

The Commission also seeks commenters’ views with respect to the maturation of the Bitcoin marketplace and whether the marketplace has matured enough in order to support the determination that Arca’s Proposal to list and trade the shares of the Trust is designed to protect investors and the public interest and is consistent with the other applicable requirements of Section 6(b)(5) of the Exchange Act. We believe that the Bitcoin marketplace is maturing at a rapid pace, with increased institutional participation. As noted in Arca’s Proposal, traditional financial market participants “appear to be embracing cryptoassets: large insurance companies, asset managers, university endowments, pension funds, and even historically bitcoin skeptical fund managers are allocating to bitcoin.”⁵ Moreover, we note that over the course of 2020, we observed institutions invest in Bitcoin as a hedge against inflation at an accelerated rate. Further, we saw growth in the use of crypto assets to participate in decentralized finance, or DeFi, applications such as peer-to-peer borrowing and lending, with the total value allocated towards decentralized finance globally growing from under \$1 billion to over \$15 billion from December 31, 2019 to December 31, 2020. We have further observed a positive trend in the total market capitalization of crypto assets which indicates increased adoption. The compounded annual growth rate, or CAGR, of crypto assets was over 150% between December 31, 2012 and December 31, 2020. While historical trends are not indicative of future adoption, and it is possible that the adoption of crypto assets and blockchain technology may slow, take longer to develop, or never be broadly adopted, we agree with Arca’s statement that the rise in the digital economy has led to an increase in activity among traditional companies and increase in activity

³ Arca’s Proposal notes that CFTC has exercised its regulatory jurisdiction in bringing a number of enforcement actions related to Bitcoin and against trading platforms that offer cryptoasset trading, including, in certain cases, against defendants for direct trading of cryptoassets. See *CFTC v. Gelfman Blueprint*, No. 17-7181 (S.D.N.Y. Sept. 21, 2017) and *CFTC v. Patrick K. McDonnell & Cabbagetech Corp., d/b/a Coin Drop Markets*, (No. 18-CV-0361) (E.D.N.Y. Aug. 24, 2018).

⁴ See Notice at 33.

⁵ See Notice at 20-21.



within the regulated banking system, reflecting increased institutional demand.⁶ Collectively, we believe these developments signify a substantial maturation of the Bitcoin marketplace and support the determination that Arca's Proposal is designed to protect investors and the public interest.

Protection of investors and financial stability

Protection of investors

We believe that with respect to protection of investors, One River Trust would add material protections for the millions of U.S. investors who currently use other avenues to access Bitcoin, as well as for any future investors who may choose to do so. As such, One River Trust will provide website disclosure of its Bitcoin holdings daily, as well as additional information about itself, and quotation and last-sale information regarding the shares will be disseminated through the facilities of the Consolidated Tape Association ("CTA"). The intraday indicative value ("IIV") will be widely disseminated on a per share basis every 15 seconds during the NYSE Arca Core Trading Session (normally 9:30 a.m. E.T. to 4:00 p.m. E.T.) by one or more major market data vendors. In addition, as noted in Arca's Proposal, IIV will be available through on-line information services. Arca's Proposal further notes that it may halt trading during the day in which an interruption to the dissemination of the IIV or the Index value occurs. Moreover, if the interruption to the dissemination of the IIV or the Index value persists past the trading day in which it occurred, Arca will halt trading no later than the beginning of the trading day following the interruption. If Arca becomes aware that the NAV with respect to shares of One River Trust is not disseminated to all market participants at the same time, it will halt trading in the shares until such time as the NAV is available to all market participants.⁷ In addition to the foregoing protections, there is a considerable amount of Bitcoin price and market information available on public websites and through professional and subscription services. For example, investors may obtain, on a 24-hour basis, Bitcoin pricing information based on the spot price for Bitcoin from various financial information service providers.

We believe that the maturation of custodial practices relating to safekeeping of Bitcoin adds a further layer of investor protection. Securely storing Bitcoin assets is critically important since Bitcoin can be viewed, from a security standpoint, as a bearer asset. This is a uniquely difficult problem to solve for the cryptoeconomy and market participants have made, and continue to make, significant investments in developing various security programs. As noted in Arca's Proposal, the custodian for One River Trust will retain custody of the One River Trust's Bitcoin in an account. The custodian will keep a substantial portion of the private keys associated with the One River Trust's Bitcoin in "cold storage"⁸ or similarly secure technology. Recent developments by the custodian of standards for managing private cryptographic keys and use of sophisticated cybersecurity technologies such as multi-party computation to safeguard a wide

⁶ See Notice at 21.

⁷ See Notice at 32.

⁸ The storage of private keys in any fashion that is disconnected from the internet. Common cold storage examples include offline computers, USB drives, or paper records.



range of crypto assets will allow for safeguarding of One River Trust's Bitcoin and thus protect its investors.

We are further of the view that the Commission should look to Arca to establish the necessary protocols to protect investors and the public interest. We are of the view that Arca would exercise the responsibilities entrusted to it as a self-regulatory organization consistent with FINRA supervision. In exercising these responsibilities, Arca has powerful regulatory and business incentives to ensure the integrity of the products that it lists for trading on the exchange. Nothing in Arca's Proposal suggests that Arca is unwilling or unable to fulfill its responsibilities under the Exchange Act. Furthermore, as a regulated exchange, Arca is subject to the Commission's regulatory oversight. As a result, we believe that Arca would play a critical role in the required regulatory oversight of BTC and in doing so would satisfy the criteria set out in Section 6(b)(5) of the Exchange Act. In addition to Arca, the Commission should rely on the CFTC to exercise its traditional fraud authority to ensure the underlying Bitcoin market is free of manipulation. As a result, these safeguards should satisfy the Commission in its approval of Arca's Proposal.

Financial Stability

We similarly believe that Arca's Proposal addresses financial stability because there have been significant developments in the United States to ensure the stability of the Bitcoin marketplace. For example, as noted above, the CFTC has exercised its regulatory jurisdiction in bringing a number of enforcement actions related to Bitcoin. Similarly, other regulators, including the U.S. Office of the Comptroller of the Currency, have expanded their regulatory reach to include Bitcoin.⁹ Similarly, we have also outlined herein how the custodian for the Trust has developed state of the art custodial practices in order to ensure the safeguarding of the Trust's Bitcoin. Collectively, these actions evidence measures taken to ensure financial stability of the Bitcoin asset class. It is also important to note that while some have stated that financial stability risks in the crypto markets are not yet systemic, and "appear contained for now",¹⁰ we believe that in order to ensure lasting financial stability in the Bitcoin marketplace certain additional steps should be taken. One of these steps is the approval by the Commission of Arca's Proposal. We believe that allowing investors to access Bitcoin through a regulated structure would lead to increased financial stability in the Bitcoin asset class. We believe in approving Arca's Proposal, the SEC would take a step in ensuring that the Bitcoin marketplace continues to develop in a regulated format with oversight from the Commission. As noted by SEC's Commissioner Peirce, "[w]e do not protect investors by adopting standards that compel them to access novel products anywhere but in our markets; we do not promote fair, orderly, or efficient markets when we prevent institutional players from bringing to already vibrant markets the benefits of their participation; and we do not facilitate capital formation when we greet innovation in a defensive

⁹ See Note at 26.

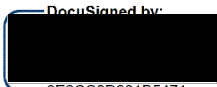
¹⁰ See, International Monetary Fund, Global Financial Stability Report, October 2021: COVID-19, Crypto, and Climate: Navigating Challenging Transitions, Chapter 2 at 44, available at <https://www.imf.org/-/media/Files/Publications/GFSR/2021/October/English/ch2.ashx>.



crouch.”¹¹ However, the longer the SEC delays such approval, investors will continue to seek to access this asset class through unregulated platforms, which may lead to financial instability and erode investor protections.

Conclusion

We appreciate the Commission’s attention to this important matter and for allowing us an opportunity to present our views.



Paul Grewal
Chief Legal Officer

¹¹ See Dissenting Statement of Hester M. Peirce in Response to Release No. 34-88284; File No. SR-NYSEArca-2019-39 (Feb. 26, 2020), available at https://www.sec.gov/news/public-statement/peirce-dissenting-statement-34-88284#_ftn31.