

MEMORANDUM

TO: File No. SR-NYSEARCA-2023-70

FROM: David Remus
Office of Market Supervision, Division of Trading and Markets

DATE: March 6, 2024

SUBJECT: Meeting with Coinbase re: Grayscale Ethereum Trust (ETH)

On March 6, 2024, David Shillman, Thomas McGowan, Molly Kim, Michael Gaw, Randall Roy, Mark Sater, Sarah Schandler, Stacia Sowerby, and David Remus, from the Division of Trading and Markets, participated in a meeting with the following individuals:

Scott Bauguess, Coinbase
Dhawal Sharma, Coinbase
Greg Tusar, Coinbase
Pete Elkins, Coinbase
Viktor Bunin, Coinbase
Cesare Fracassi, Coinbase
Zachary Zweihorn, Davis Polk
Justine Levine, Davis Polk
Billy Hicks, Davis Polk

The discussion concerned NYSE Arca's proposed rule change to list and trade shares of the Grayscale Ethereum Trust (ETH) under NYSE Arca Rule 8.201-E. Coinbase also provided the attached presentation.



coinbase

SEC Meeting - ETH ETP

March 6 2024

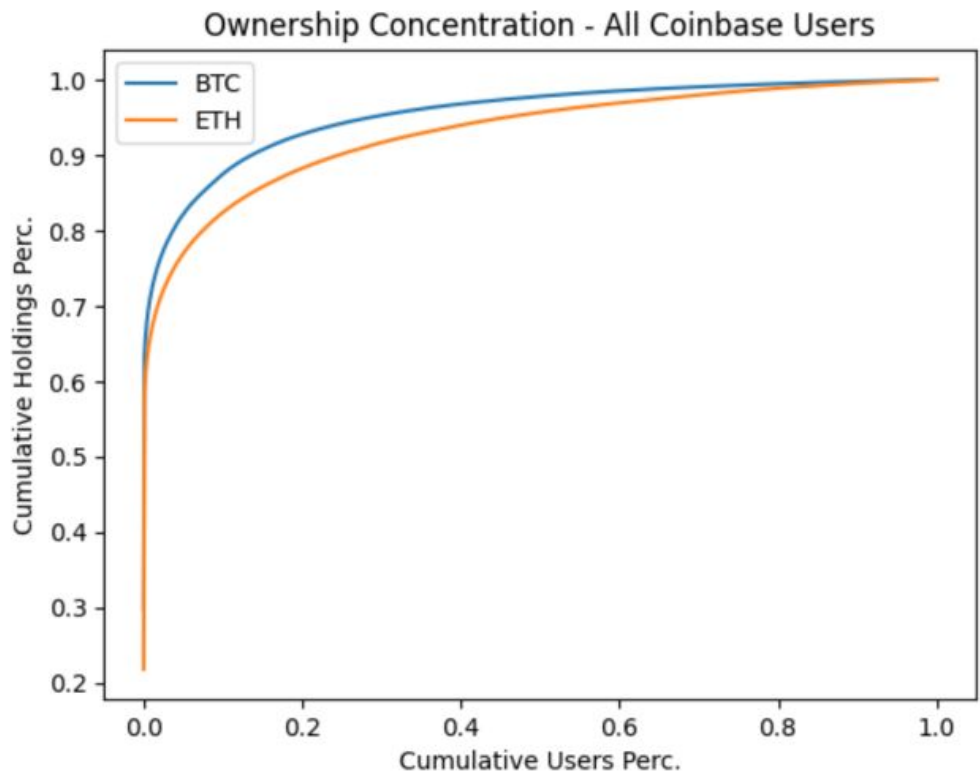


Key Points

1. The Shares are properly categorized as commodity-based trust shares
2. The Commission's rationale in deciding to approve spot Bitcoin ETPs applies with equal or greater force for ETH
3. Ethereum has mechanisms that significantly limit ETH's susceptibility to fraud and manipulation
4. Spot markets for ETH are highly indicative of a market resilient to fraud and manipulation
5. As with Bitcoin, the Exchange's comprehensive surveillance-sharing agreement with the CME will assist in surveilling for fraud and manipulation



Figure 1





Mar 2024

Figure 2

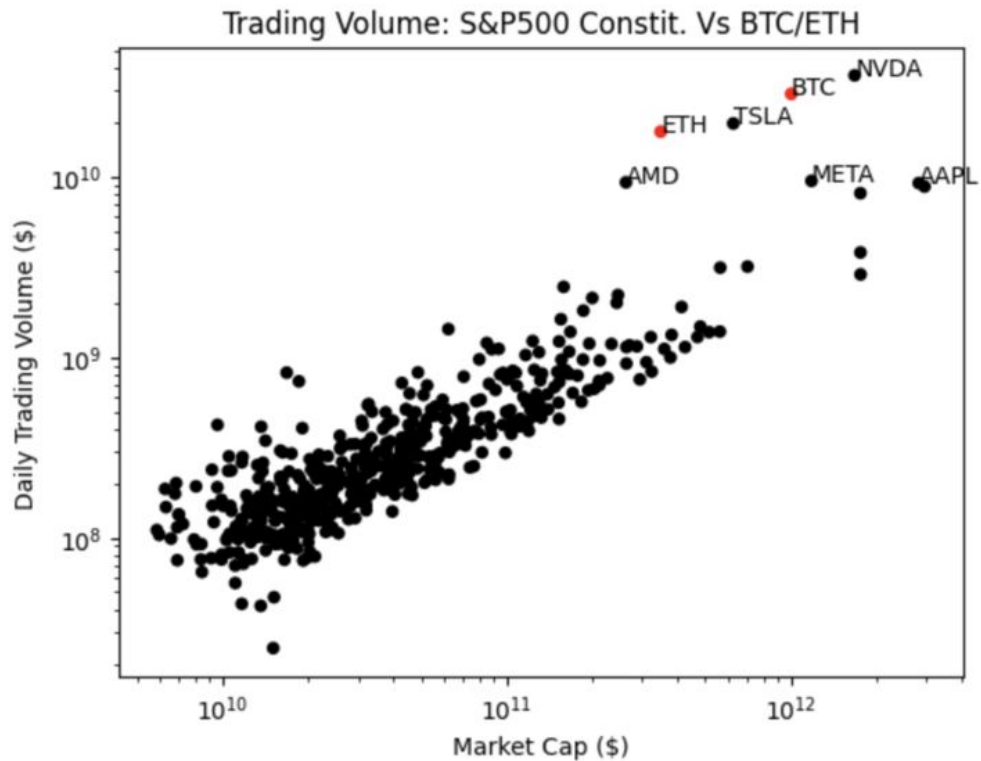
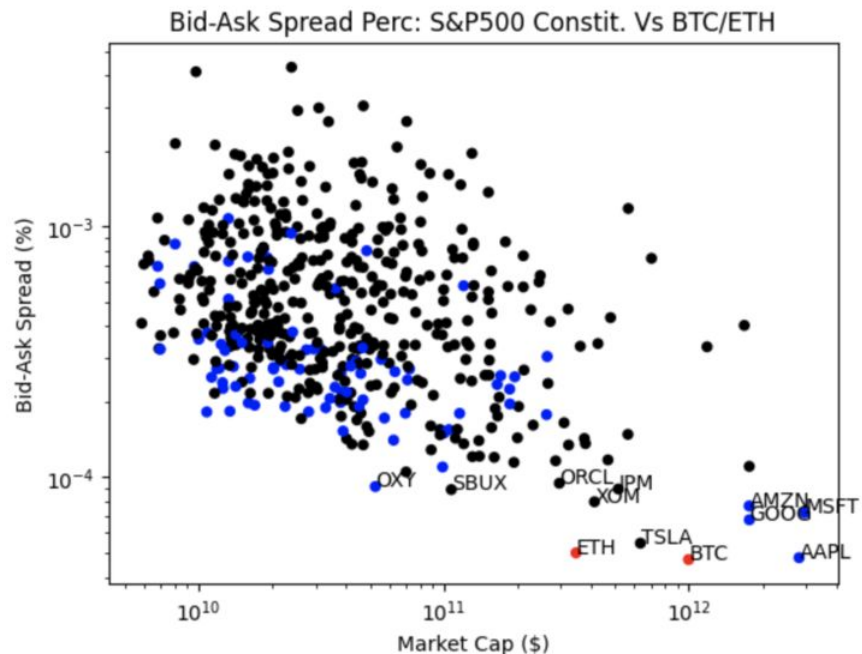




Figure 3



Blue and black dots represents stocks in the S&P500 index.
Red dots are ether and bitcoin.
Stocks with the blue dot have a bid-ask spread of \$1 cent.
B/A spreads are measured on Feb 21, 2024.



Figure 4

Spot ETH Prices across U.S. Exchanges

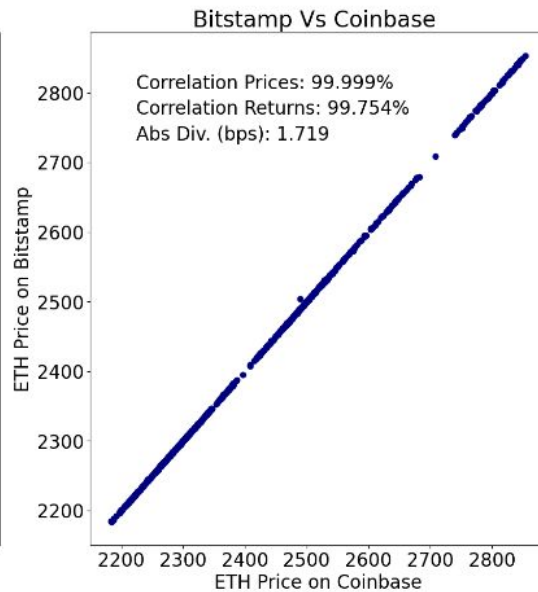
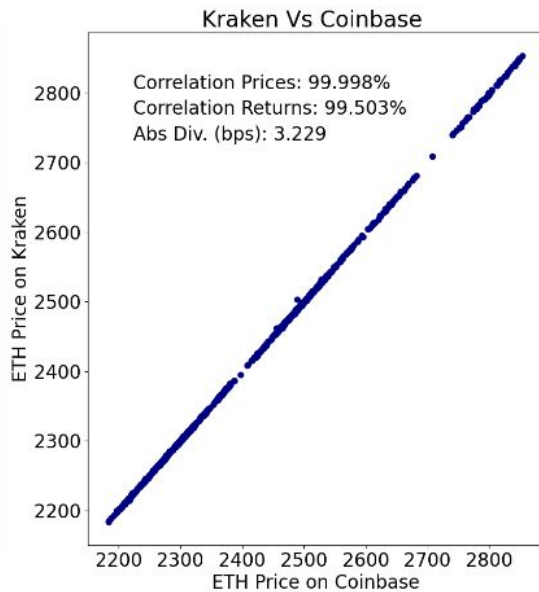
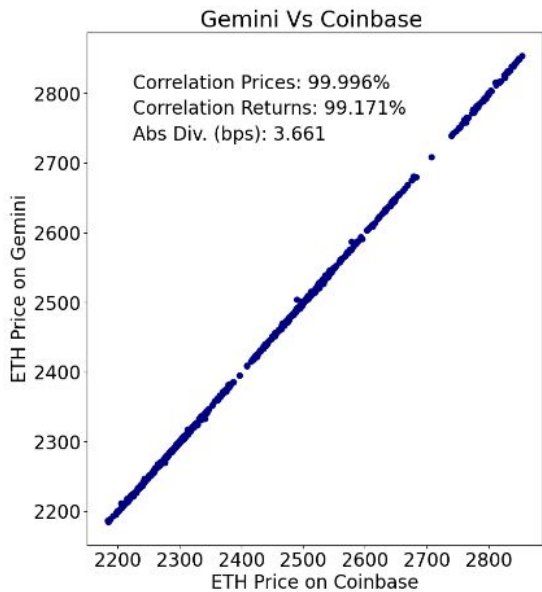




Table 1

	Correlation between Coinbase Spot Bitcoin Market and CME Bitcoin Futures (Front Month) Market			Correlation between Coinbase Spot ETH Market and CME ETH Futures (Front Month) Market		
Return Frequency	Hourly	5 minutes	1 minutes	Hourly	5 minutes	1 minutes
Commission Analysis						
Full Sample: 03/01/21 to 10/20/23	98.4	94.6	77.1			
Rolling Three-Month Correlations Over the Full Sample Period:						
Maximum	99.2	94.3	83.2			
Minimum	95.0	87.6	69.5			
Coinbase Replication Analysis						
Full Sample: 03/01/21 to 1/31/24	99.1	96.4	85.8	99.3	96.2	84.7
Rolling Three-Month Correlations Over the Full Sample Period:						
Maximum	99.6	97.1	88.6	99.7	97.1	88.0
Minimum	97.6	94.1	81.8	98.1	93.8	80.4



Figure 5

Spot Vs Futures ETH Prices





Figure 6

ETH ETF vs ETH Spot Prices

