Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2025 - * 014
Amendment No. (req. for Amendments *)

Filing by NASDAQ BX, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
✓	☐	☐	☐	✓	☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1)	☐ 19b-4(f)(4)
☐ 19b-4(f)(2)	☐ 19b-4(f)(5)
☐ 19b-4(f)(3)	✓ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Amend Position and Exercise Limits for IBIT, BTC, BITB and GTBC

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Angela
Last Name * Dunn
Title * Principal Associate General Counsel
E-mail * Angela.Dunn@Nasdaq.com
Telephone * (215) 496-5692
Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, NASDAQ BX, Inc.
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 08/01/2025

By John Zecca (Name *)

EVP and Chief Legal Officer (Title *)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

John A. Zecca
Date: 2025.08.01
15:00:07 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information * Add Remove View SR-BX-2025-014 19b-4.docx	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View SR-BX-2025-014 Exhibit 1.docx	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2- Notices, Written Comments, Transcripts, Other Communications Add Remove View	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G. ☐ Exhibit Sent As Paper Document
Exhibit 3 - Form, Report, or Questionnaire Add Remove View	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change. ☐ Exhibit Sent As Paper Document
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View SR-BX-2025-014 Exhibit 5.docx	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Nasdaq BX, Inc. ("BX" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposal to amend Options 9, Section 13, Position Limits, and Options 9, Section 15, Exercise Limits, with respect to options on the iShares Bitcoin Trust ETF ("IBIT"), the Grayscale Bitcoin Mini Trust ETF ("BTC"), the Bitwise Bitcoin ETF ("BITB") and the Grayscale Bitcoin Trust ETF ("GBTC").

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1.

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors (the "Board"). Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to:

Angela Saccomandi Dunn
Principal Associate General Counsel
Nasdaq, Inc.
(215) 496-5692

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a. Purpose

The Exchange proposes to amend Options 9, Section 13, Position Limits, and Options 9, Section 15, Exercise Limits, with respect to options on the iShares Bitcoin Trust ETF ("IBIT"), the Grayscale Bitcoin Mini Trust ETF ("BTC"), the Bitwise Bitcoin ETF ("BITB") and the Grayscale Bitcoin Trust ETF ("GBTC"). Each change will be described below.

Position Limits

The Exchange proposes to amend its rules relating to position limits at Options 9, Section 13, and exercise limits at Options 9, Section 15. Recently, Nasdaq ISE, LLC ("ISE") received approval to eliminate the current 25,000 contract position and exercise limit for options on IBIT.[3] As a result, ISE would apply the position limits as determined by ISE Options 9, Section 13(d) to options on IBIT and exercise limits as determined by ISE Options 9, Section 15. Additionally, recently, NYSE Arca, Inc. ("Arca") received approval to eliminate the current 25,000 contract position and exercise limit for options on BTC and BITB.[4] As a result, Arca would apply the position limits as determined by Arca Rule 6.8-O, Commentary .06(a)-(e) to options on BTC and BITB. Finally, Arca recently received approval to eliminate the current 25,000 contract position and exercise limit for options on GBTC.[5] As a result, Arca would apply the

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3 See Securities Exchange Act Release No. 103564 (July 29, 2025), (SR-ISE-2024-62) (not yet published).

4 See Securities Exchange Act Release No. 103568 (July 29, 2025) (SR-NYSEArca-2025-10) (not yet noticed).

5 See Securities Exchange Act Release No. 103567 (July 29, 2025) (SR-NYSEArca-2025-07) (not yet noticed).

position limits as determined by Arca Rule 6.8-O, Commentary .06(a)-(e) to options on GBTC.

The Exchange proposes to similarly amend its position limit rules at BX Options 9, Section 13 and exercise limits at Options 9, Section 15 to likewise eliminate the current 25,000 contract position and exercise limit for options on IBIT, BTC, BITB and GTBC. As a result, IBIT, BTC, BITB and GTBC would be subject to the position limits described in BX Options 9, Section 13 and the corresponding exercise limits in BX Options 9, Section 15.

IBIT

IBIT is an Exchange-Traded Fund ("ETF") that holds bitcoin and is listed on The Nasdaq Stock Market LLC.[6] On September 20, 2024, ISE received approval to list options on IBIT.[7] The current position and exercise limits for IBIT options are 25,000 contracts as stated in Options 9, Sections 13 and 15, the lowest limit available in options.[8]

Per the Commission "rules regarding position and exercise limits are intended to prevent the establishment of options positions that can be used or might create

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6 Nasdaq received approval to list and trade Bitcoin-Based Commodity-Based Trust Shares in IBIT pursuant to Rule 5711(d) of Nasdaq. See Securities Exchange Act Release No. 99306 (January 10, 2024), 89 FR 3008 (January 17, 2024) (SR-NASDAQ-2023-016) (Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, To List and Trade Bitcoin-Based Commodity-Based Trust Shares and Trust Units). IBIT started trading on January 11, 2024.

7 See Securities Exchange Act Release No. 101128 (September 20, 2024), 89 FR 78942 (September 26, 2024) (SR-ISE-2024-03) (Notice of Filing of Amendment Nos. 4 and 5 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1, 4, and 5, To Permit the Listing and Trading of Options on the iShares Bitcoin Trust) ("IBIT Approval Order"). ISE began trading IBIT options on November 19, 2024.

8 Options on Fidelity Wise Origin Bitcoin Fund, ARK 21Shares Bitcoin ETF, Grayscale Bitcoin Trust (BTC), Grayscale Bitcoin Mini Trust BTC, and Bitwise Bitcoin ETF are also subject to a 25,000 contract position and exercise limit.

incentives to manipulate or disrupt the underlying market so as to benefit the options positions."[9] For this reason, the Commission requires that "position and exercise limits must be sufficient to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security."[10] Based on its review of the data and analysis provided by ISE, the Commission concluded that the 25,000 contract position limit for non-FLEX IBIT options satisfied these objectives.[11]

While ISE proposed an aggregated 25,000 contract position limit for IBIT options in its IBIT Approval Order, it nonetheless believed that evidence existed to support a much higher position limit. Specifically, the Commission has considered and reviewed the ISE's analysis in its IBIT Approval Order that the exercisable risk associated with a position limit of 25,000 contracts represented only 0.4% of the outstanding shares of IBIT.[12] The Commission also has considered and reviewed the ISE's statement its IBIT Approval Order that with a position limit of 25,000 contracts on the same side of the market and 611,040,00 shares of IBIT outstanding, 244 market participants would have to simultaneously exercise their positions to place IBIT under stress.[13] Based on the Commission's review of this information and analysis, the

9 See Securities Exchange Act Release No. 101128 (September 20, 2024), 89 FR 78942 at 78946 (September 26, 2025) (SR-ISE-2024-03) (Notice of Filing of Amendment Nos. 4 and 5 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1, 4, and 5, To Permit the Listing and Trading of Options on the iShares Bitcoin Trust).

10 See id.

11 See id.

12 See id. Data represents figures from August 12, 2024.

13 See id. Data represents figures from August 12, 2024.

Commission concluded that the proposed position and exercise limits of 25,000 contracts were designed to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security, and to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position.[14]

IBIT currently qualifies for a 250,000 contract position limit pursuant to the criteria in Options 9, Section 13, which requires that, for the most recent six-month period, trading volume for the underlying security be at least 100 million shares.[15] As of November 25, 2024, the market capitalization for IBIT was $46,783,480,800[16] with an average daily volume ("ADV"), for the preceding three months prior to November 25, 2024, of 39,421,877 shares. IBIT is well above the requisite minimum of 100 million shares necessary to qualify for the 250,000 contract position limit. Also, as of November 25, 2024, there are 19,787,762 bitcoins in circulation.[17] At a price of $94,830,[18] that equates to a market capitalization of greater than $1.876 trillion US. If a

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14 See id.

15 BX Options 9, Section 13(a)(3) provides that no Options Participant shall make, for any account in which it has an interest or for the account of any customer, an opening transaction on any exchange if the Options Participant has reason to believe that as a result of such transaction the Options Participant or its customer would, acting alone or in concert with others, directly or indirectly:….(3) exceed the applicable position limit fixed from time to time by another exchange for an options contract not traded on BX Options, when the Options Participant is not a member of the other exchange on which the transaction was effected. In this case, ISE Options 9, Section 13(d).

16 The market capitalization was determined by multiplying a settlement price of ($54.02) by the number of shares outstanding (866,040,000). This figure was acquired as of November 25, 2024. See https://www.ishares.com/us/products/333011/ishares-bitcoin-trust-etf.

17 See https://www.coingecko.com/en/coins/bitcoin.

18 This is the approximate price of bitcoin from 4:00pm ET on November 25, 2024.

position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%[19] of the outstanding shares outstanding of IBIT. Given IBIT's liquidity, the current 25,000 position limit is extremely conservative.

Position limits, and exercise limits, are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or indirectly, may control. These limits, which are described in BX Options 9, Sections 13 and 15, are intended to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as disrupting the market in the security underlying the options. Position and exercise limits must balance concerns regarding mitigating potential manipulation and the cost of inhibiting potential hedging activity that could be used for legitimate economic purposes.

To achieve this balance, BX proposes to remove IBIT from Options 9, Section 13(a)(1), regarding position limits, and Options 9, Section 15(a)(1), regarding exercise limits, so that options on IBIT may trade similar to all other options for which the Exchange has not filed to otherwise increase the position limits. As a result of removing the limitations for options in IBIT from Options 9, Sections 13(a)(1) and 15(a)(1), it would increase the position and exercise limits for options on IBIT from 25,000 to 250,000 contracts based on the current limits set by other exchanges, such as ISE. Like other options, IBIT would be subject to subsequent six (6) month reviews to determine future position and exercise limits similar to all other options as noted in other exchange rules such as ISE Options 9, Section 13(d).

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19 This percentage was arrived at with this equation: (250,000 contract limit * 100 shares per option / 866,040,000 shares outstanding).

In addition to IBIT's eligibility for 250,000 contracts, ISE performed additional analysis with respect to IBIT. First, ISE considered IBIT's market capitalization and Average Daily Volume ("ADV"), and prospective position limit in relation to other securities. In measuring IBIT against other securities, ISE aggregated market capitalization and volume data for securities that have defined position limits utilizing data from The Options Clearing Corporations ("OCC").[20] This pool of data took into consideration 3,897 options on single stock securities, excluding broad based ETFs.[21] Next, the data was aggregated by ISE based on market capitalization and ADV and grouped by option symbol and position limit utilizing statistical thresholds for ADV, based on ninety days, and market capitalization that were one standard deviation above the mean for each position limit category (i.e. 25,000, 50,000 to 65,000, 75,000, 100,000 to less than 250,000, and 250,000).[22] This exercise was performed to demonstrate IBIT's position limit relative to other options symbols in terms of market capitalization and ADV. For reference, the market capitalization for IBIT was $46,783,480,800[23] with an ADV, for the preceding three months prior to November 25, 2024, of 39,421,877 shares.

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20 ISE noted that the computations are based on OCC data from November 25, 2024. Data displaying zero values in market capitalization or ADV were removed.

21 ISE noted that IBIT has one asset and therefore is not comparable to a broad based ETF where there are typically multiple components.

22 ISE noted that its Options 9, Section 13(d) sets out position limits for various contracts. For example, a 25,000 contract limit applies to those options having an underlying security that does not meet the requirements for a higher options contract limit. ISE noted that position limits may also be higher due to corporate actions in the underlying equities, such as a stock split. See https://www.theocc.com/market-data/market-data-reports/series-and-trading-data/position-limits. As a result, ISE's pool of data considered higher position limits than 250,000 contracts, where applicable.

23 ISE noted that the market capitalization was determined by multiplying a settlement price of ($54.02) by the number of shares outstanding (866,040,000). This figure was acquired as of November 25, 2024. See https://www.ishares.com/us/products/333011/ishares-bitcoin-trust-etf.

Market Cap Statistics	25k	50k	75k	100k - <250k	250k - <500k	500k - 1mm	>1mm
# of observations	562	473	651	240	1934	27	10
average	1,038,795,162	2,957,127,045	4,466,049,699	5,390,836,360	26,286,624,063	67,390,777,100	717,540,906,097
median	360,130,143	889,627,570	1,445,831,231	1,643,123,279	3,535,963,213	27,063,940,966	90,047,209,478
min	2,204,436	4,211,156	3,830,532	5,090,230	1,616,094	2,762,394,749	11,786,645,969
max	36,120,249,097	70,846,805,916	174,820,296,591	106,971,594,180	3,573,884,443,220	733,972,714,698	3,358,647,600,000
IBIT % rank	**100.00%**	**98.94%**	**98.77%**	**98.33%**	**88.57%**	**59.26%**	**20.00%**

90-Day ADV Statistics	25k	50k	75k	100k - <250k	250k - <500k	500k - 1mm	>1mm
# of observations	562	473	651	240	1934	27	10
average	76,586	213,419	425,542	623,888	3,510,784	5,930,607	44,610,385
median	67,231	206,402	409,177	625,882	1,620,931	4,724,248	18,017,607
min	4,791	10,084	18,191	105,713	16,276	1,207,242	1,771,544
max	244,499	564,451	989,341	1,339,553	88,351,060	22,397,311	271,230,790
IBIT % rank	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**99.43%**	**100.00%**	**80.00%**

Based on the above table, ISE noted that if IBIT were compared to the 1,934 stocks that have position limits of 250,000 contracts to less than 500,000 contracts it would rank in the 88th percentile for market capitalization and the 99th percentile for ADV.

ISE also analyzed the position limits for IBIT by regressing the market capitalization figures and 90-day ADV of all non-ETF equities, against their respective position limit figures. From this regression, ISE was able to determine the implied coefficients to create a formulaic method for determining an appropriate position limit.[24] In this case, the modeled position limit is 565,796 contracts.[25] The results of the study are below.

Regression Statistics	
Multiple R	0.496800597
R Square	0.246810833
Adjusted R Square	0.246361643
Standard Error	202227.4271
Observations	3905

ANOVA

	df	*SS*	*MS*	*F*
Regression	2	5.2304E+13	2.6152E+13	639.482566
Residual	3903	1.5962E+14	4.0896E+10	
Total	3905	2.1192E+14		

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	0	#N/A	#N/A	#N/A
Market Cap	0.0000002630	3.3371E-08	7.88130564	4.1699E-15
90-day ADV	0.0140402219	0.00055818	25.1533643	1.613E-129

24 ISE utilized Excel's Data Analysis Package to model the position limit.

25 ISE utilized this formula to arrive at the number of contracts: ((46,783,380,800 mkt cap * 0.0000002630 market cap coefficient) + (39,421,877 ADV * 0.0140402219 ADV coefficient)).

Based on the aforementioned analysis, the Exchange believes that the proposed 250,000 contracts for position and exercise limits is appropriate.

Second, ISE reviewed IBIT's data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables. ISE noted that, as of November 25, 2024, there are 19,787,762 bitcoins in circulation.[26] At a price of $94,830,[27] that equates to a market capitalization of greater than $1.876 trillion US. ISE stated that if a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%[28] of the outstanding shares outstanding of IBIT. Since IBIT has a creation and redemption process managed through the issuer, ISE noted that the position limit can be compared to the total market capitalization of the entire bitcoin market and in that case, the exercisable risk for options on IBIT would represent less than .072% of all bitcoin outstanding.[29] ISE concluded that assuming a scenario where all options on IBIT shares were exercised given the proposed 250,000 contract position limit (and exercise limit), this would have a virtually unnoticed impact on the entire bitcoin market. This analysis demonstrates that the proposed effective 250,000 per same side position and exercise limit is appropriate for options on IBIT given its liquidity.

Third, ISE reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the Commodity Futures Trading Commission ("CFTC"). While the CFTC, through the relevant Designated Contract Markets, only

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26 See https://www.coingecko.com/en/coins/bitcoin.

27 ISE noted that this was the approximate price of bitcoin from 4:00pm ET on November 25, 2024.

28 ISE noted that this percentage was arrived at with this equation: (250,000 contract limit * 100 shares per option / 866,040,000 shares outstanding).

29 ISE noted that this number was arrived at with this calculation: ((250,000 limit * 100 shares per option * $54.02 settle) / (19,787,762 BTC outstanding * $94,830 BTC price)).

regulates options positions based upon delta equivalents (creating a less stringent standard), ISE examined equivalent bitcoin futures position limits. In particular, ISE looked to the CME bitcoin futures contract[30] that has a position limit of 2,000 futures.[31] On October 22, 2024, CME bitcoin futures settled at $94,945.[32] ISE noted that, on October 22, 2024, IBIT settled at $54.02, which would equate to greater than 17,557,898 shares of IBIT if the CME notional position limit was utilized. Since substantial portions of any distributed options portfolio is likely to be out of the money on expiration, ISE noted that an options position limit equivalent to the CME position limit for bitcoin futures (considering that all options deltas are <=1.00) should be a bit higher than the CME implied 175,578 limit. Of note, unlike options contracts, CME position limits are calculated on a net futures-equivalent basis by contract and include contracts that aggregate into one or more base contracts according to an aggregation ratio(s).[33] Therefore, if a portfolio includes positions in options on futures, CME would aggregate those positions into the underlying futures contracts in accordance with a table published by CME on a delta equivalent value for the relevant spot month, subsequent spot month, single month and all month position limits.[34] If a position exceeds position limits because of an option assignment, CME permits market participants to liquidate the excess position within one business day without being considered in violation of its

30 CME Bitcoin Futures are described in Chapter 350 of CME's Rulebook.

31 See the Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5 of CME's Rulebook.

32 2,000 futures at a 5 bitcoin multiplier (per the contract specifications) equates to $949,450,000 (2000 contracts * 5 BTC per contract * $94,945 price of November BTC future) of notional value.

33 See https://www.cmegroup.com/education/courses/market-regulation/position-limits/position-limits-aggregation-of-contracts-and-table.htm.

34 See id.

rules. Additionally, if at the close of trading, a position that includes options exceeds position limits for futures contracts, when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation. Based on the aforementioned analysis, the Exchange believes that the proposed 250,000 contracts for position and exercise limits is appropriate.

Fourth, ISE analyzed a position and exercise limit of 250,000 for IBIT options against other options on ETFs with an underling commodity, namely SPDR Gold Shares ("GLD"), iShares Silver Trust ("SLV"), and ProShares Bitcoin ETF ("BITO").[35] ISE noted that GLD has a float of 306.1 million shares[36] and a position limit of 250,000 contract. ISE noted that SLV has a float of 520.7 million shares,[37] and a position limit of 250,000 contracts. Finally, ISE noted that BITO has 107.65 million shares outstanding[38] and a position limit of 250,000 contracts. As previously noted, position and exercise limits are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or indirectly, may control. ISE noted that a position limit exercise in GLD would represent 8.17% of the float of GLD; a position limit exercise in SLV would represent 4.8% of the float of SLV, and a position limit exercise of BITO would represent 23.22% of the float of BITO. In comparison, ISE noted that a 250,000 contract position limit in IBIT would represent 2.89% of the float of IBIT.

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35 GLD, SLV and BITO each hold one asset in trust similar to IBIT.

36 See https://www.ssga.com/us/en/intermediary/etfs/spdr-gold-shares-gld.

37 See https://www.ishares.com/us/products/239855/ishares-silver-trust-fund.

38 See https://www.marketwatch.com/investing/fund/bito.

Consequently, ISE noted that the 250,000 proposed IBIT options position and exercise limit is more conservative than the standard applied to GLD, SLV and BITO, and appropriate. Additionally, the ISE noted that the Cboe Bitcoin U.S. ETF Index Options (CBTX) and the Cboe Mini Bitcoin U.S. ETF Index Options (MBTX),[39] which trade exclusively on Cboe, are comprised of multiple bitcoin ETFs of which IBIT is the highest weighted (at 20%) in the index composition.[40] ISE noted that these indices currently trade pursuant to a 24,000 contract position and exercise limit.[41]

Fifth, ISE noted that IBIT began trading in penny increments as of January 2, 2025pursuant to the Penny Interval Program.[42] The Commission noted that evidence contained in both ISE's Report and the Cornerstone analysis demonstrates that the

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39 MBTX is based on 1/10th the value of the Cboe Bitcoin U.S. ETF Index.

40 See https://www.cboe.com/tradable_products/bitcoin-etf-index-options?utm_source=mcae&utm_medium=email&utm_campaign=bitcoin_eft_options_launch. Cboe's website provides a product comparison chart indicating that CBTX and MBTX are permitted to trade FLEX as compared to spot bitcoin ETF options. See https://cdn.cboe.com/resources/membership/Cboe_Bitcoin_US_ETF_Options_Comparative_Overview.pdf?_gl=1*1xmm04c*_up*MQ..*_ga*MTc0MjU1NzU1Ni4xNzM0NTU2NTky*_ga_5Q99WB9X71*MTczNDU1NjU5MC4xLjAuMTczNDU1NjU5MC4wLjAuMA.

41 See Cboe Rule 8.32(a). ISE noted that given the multiplier and notional value of CBTX, the index has a position and exercise limit that equates to 1,000,000 contracts of in kind exposure to IBIT, which is more than 40 times greater than the exposure for options on IBIT at the current 25,000 contract position and exercise limit.

42 ISE noted that it may add to the Penny Program a newly listed option class provided that (i) it is among the 300 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in its first full calendar month of trading and (ii) the underlying security is priced below $200 or the underlying index is at an index level below $200. Any option class added under this provision will be added on the first trading day of the month after it qualifies and will remain in the Penny Program for one full calendar year, after which it will be subject to the Annual Review described in Supplementary Material .01(b) to Options 3, Section 3. The Exchange may add any option class to the Penny Program, provided that (i) it is among the 75 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in the past six full calendar months of trading and (ii) the underlying security is priced below $200 or the underlying index is at an index level below $200. Any option class added under this provision will be added on the first trading day of the second full month after it qualifies and will remain in the Penny Program for the rest of the calendar year, after which it will be subject to the Annual Review as described in ISE Supplementary Material .01(b) to Options 3, Section 3. BX has the same rule at Supplementary Material .01 to Options 3, Section 3.

Penny Pilot has benefitted investors and other market participants in the form of narrower spreads.[43] The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests). As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class that experience a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.[44] IBIT options is among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments. Failing to increase position and exercise limits for IBIT options, now that it is trading in finer increments, may artificially inhibit liquidity and create price inefficiency.

The Exchange believes that IBIT options has demonstrated that it has more than sufficient liquidity to garner an increased position and exercise limit of 250,000 contracts. The Exchange believes that any concerns related to manipulation and protection of investors are mollified by the significant liquidity provision in IBIT. The Exchange states that, as a general principle, increases in active trading volume and deep liquidity of the underlying securities do not lead to manipulation and/or disruption.

The Exchange believes that increasing the position (and exercise) limits for IBIT options would lead to a more liquid and competitive market environment for IBIT options, which will benefit customers that trade these options. Further, the reporting

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43 See Securities Exchange Act Release No. 88532 (April 1, 2020), 67 FR 19545, 19548 (April 7, 2020) (File No. 4–443) (Joint Industry Plan; Order Approving Amendment No. 5 to the Plan for the Purpose of Developing and Implementing Procedures Designed To Facilitate the Listing and Trading of Standardized Options To Adopt a Penny Interval Program) ("Penny Approval Order").

44 See id. at 19548.

requirement for such options would remain unchanged. Thus, the Exchange will still require that each Participant that maintains positions in impacted options on the same side of the market, for its own account or for the account of a customer, report certain information to the Exchange. This information includes, but would not be limited to, the options' positions, whether such positions are hedged and, if so, a description of the hedge(s). Market Makers would continue to be exempt from this reporting requirement, however, the Exchange may access Market Maker position information.[45] Moreover, the Exchange's requirement that Participants file reports with the Exchange for any customer who held aggregate large long or short positions on the same side of the market of 200 or more option contracts of any single class for the previous day will remain at this level and will continue to serve as an important part of the Exchange's surveillance efforts.[46]

The Exchange also has no reason to believe that the growth in trading volume in IBIT will not continue. Rather, the Exchange expects continued options volume growth in IBIT as opportunities for investors to participate in the options markets increase and evolve. The Exchange believes that the current position and exercise limits in IBIT options are restrictive and will hamper the listed options markets from being able to compete fairly and effectively with the over-the-counter ("OTC") markets. OTC transactions occur through bilateral agreements, the terms of which are not publicly disclosed to the marketplace. As such, OTC transactions do not contribute to the price

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45 OCC through the Large Option Position Reporting ("LOPR") system acts as a centralized service provider for member compliance with position reporting requirements by collecting data from each member, consolidating the information, and ultimately providing detailed listings of each member's report to the Exchange, as well as FINRA, acting as its agent pursuant to a regulatory services agreement ("RSA").

46 See BX Options 9, Section 16.

discovery process on a public exchange or other lit markets. The Exchange believes that without the proposed changes to position and exercise limits for IBIT options, market participants will find the 25,000 contract position limit an impediment to their business and investment objectives as well as an impediment to efficient pricing. As such, market participants may find the less transparent OTC markets a more attractive alternative to achieve their investment and hedging objectives, leading to a retreat from the listed options markets, where trades are subject to reporting requirements and daily surveillance. However, the Exchange notes that IBIT's position limits would be reviewed on a six month basis, pursuant the rules of other options exchange such as ISE Options 9, Section 13(d), similar to other options.

The Exchange believes that the existing surveillance procedures and reporting requirements at the Exchange are capable of properly identifying disruptive and/or manipulative trading activity. The Exchange also represents that it has adequate surveillances in place to detect potential manipulation, as well as reviews in place to identify continued compliance with the Exchange's listing standards. These procedures monitor market activity via automated surveillance techniques to identify unusual activity in both options and the underlyings, as applicable. The Exchange also notes that large stock holdings must be disclosed to the Commission by way of Schedules 13D or 13G,[47] which are used to report ownership of stock which exceeds 5% of a company's total stock issue and may assist in providing information in monitoring for any potential manipulative schemes. Further, the Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address

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[47] 17 CFR 240.13d-1.

concerns regarding potentially large, unhedged positions in equity options. Current margin and risk-based haircut methodologies serve to limit the size of positions maintained by any one account by increasing the margin and/or capital that a member organization must maintain for a large position held by itself or by its customer.[48] In addition, Rule 15c3-1[49] imposes a capital charge on member organizations to the extent of any margin deficiency resulting from the higher margin requirement.

BTC and BITB

On October 18, 2024, the Commission approved the listing and trading of BTC and BITB on Arca.[50] On November 22, 2024, Arca obtained rule authority to trade options on BTC and BITB.[51] The current position and exercise limits for BTC and BITB options are 25,000 contracts, the lowest limit available in options.[52] Arca proposed to increase the aggregated position and exercise limits for each ETF to 250,000 contracts. Arca noted that BTC and BITB currently qualify for this increased limit pursuant to Arca Rule 6.8-O Commentary .06(e), which requires that, for the most recent six-month period, trading volume for the underlying security is at least 100,000,000 shares.[53] Arca noted that, as of November 25, 2024, during the most recent

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48 See BX Options 6C, Section 3 regarding margin requirements.

49 17 CFR 240.15c3-1.

50 See Securities Exchange Act Release No. 101386 (October 18, 2024), 89 FR 84960 (October 24, 2024) (SR-NYSEAMER-2024-49) (order approving rules to permit the listing and trading of options on BTC and BITB, among others) (the “ETF Options Approval Order”).

51 See Securities Exchange Act Release No. 101713 (November 22, 2024), 89 FR 94839 (November 29, 2024) (SR-NYSEARCA-2024-101) (notice of immediately effective rule change to permit BTC and BITB options trading, based on the already-approved NYSE American rules) (the “Arca ETF Options Notice”).

52 See Arca Rule 6.8-O Commentary .06(e).

53 See Arca Rule 6.8-O Commentary .06(e) (providing at subparagraph (e) that the position limit shall be 250,000 contracts for options: (i) on underlying stock or Exchange-Traded Fund Share that had trading volume of at least 100,000,000 shares during the most recent six-month trading

six-month period, trading volume for BTC was 163,712,700 shares. Arca noted that during the same period, trading volume for BITB was 288,800,860 shares. In addition, Arca noted that, as of November 25, 2024, the market capitalization for BTC was $3,496,748,882[54] with an average daily volume ("ADV") for the preceding three months of 2,036,369 shares, and the market capitalization of BITB was 4,095,157,000[55] with an ADV for the three prior months of 2,480.478. BTC and BITB are well above the requisite minimum of 100,000,000 shares necessary to qualify for the 250,000 contract position and exercise limit. Also, Arca noted that, as of November 25, 2024, there were 19,787,762 bitcoins in circulation.[56] At a price of $94,830 per bitcoin,[57] that equates to a market capitalization of greater than $1.876 trillion. Arca noted that if a position limit of 250,000 contracts were considered for each ETF, the exercisable risk would represent 30.14%[58] of BTC shares outstanding; and 31.27%[59] of BITB shares outstanding. Given the liquidity of BTC and BITB, the current 25,000 position limit appears extremely conservative.

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period; or (ii) on an underlying stock or Exchange-Traded Fund Share that had trading volume of at least 75,000,000 shares during the most recent six-month trading period and has at least 300,000,000 shares currently outstanding).

54 Arca noted that the market capitalization of BTC was determined by multiplying a settlement price ($42.16) by the number of shares outstanding (82,939,964). Data represents figures from FactSet as of November 25, 2024.

55 Arca noted that the market capitalization of BITB was determined by multiplying a settlement price ($51.70) by the number of shares outstanding (79,950,100). Data represents figures from FactSet as of November 25, 2024.

56 See https://www.coingecko.com/en/coins/bitcoin.

57 Arca noted that this is the approximate price of bitcoin from 4:00 p.m. ET on November 25, 2024.

58 Arca noted that this percentage is arrived at with this equation: (250,000 contract limit * 100 shares per option / 82,939,964 BTC shares outstanding).

59 Arca noted that this percentage is arrived at with this equation: (250,000 contract limit * 100 shares per option / 79,950,100 BITB shares outstanding).

First, Arca reviewed the ETFs' data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables. Arca noted that, as noted above, as of November 25, 2024, there were 19,787,762 bitcoins in circulation.[60] Arca noted that at a price of $94,830 per bitcoin,[61] that equates to a market capitalization of greater than $1.876 trillion. Arca noted that if the proposed aggregated position limit of 250,000 contracts were considered, the exercisable risk would represent 30.14% of BTC shares outstanding[62] and 31.27% of BITB shares outstanding.[63] Arca noted that since each ETF has a creation and redemption process managed through the issuer (whereby bitcoin is used to create BTC or BITB shares, as applicable), the position limit can be compared to the total market capitalization of the entire bitcoin market, and in that case, the exercisable risk for options on each ETF would represent less than 0.06% (BTC) or 0.07 % (BITB) of all bitcoin outstanding.[64]

Next, Arca reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the CFTC. While the CFTC, through the relevant Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), the Exchange examined equivalent bitcoin futures position limits. In particular, the Exchange looked to the CME bitcoin

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60 See https://www.coingecko.com/en/coins/bitcoin.

61 Arca noted that is the approximate price of bitcoin from 4:00pm ET on November 25, 2024.

62 Arca noted that this percentage is arrived at with this equation: (250,000 contract limit * 100 shares per option / 82,939,964 BTC shares outstanding).

63 Arca noted that his percentage is arrived at with this equation: (250,000 contract limit * 100 shares per option / 79,950,100 BITB shares outstanding).

64 Arca noted that for BTC, this number was arrived at with this calculation: ((250,000 limit * 100 shares per option * $42.16 settle) / (19,787,762 bitcoin outstanding * $94,830 bitcoin price)); and for BITB, this number was arrived at with this calculation: ((250,000 limit * 100 shares per option * $51.70 settle) / (19,787,762 bitcoin outstanding * $94,830 bitcoin price)).

futures contract[65] that has a position limit of 8,000 futures. Arca noted that, on October 22, 2024, CME bitcoin futures settled at $94,945.[66] Arca noted that, on October 22, 2024, BTC settled at $29.90, and BITB settled at $36.74, which would equate to approximately 31,754,181 and 25,842,406 shares of BTC and BITB, respectively, if the CME notional position limit was utilized. Since substantial portions of any distributed options portfolio are likely to be out of the money on expiration, an options position limit equivalent to the CME position limit for bitcoin futures (considering that all options deltas are <=1.00) should be a bit higher than the CME implied limit of 317,541 (BTC) and 258,424 (BITB).

Of note, unlike options contracts, CME position limits are calculated on a net futures-equivalent basis by contract and include contracts that aggregate into one or more base contracts according to an aggregation ratio(s).[67] Therefore, if a portfolio includes positions in options on futures, CME would aggregate those positions into the underlying futures contracts in accordance with a table published by CME on a delta equivalent value for the relevant spot month, subsequent spot month, single month and all month position limits.[68] If a position exceeds position limits because of an option assignment, CME permits market participants to liquidate the excess position within one business day without being considered in violation of its rules. Additionally, if at the close of trading, a position that includes options exceeds position limits for futures

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65 CME Bitcoin Futures are described in Chapter 350 of CME's Rulebook.

66 See the Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5 of CME's Rulebook.

67 See https://www.cmegroup.com/education/courses/market-regulation/position-limits/positionlimits-aggregation-of-contracts-and-table.htm.

68 See id.

contracts, when evaluated using the delta factors as of that day's close of trading but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation. Considering CME's position limits on bitcoin futures, the Exchange believes a 250,000-contract limit for options on each ETF would be appropriate.

Finally, Arca analyzed a position and exercise limit of 250,000 for BTC and BITB against other options on commodity ETFs, namely SPDR Gold Shares ("GLD") and iShares Silver Trust ("SLV").[69] Arca noted that GLD has a float of 306.1 million shares and a position limit of 250,000 contract.[70] As previously noted, position and exercise limits are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or indirectly, may control. Arca noted that a position limit exercise in GLD would represent 8.17% of the float of GLD. In comparison, Arca noted that a 250,000-contract position limit in each of BTC and BITB, would represent 30.14% of the BTC float and 31.27% of the BITB float. While less conservative than the standard applied to options on GLD, the Exchange nonetheless believes that subjecting options on BTC and BITB to a 250,000-contract position and exercise limit would be appropriate.[71]

Based on the foregoing, the Exchange believes that it has demonstrated that BTC and BITB each have more than sufficient liquidity to garner an increased position and

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69 Like BTC and BITB, GLD and SLV each hold one asset in trust.

70 See https://www.ssga.com/us/en/intermediary/etfs/spdr-gold-shares-gld.

71 See, e.g., Arca Rule 6.8-O, Commentary .06(e) (setting forth trading volume requirements to qualify for a 250,000-contract position (and exercise) limit. BX Options 9, Section 13 looks to other exchange rules.

exercise limit of 250,000 same-side contracts. The Exchange believes that the significant liquidity present in each ETF mitigates against the potential for manipulation.

The Exchange believes that allowing options on each ETF to have increased aggregated position and exercise limits would lead to a more liquid and competitive market environment for such options, which will benefit customers that trade these options. Further, the reporting requirement for such options would remain unchanged. Thus, the Exchange will still require that each Participant that maintains positions in options on BTC or BITB, on the same side of the market, for its own account or for the account of a customer, report certain information to the Exchange. This information includes, but would not be limited to, the options positions, whether such positions are hedged and, if so, a description of the hedge(s). Market Makers[72] would continue to be exempt from this reporting requirement, however, the Exchange may access Market Maker position information.[73] Moreover, the Exchange's requirement that Participants file reports with the Exchange for any customer who held aggregate large long or short positions on the same side of the market of 200 or more option contracts of any single class for the previous day will remain at this level.[74]

GBTC

On October 18, 2024, the Commission approved the listing and trading of GBTC

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72 The term "BX Options Market Maker" or "Options Market Make"" means an Options Participant registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Options 2. See BX Options 1, Section 1(a)(10).

73 OCC through the Large Option Position Reporting ("LOPR") system acts as a centralized service provider for member compliance with position reporting requirements by collecting data from each member, consolidating the information, and ultimately providing detailed listings of each member's report to the Exchange, as well as FINRA, acting as its agent pursuant to a regulatory services agreement ("RSA").

74 See BX Options 9, Section 16.

options on Arca.[75] On November 22, 2024, Arca obtained rule authority to trade GBTC options with a 25,000 contract position limit, the lowest limit available in options.[76] Arca noted that GBTC currently qualifies for a 250,000-limit on same-side contracts pursuant to Arca Rule 6.8-O Commentary .06(e)(i), which requires that trading volume for the underlying security in the most recent six months be at least 100,000,000 shares.[77] Arca noted that, as of November 25, 2024, during the most recent six-month period, trading volume for GBTC was 550,687,400 shares. In addition, Arca noted that, as of November 25, 2024, the market capitalization for GBTC was $20,661,316,542,[78] with an average daily volume ("ADV") for the preceding three months of 3,829,597 shares. GBTC is well above the requisite minimum of 100,000,000 shares necessary to qualify for the 250,000-contract position and exercise limit. Also, Arca noted that, as of November 25, 2024, there were 19,787,762 bitcoins in circulation.[79] At a price of $94,830 per bitcoin,[80] that equates to a market capitalization of greater than $1.876

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75 See Securities Exchange Act Release No. 101386 (October 18, 2024), 89 FR 84960 (October 24, 2024) (SR-NYSEAMER-2024-49) (order approving rules to permit the listing and trading of GBTC options, among others) (the "GBTC Options Approval Order").

76 See Securities Exchange Act Release No. 101713 (November 22, 2024), 89 FR 94839 (November 29, 2024) (SR-NYSEARCA-2024-101) (notice of immediately effective rule change to permit GBTC options trading, based on the already-approved NYSE American rules) (the "Arca GBTC Options Notice").

77 See Arca Rule 6.8-OCommentary .06(e) (providing at subparagraph (e) that the position limit shall be 250,000 contracts for options: (i) on underlying stock or Exchange-Traded Fund Share that had trading volume of at least 100,000,000 shares during the most recent six-month trading period; or (ii) on an underlying stock or Exchange-Traded Fund Share that had trading volume of at least 75,000,000 shares during the most recent six-month trading period and has at least 300,000,000 shares currently outstanding). BX Options 9, Section 13 looks to the rules of other options exchanges.

78 Arca noted that the market capitalization of GBTC was determined by multiplying a settlement price ($75.42) by the number of shares outstanding (273,950,100) and that the data represents figures from FactSet as of November 25, 2024.

79 See https://www.coingecko.com/en/coins/bitcoin.

80 Arca noted that this is the approximate price of bitcoin from 4:00 p.m. ET on November 25, 2024.

trillion. If an aggregated position and exercise limit of 250,000 contracts were considered, Arca noted that the exercisable risk would represent 9.13%[81] of GBTC shares outstanding. Given GBTC's liquidity, the current 25,000-contract position (and exercise) limit is extremely conservative.

First, Arca reviewed GBTC's data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables. As noted above, as of November 25, 2024, Arca noted that there were 19,787,762 bitcoins in circulation.[82] At a price of $94,830 per bitcoin,[83] Arca noted that equates to a market capitalization of greater than $1.876 trillion. If an aggregated position (and exercise) limit of 250,000 contracts were considered, Arca noted that the exercisable risk would represent 9.13%[84] of the outstanding shares outstanding of GBTC. Since GBTC has a creation and redemption process managed through the issuer (whereby bitcoin is used to create GBTC shares), the position limit can be compared to the total market capitalization of the entire bitcoin market, and in that case, the exercisable risk for options on GBTC would represent less than 0.10% of all bitcoin outstanding.[85] Arca noed that if GBTC options were subject to a 250,000-contract position and exercise limit (based on GBTC trading volume) and if all options on GBTC shares were exercised at once, this occurrence would have a virtually unnoticed impact on the entire bitcoin

81 Arca noted that this percentage is arrived at with this equation: (250,000 contract limit * 100 shares per option / 273,950.100 shares outstanding).

82 See https://www.coingecko.com/en/coins/bitcoin.

83 Arca noted that this is the approximate price of bitcoin from 4:00pm ET on November 25, 2024.

84 Arca noted that this percentage is arrived at with this equation: (250,000 contract limit * 100 shares per option / 273,950,100 shares outstanding).

85 Arca noted that this number was arrived at with this calculation: ((250,000 limit * 100 shares per option * $75.42 settle) / (19,787,762 BTC outstanding * $94,830 BTC price)).

market. This analysis demonstrates that a 250,000-contract position (and exercise) limit for GBTC options would be appropriate given GBTC's liquidity.

Next, Arca reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the CFTC. While the CFTC, through the relevant Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), Arca examined equivalent bitcoin futures position limits. In particular, Arca looked to the CME bitcoin futures contract,[86] which has a position limit of 2,000 futures (for the initial spot month).[87] Arca noted that, on October 22, 2024, CME bitcoin futures settled at $94,945.[88] Arca noted that on October 22, 2024, GBTC settled at $53.64, which would equate to greater than 17,700,410 shares of GBTC if the CME notional position limit was utilized. Since substantial portions of any distributed options portfolio are likely to be out of the money on expiration, Arca noted that an options position limit equivalent to the CME position limit for bitcoin futures (considering that all options deltas are <=1.00) should be a bit higher than the CME implied limit of 177,004.

Of note, unlike options contracts, CME position limits are calculated on a net futures-equivalent basis by contract and include contracts that aggregate into one or more base contracts according to an aggregation ratio(s).[89] Therefore, if a portfolio

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86 CME Bitcoin Futures are described in Chapter 350 of CME's Rulebook.

87 See the Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5 of CME's Rulebook. Each CME bitcoin futures contract is valued at five bitcoins as defined by the CME CF Bitcoin Reference Rate ("BRR"). See CME Rule 35001.

88 Arca noted that 2,000 futures at a 5-bitcoin multiplier (per the contract specifications) equates to $949,450,000 (2000 contracts * 5 BTC per contract * $94,945 price of November BTC future) of notional value.

89 See https://www.cmegroup.com/education/courses/market-regulation/position-limits/positionlimits-aggregation-of-contracts-and-table.htm.

includes positions in options on futures, CME would aggregate those positions into the underlying futures contracts in accordance with a table published by CME on a delta equivalent value for the relevant spot month, subsequent spot month, single month and all month position limits.[90] If a position exceeds position limits because of an option assignment, CME permits market participants to liquidate the excess position within one business day without being considered in violation of its rules. Additionally, if at the close of trading, a position that includes options exceeds position limits for futures contracts, when evaluated using the delta factors as of that day's close of trading but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation. Considering CME's position limits on bitcoin futures, the Exchange believes a 250,000-contract limit for GBTC options would be appropriate.

Finally, Arca analyzed a position and exercise limit of 250,000 for GBTC against options on SPDR Gold Shares ("GLD"), which (like GBTC), is a commodity-backed ETF.[91] Arca noted that GLD has a float of 306.1 million shares and a position limit of 250,000 contracts.[92] As previously noted, position and exercise limits are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or indirectly, may control. Arca noted that a position limit exercise in GLD would represent 8.17% of the float of GLD. In comparison, Arca noted that a 250,000contract position limit in GBTC would represent 9.13% of the float of GBTC. . While less conservative than the standard

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90 See id.

91 GLD, like GBTC, holds one asset in trust.

92 See https://www.ssga.com/us/en/intermediary/etfs/spdr-gold-shares-gld.

applied to options on GLD, the Exchange nonetheless believes that subjecting GBTC options to a 250,000 contract position and exercise limit would be appropriate.[93]

Based on the foregoing, the Exchange believes that it has demonstrated that GBTC has more than sufficient liquidity to garner an increased position and exercise limit of 250,000 same-side contracts. The Exchange believes that the significant liquidity present in GBTC mitigates against the potential for manipulation.

The Exchange also has no reason to believe that the growth in trading volume in IBIT, BTC, BITB, and GBTC options will not continue. Rather, the Exchange expects continued options volume growth in IBIT, BTC, BITB, and GBTC as opportunities for investors to participate in the options markets increase and evolve. The Exchange believes that the current position and exercise limits in IBIT, BTC, BITB, and GBTC options are restrictive and will hamper the listed options markets from being able to compete fairly and effectively with the over-the-counter ("OTC") markets. OTC transactions occur through bilateral agreements, the terms of which are not publicly disclosed to the marketplace. As such, OTC transactions do not contribute to the price discovery process on a public exchange or other lit markets. The Exchange believes that without the proposed changes to position and exercise limits for IBIT, BTC, BITB, and GBTC options, market participants will find the 25,000- contract position limit an impediment to their business and investment objectives as well as an impediment to efficient pricing. As a result, market participants may find the less transparent OTC markets a more attractive alternative to achieve their investment and hedging objectives,

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93 See, e.g., Arca Rule 6.8-O, Commentary .06(e) (setting forth trading volume requirements to qualify for a 250,000-contract position (and exercise) limit). BX Options 9, Section 13 looks to other exchange trading requirements.

leading to a retreat from the listed options markets, where trades are subject to reporting requirements and daily surveillance.

The Exchange believes that the existing surveillance procedures and reporting requirements at the Exchange are capable of properly identifying disruptive and/or manipulative trading activity. The Exchange also represents that it has adequate surveillances in place to detect potential manipulation, as well as reviews in place to identify continued compliance with the Exchange's listing standards. These procedures monitor market activity to identify unusual activity in both options and the underlying equities.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[94] in general, and furthers the objectives of Section 6(b)(5) of the Act,[95] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

Position Limits

IBIT

The Exchange believes that removing the limitation of 25,000 contracts for

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94 15 U.S.C. 78f(b).

95 15 U.S.C. 78f(b)(5).

options on IBIT in Options 9, Sections 13(a)(1) and 15(a)(1) would increase the position and exercise limits for options on IBIT from 25,000 to 250,000 contracts based on the current limits set by other exchanges, such as ISE, so its position limit would be reviewed similar to all other options is consistent with the Act. This proposal will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it will provide market participants with the ability to more effectively execute their trading and hedging activities. Also, based on current trading volume, the resulting increase in the position (and exercise) limits for IBIT options may allow Market Makers to maintain their liquidity in these options in amounts commensurate with the continued high consumer demand in IBIT options. Subjecting options on IBIT to the position limits in Options 9, Sections 13 and corresponding exercise limits in Options 9, Section 15 may also encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. Further, this amendment would allow institutional investors to utilize IBIT options for prudent risk management purposes. The Exchange notes that IBIT's position limits would be reviewed on a six month basis, based on the rules of other options markets such as ISE Options 9, Section 13(d), similar to other options.

In addition, the Exchange believes that the current liquidity in IBIT will mitigate concerns regarding potential manipulation of IBIT options and/or disruption of IBIT upon amending Options 9, Sections 13 and 15 to remove the 25,000 position and exercise limit for options on IBIT.

Additionally, the regression model performed by ISE demonstrates that the proposed position limit is half of the modeled limit given the liquidity of IBIT. Comparing IBIT's data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables, ISE was able to conclude that if a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%[96] of the shares outstanding of IBIT. ISE noted that since IBIT has a creation and redemption process managed through the issuer (whereby Bitcoin is used to create IBIT shares), the position limit can be compared to the total market capitalization of the entire bitcoin market and in that case, the exercisable risk for options on IBIT would represent less than .072% of all bitcoin outstanding.[97] ISE also noted that comparing the proposed position limit to position limits for equivalent bitcoin futures position limits, the analysis demonstrated that a 250,000 contracts position and exercise limits would be appropriate.

Comparing a position limit of 250,000 for IBIT options against other options on ETFs with an underling commodity, namely GLD, SLV and BITO, ISE noted that a position limit exercise in GLD represents 8.17% of the float of GLD, a position limit exercise in SLV represents 4.8% of the float of SLV, and a position limit exercise of BITO represents 23.22% of the float of BITO. In comparison, ISE noted that a 250,000 contract position limit in IBIT options would represent 2.89% of the float of IBIT. Consequently, a 250,000 IBIT options position limit is more conservative than the

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96 ISE noted that this percentage is arrived at with this equation: (250,000 contract limit * 100 shares per option / 866,040,000 shares outstanding).

97 ISE noted that this number was arrived at with this calculation: ((250,000 limit * 100 shares per option * $54.02 settle) / (19,787,762 BTC outstanding * $94,830 BTC price)).

standard applied to GLD, SLV and BITO, and appropriate. Also, ISE noted that Cboe's proprietary CBTX and MBTX indices weight IBIT the highest (at 20%) in its index composition among the other ETFs that comprise the index.[98] The Exchange notes that today, these indexes have a position of 24,000 contracts which is much higher than the current position limits for IBIT options when considering the notional value of the indices.[99] These indexes are already trading with position and exercise limits that are higher than the lowest position limit for an industry index option.[100]

ISE noted that IBIT began trading in penny increments on January 2, 2025 pursuant to the Penny Interval Program.[101] The Commission noted that evidence contained in both ISE's Report and the Cornerstone analysis demonstrated that the Penny Pilot has benefitted investors and other market participants in the form of

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98 See https://www.cboe.com/tradable_products/bitcoin-etf-index-options?utm_source=mcae&utm_medium=email&utm_campaign=bitcoin_eft_options_launch.

99 See Cboe Rule 8.32(a). ISE noted that given the multiplier and notional value of CBTX, the index has a position and exercise limit that equates to 1,000,000 contracts of in kind exposure to IBIT, which is more than 40 times greater than the exposure for options on IBIT at the current 25,000 contract position and exercise limit.

100 ISE noted that 18,000 contracts is the lowest position limit for industry index options. Further, Cboe Rule 8.32(a)(3) permits a limit of 31,500 contracts if the Exchange determines that the conditions specified in Rule 8.32(a)(1) and (2), which would require the establishment of a lower limit, have not occurred.

101 The Exchange may add to the Penny Program a newly listed option class provided that (i) it is among the 300 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in its first full calendar month of trading and (ii) the underlying security is priced below $200 or the underlying index is at an index level below $200. Any option class added under this provision will be added on the first trading day of the month after it qualifies and will remain in the Penny Program for one full calendar year, after which it will be subject to the Annual Review described in Supplementary Material .01(b) to Options 3, Section 3. The Exchange may add any option class to the Penny Program, provided that (i) it is among the 75 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in the past six full calendar months of trading and (ii) the underlying security is priced below $200 or the underlying index is at an index level below $200. Any option class added under this provision will be added on the first trading day of the second full month after it qualifies and will remain in the Penny Program for the rest of the calendar year, after which it will be subject to the Annual Review as described in Supplementary Material .01(b) to BX Options 3, Section 3. See Supplementary Material .01 to BX Options 3, Section 3.

narrower spreads.[102] The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests). As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class that experience a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.[103] IBIT options are among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments pursuant to the Penny Interval Program. Failing to permit IBIT options to potentially increase position and exercise limits given the trading in finer increments, may artificially inhibit liquidity and create price inefficiency for IBIT options.

Finally, as discussed above, the Exchange's surveillance and reporting safeguards continue to be designed to deter and detect possible manipulative behavior that might arise from increasing or eliminating position and exercise limits in certain classes. The Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged positions in the options on the underlying securities, further promoting just and equitable principles of trading, the maintenance of a fair and orderly market, and the protection of investors.

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102 See Securities Exchange Act Release No. 88532 (April 1, 2020), 85 FR 19545, 19548 (April 7, 2020) (File No. 4–443) (Joint Industry Plan; Order Approving Amendment No. 5 to the Plan for the Purpose of Developing and Implementing Procedures Designed To Facilitate the Listing and Trading of Standardized Options To Adopt a Penny Interval Program) ("Penny Approval Order").

103 See id. at 19548.

BTC and BITB

The Exchange believes the proposed rule change to remove the 25,000-contract position (and exercise) limit on BTC and BITB options thus allowing such options to qualify for higher aggregated limits will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest as it will provide market participants with the ability to more effectively execute their trading and hedging activities. In addition, this proposed change may allow Market Makers to maintain their liquidity in these options in amounts commensurate with the continued demand for BTC and BITB options. Further, an increased aggregated position (and exercise) limit on BTC and BITB options may encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. The Exchange notes that permitting a higher aggregated position (and exercise) limit on BTC and BITB options would further allow institutional investors to utilize such options for prudent risk management purposes.

As noted herein, Arca analyzed several data points that support the appropriateness of an aggregated position (and exercise) limit of 250,000 contracts for BTC and BITB options based on recent trading volume in each ETF. Specifically, Arca noted that a comparison of each ETF's market capitalization to the bitcoin market in terms of exercise risk and availability of deliverables revealed that the exercisable risk of an aggregated limit of 250,000 contracts represented 30.14% and 31.27% of BTC and BITB shares outstanding. Further, Arca noted that since each ETF has a creation and redemption process managed through the issuer (whereby bitcoin is used to create BTC or BITB shares, as applicable), a 250,000-contract position (and exercise) limit as compared to the market capitalization of the bitcoin market indicated that the exercisable risk for options on each ETF represented less than 0.06 % (BTC) or 0.07% (BITB) of all bitcoin outstanding as noted by Arca. Moreover, a comparison of a 250,000-contract position limit for options on each ETF to the (actual) position limits for equivalent bitcoin futures revealed that a 250,000-contract limit for each ETF would be appropriate. Finally, Arca compared an aggregated position limit of 250,000 contracts for each ETF against GLD, another commodity-backed ETF. Arca noted that a position limit exercise in GLD represents 8.17% of the float of GLD. By comparison, Arca noted that a position limit exercise in each ETF (assuming a 250,000-contract limit would represent 30.14% (BTC) and 31.27% (BITB) of that ETF's float. Although a 250,000-contract position (and exercise) limit on BTC and BITB options would not be as conservative as the standard applied to GLD, it is comparable and therefore appropriate.

GBTC

The Exchange believes the proposed rule change to remove the 25,000-contract position (and exercise) limit on GBTC options thus allowing such options to qualify for higher aggregated limits will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest as it will provide market participants with the ability to more effectively execute their trading and hedging activities. In addition, this proposed change may allow Market Makers to maintain their liquidity in these options in amounts commensurate with the continued demand for GBTC options. Further, an increased aggregated position (and exercise) limit on GBTC options may encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. The Exchange notes that permitting a higher aggregated position (and exercise) limit on GBTC options would further allow institutional investors to utilize such options for prudent risk management purposes.

As noted herein, Arca analyzed several data points that support the appropriateness of an aggregated position (and exercise) limit of 250,000 contracts for GBTC options based on recent trading volume in GBTC. Specifically, Arca noted that a comparison of GBTC's market capitalization to the bitcoin market in terms of exercise risk and availability of deliverables revealed that the exercisable risk of an aggregated limit of 250,000 contracts represented 9.13%of GBTC shares outstanding. Further, since GBTC has a creation and redemption process managed through the issuer (whereby bitcoin is used to create GBTC shares), Arca noted that a 250,000-contract position (and exercise) limit as compared to the market capitalization of the bitcoin market indicated that the exercisable risk for GBTC options represented less than 0.10% of all bitcoin outstanding as noted by Arca. Moreover, a comparison of a 250,000-contract position limit for GBTC options to the (actual) position limits for equivalent bitcoin futures revealed that a 250,000-contract limit would be appropriate. Finally, Arca compared an aggregated position limit of 250,000 contracts for GBTC options against GLD, another commodity backed ETF. Arca noted that a position limit exercise in GLD represents 8.17% of the float of GLD. By comparison, Arca noted that a position limit exercise in GBTC options (assuming a 250,000-contract limit) would represent 9.13% of the GBTC float. Although a 250,000-contract position (and exercise) limit on GBTC options would not be as conservative as the standard applied to GLD, it is comparable and therefore appropriate.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Position Limits

The Exchange's proposal does not burden intra-market competition because all Participants would be subject to the position limits in Options 9, Sections 13 and corresponding exercise limits in Options 9, Section 15. The Exchange believes that the proposed rule change will also provide additional opportunities for market participants to continue to efficiently achieve their investment and trading objectives for equity options on the Exchange.

The Exchange does not believe that the proposed rule change will impose any burden on inter-market competition. The Exchange expects that all option exchanges will adopt substantively similar proposals, such that the Exchange's proposal would benefit competition. For these reasons, the Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Members, or Others

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)[104] of the Act and Rule 19b-4(f)(6) thereunder[105] in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The proposed does not significantly affect the protection of investors or the public interest. The Exchange believes that allowing options on IBIT, BTC, BITB, and GTBC to have effectively increased aggregated position and exercise limits would lead to a more liquid and competitive market environment for such options, which will benefit customers that trade these options. Further, the reporting requirement for such options would remain unchanged. Thus, the Exchange will still require that each member that maintains positions in options on IBIT, BTC, BITB, and GTBC, on the same side of the market, for its own account or for the account of a customer, report certain information to the Exchange. This information includes, but would not be limited to, the options positions, whether such positions are hedged and, if so, a

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104 15 U.S.C. 78s(b)(3)(A)(iii).

105 17 CFR 240.19b-4(f)(6).

description of the hedge(s). Market Makers would continue to be exempt from this reporting requirement, however, the Exchange may access Market Maker position information.[106] Moreover, the Exchange's requirement that Participants file reports with the Exchange for any customer who held aggregate large long or short positions on the same side of the market of 200 or more option contracts of any single class for the previous day will remain at this level and will continue to serve as an important part of the Exchange's surveillance efforts.[107]

Also, the Exchange's proposal does not impose any significant burden on competition because all Participants would be subject to the position limits in BX Options 9, Sections 13 and corresponding exercise limits in BX Options 9, Section 15. The Exchange believes that the proposed rule change will also provide additional opportunities for market participants to continue to efficiently achieve their investment and trading objectives for equity options on the Exchange.

Furthermore, Rule 19b-4(f)(6)(iii)[108] requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the

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106 OCC through the Large Option Position Reporting ("LOPR") system acts as a centralized service provider for member compliance with position reporting requirements by collecting data from each member, consolidating the information, and ultimately providing detailed listings of each member's report to the Exchange, as well as FINRA, acting as its agent pursuant to a regulatory services agreement ("RSA").

107 See Options 9, Section 16.

108 17 CFR 240.19b-4(f)(6)(iii).

Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30 day operative delay period. Waiver of the operative delay is consistent with the protection of investors and the public interest because it will align BX's position and exercise limits with other options exchanges. The amendment to the position and exercise limits is an industry-wide proposal, implementation will require that all U.S. listed options exchanges adopt similar rule language regarding position limits.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission.

With respect to the position limits proposal, ISE received approval to eliminate the current 25,000 contract position and exercise limit for options on IBIT.[109] Additionally, recently, Arca received approval to eliminate the current 25,000 contract position and exercise limit for options on BTC and BITB.[110] Finally, Arca recently

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109 See Securities Exchange Act Release No. 103564 (July 29, 2025) (SR-ISE-2024-62) (not yet noticed).

110 See Securities Exchange Act Release No. 103568 (July 29, 2025) (SR-NYSEArca-2025-10) (not yet noticed).

received approval to eliminate the current 25,000 contract position and exercise limit for options on GBTC.[111]

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.

5. Text of the proposed rule change.

111 See Securities Exchange Act Release No. 103567 (July 29, 2025) (SR-NYSEArca-2025-07) (not yet noticed).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-BX-2025-014)

August __, 2025

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Position and Exercise Limits

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on August 1, 2025, Nasdaq BX, Inc. ("BX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Options 9, Section 13, Position Limits, and Options 9, Section 15, Exercise Limits, with respect to options on the iShares Bitcoin Trust ETF ("IBIT"), the Grayscale Bitcoin Mini Trust ETF ("BTC"), the Bitwise Bitcoin ETF ("BITB") and the Grayscale Bitcoin Trust ETF ("GBTC").

The text of the proposed rule change is available on the Exchange's Website at https://listingcenter.nasdaq.com/rulebook/bx/rulefilings, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Options 9, Section 13, Position Limits, and Options 9, Section 15, Exercise Limits, with respect to options on the iShares Bitcoin Trust ETF ("IBIT"), the Grayscale Bitcoin Mini Trust ETF ("BTC"), the Bitwise Bitcoin ETF ("BITB") and the Grayscale Bitcoin Trust ETF ("GBTC"). Each change will be described below.

Position Limits

The Exchange proposes to amend its rules relating to position limits at Options 9, Section 13, and exercise limits at Options 9, Section 15. Recently, Nasdaq ISE, LLC ("ISE") received approval to eliminate the current 25,000 contract position and exercise limit for options on IBIT.[3] As a result, ISE would apply the position limits as determined by ISE Options 9, Section 13(d) to options on IBIT and exercise limits as determined by ISE Options 9, Section 15. Additionally, recently, NYSE Arca, Inc. ("Arca") received approval to eliminate the current 25,000 contract position and exercise limit for options

[3] See Securities Exchange Act Release No. 103564 (July 29, 2025), (SR-ISE-2024-62) (not yet published).

on BTC and BITB.[4] As a result, Arca would apply the position limits as determined by Arca Rule 6.8-O, Commentary .06(a)-(e) to options on BTC and BITB. Finally, Arca recently received approval to eliminate the current 25,000 contract position and exercise limit for options on GBTC.[5] As a result, Arca would apply the position limits as determined by Arca Rule 6.8-O, Commentary .06(a)-(e) to options on GBTC.

The Exchange proposes to similarly amend its position limit rules at BX Options 9, Section 13 and exercise limits at Options 9, Section 15 to likewise eliminate the current 25,000 contract position and exercise limit for options on IBIT, BTC, BITB and GTBC. As a result, IBIT, BTC, BITB and GTBC would be subject to the position limits described in BX Options 9, Section 13 and the corresponding exercise limits in BX Options 9, Section 15.

IBIT

IBIT is an Exchange-Traded Fund ("ETF") that holds bitcoin and is listed on The Nasdaq Stock Market LLC.[6] On September 20, 2024, ISE received approval to list

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4 See Securities Exchange Act Release No. 103568 (July 29, 2025) (SR-NYSEArca-2025-10) (not yet noticed).

5 See Securities Exchange Act Release No. 103567 (July 29, 2025) (SR-NYSEArca-2025-07) (not yet noticed).

6 Nasdaq received approval to list and trade Bitcoin-Based Commodity-Based Trust Shares in IBIT pursuant to Rule 5711(d) of Nasdaq. See Securities Exchange Act Release No. 99306 (January 10, 2024), 89 FR 3008 (January 17, 2024) (SR-NASDAQ-2023-016) (Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, To List and Trade Bitcoin-Based Commodity-Based Trust Shares and Trust Units). IBIT started trading on January 11, 2024.

options on IBIT.[7] The current position and exercise limits for IBIT options are 25,000 contracts as stated in Options 9, Sections 13 and 15, the lowest limit available in options.[8]

Per the Commission "rules regarding position and exercise limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options positions."[9] For this reason, the Commission requires that "position and exercise limits must be sufficient to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security."[10] Based on its review of the data and analysis provided by ISE, the Commission concluded that the 25,000 contract position limit for non-FLEX IBIT options satisfied these objectives.[11]

While ISE proposed an aggregated 25,000 contract position limit for IBIT options in its IBIT Approval Order, it nonetheless believed that evidence existed to support a much higher position limit. Specifically, the Commission has considered and reviewed the ISE's analysis in its IBIT Approval Order that the exercisable risk associated with a position limit of 25,000 contracts represented only 0.4% of the outstanding shares of

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7 See Securities Exchange Act Release No. 101128 (September 20, 2024), 89 FR 78942 (September 26, 2024) (SR-ISE-2024-03) (Notice of Filing of Amendment Nos. 4 and 5 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1, 4, and 5, To Permit the Listing and Trading of Options on the iShares Bitcoin Trust) ("IBIT Approval Order"). ISE began trading IBIT options on November 19, 2024.

8 Options on Fidelity Wise Origin Bitcoin Fund, ARK 21Shares Bitcoin ETF, Grayscale Bitcoin Trust (BTC), Grayscale Bitcoin Mini Trust BTC, and Bitwise Bitcoin ETF are also subject to a 25,000 contract position and exercise limit.

9 See Securities Exchange Act Release No. 101128 (September 20, 2024), 89 FR 78942 at 78946 (September 26, 2025) (SR-ISE-2024-03) (Notice of Filing of Amendment Nos. 4 and 5 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1, 4, and 5, To Permit the Listing and Trading of Options on the iShares Bitcoin Trust).

10 See id.

11 See id.

IBIT.[12] The Commission also has considered and reviewed the ISE's statement its IBIT Approval Order that with a position limit of 25,000 contracts on the same side of the market and 611,040,00 shares of IBIT outstanding, 244 market participants would have to simultaneously exercise their positions to place IBIT under stress.[13] Based on the Commission's review of this information and analysis, the Commission concluded that the proposed position and exercise limits of 25,000 contracts were designed to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security, and to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position.[14]

IBIT currently qualifies for a 250,000 contract position limit pursuant to the criteria in Options 9, Section 13, which requires that, for the most recent six-month period, trading volume for the underlying security be at least 100 million shares.[15] As of November 25, 2024, the market capitalization for IBIT was $46,783,480,800[16] with an average daily volume ("ADV"), for the preceding three months prior to November 25,

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12 See id. Data represents figures from August 12, 2024.

13 See id. Data represents figures from August 12, 2024.

14 See id.

15 BX Options 9, Section 13(a)(3) provides that no Options Participant shall make, for any account in which it has an interest or for the account of any customer, an opening transaction on any exchange if the Options Participant has reason to believe that as a result of such transaction the Options Participant or its customer would, acting alone or in concert with others, directly or indirectly:….(3) exceed the applicable position limit fixed from time to time by another exchange for an options contract not traded on BX Options, when the Options Participant is not a member of the other exchange on which the transaction was effected. In this case, ISE Options 9, Section 13(d).

16 The market capitalization was determined by multiplying a settlement price of ($54.02) by the number of shares outstanding (866,040,000). This figure was acquired as of November 25, 2024. See https://www.ishares.com/us/products/333011/ishares-bitcoin-trust-etf.

2024, of 39,421,877 shares. IBIT is well above the requisite minimum of 100 million shares necessary to qualify for the 250,000 contract position limit. Also, as of November 25, 2024, there are 19,787,762 bitcoins in circulation.[17] At a price of $94,830,[18] that equates to a market capitalization of greater than $1.876 trillion US. If a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%[19] of the outstanding shares outstanding of IBIT. Given IBIT's liquidity, the current 25,000 position limit is extremely conservative.

Position limits, and exercise limits, are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or indirectly, may control. These limits, which are described in BX Options 9, Sections 13 and 15, are intended to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as disrupting the market in the security underlying the options. Position and exercise limits must balance concerns regarding mitigating potential manipulation and the cost of inhibiting potential hedging activity that could be used for legitimate economic purposes.

To achieve this balance, BX proposes to remove IBIT from Options 9, Section 13(a)(1), regarding position limits, and Options 9, Section 15(a)(1), regarding exercise limits, so that options on IBIT may trade similar to all other options for which the Exchange has not filed to otherwise increase the position limits. As a result of removing the limitations for options in IBIT from Options 9, Sections 13(a)(1) and 15(a)(1), it

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17 See https://www.coingecko.com/en/coins/bitcoin.

18 This is the approximate price of bitcoin from 4:00pm ET on November 25, 2024.

19 This percentage was arrived at with this equation: (250,000 contract limit * 100 shares per option / 866,040,000 shares outstanding).

would increase the position and exercise limits for options on IBIT from 25,000 to 250,000 contracts based on the current limits set by other exchanges, such as ISE. Like other options, IBIT would be subject to subsequent six (6) month reviews to determine future position and exercise limits similar to all other options as noted in other exchange rules such as ISE Options 9, Section 13(d).

In addition to IBIT's eligibility for 250,000 contracts, ISE performed additional analysis with respect to IBIT. First, ISE considered IBIT's market capitalization and Average Daily Volume ("ADV"), and prospective position limit in relation to other securities. In measuring IBIT against other securities, ISE aggregated market capitalization and volume data for securities that have defined position limits utilizing data from The Options Clearing Corporations ("OCC").[20] This pool of data took into consideration 3,897 options on single stock securities, excluding broad based ETFs.[21] Next, the data was aggregated by ISE based on market capitalization and ADV and grouped by option symbol and position limit utilizing statistical thresholds for ADV, based on ninety days, and market capitalization that were one standard deviation above the mean for each position limit category (i.e. 25,000, 50,000 to 65,000, 75,000, 100,000 to less than 250,000, and 250,000).[22] This exercise was performed to demonstrate IBIT's

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20 ISE noted that the computations are based on OCC data from November 25, 2024. Data displaying zero values in market capitalization or ADV were removed.

21 ISE noted that IBIT has one asset and therefore is not comparable to a broad based ETF where there are typically multiple components.

22 ISE noted that its Options 9, Section 13(d) sets out position limits for various contracts. For example, a 25,000 contract limit applies to those options having an underlying security that does not meet the requirements for a higher options contract limit. ISE noted that position limits may also be higher due to corporate actions in the underlying equities, such as a stock split. See https://www.theocc.com/market-data/market-data-reports/series-and-trading-data/position-limits. As a result, ISE's pool of data considered higher position limits than 250,000 contracts, where applicable.

position limit relative to other options symbols in terms of market capitalization and ADV. For reference, the market capitalization for IBIT was $46,783,480,800[23] with an ADV, for the preceding three months prior to November 25, 2024, of 39,421,877 shares.

Market Cap Statistics	**25k**	**50k**	**75k**	**100k - <250k**	**250k - <500k**	**500k - 1mm**	**>1mm**
# of observations	562	473	651	240	1934	27	10
average	1,038,795,162	2,957,127,045	4,466,049,699	5,390,836,360	26,286,624,063	67,390,777,100	717,540,906,097
median	360,130,143	889,627,570	1,445,831,231	1,643,123,279	3,535,963,213	27,063,940,966	90,047,209,478
min	2,204,436	4,211,156	3,830,532	5,090,230	1,616,094	2,762,394,749	11,786,645,969
max	36,120,249,097	70,846,805,916	174,820,296,591	106,971,594,180	3,573,884,443,220	733,972,714,698	3,358,647,600,000
IBIT % rank	**100.00%**	**98.94%**	**98.77%**	**98.33%**	**88.57%**	**59.26%**	**20.00%**

90-Day ADV Statistics	**25k**	**50k**	**75k**	**100k - <250k**	**250k - <500k**	**500k - 1mm**	**>1mm**
# of observations	562	473	651	240	1934	27	10
average	76,586	213,419	425,542	623,888	3,510,784	5,930,607	44,610,385
median	67,231	206,402	409,177	625,882	1,620,931	4,724,248	18,017,607
min	4,791	10,084	18,191	105,713	16,276	1,207,242	1,771,544

23 ISE noted that the market capitalization was determined by multiplying a settlement price of ($54.02) by the number of shares outstanding (866,040,000). This figure was acquired as of November 25, 2024. See https://www.ishares.com/us/products/333011/ishares-bitcoin-trust-etf.

max	244,499	564,451	989,341	1,339,553	88,351,060	22,397,311	271,230,790
IBIT % rank	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**99.43%**	**100.00%**	**80.00%**

Based on the above table, ISE noted that if IBIT were compared to the 1,934 stocks that have position limits of 250,000 contracts to less than 500,000 contracts it would rank in the 88th percentile for market capitalization and the 99th percentile for ADV.

ISE also analyzed the position limits for IBIT by regressing the market capitalization figures and 90-day ADV of all non-ETF equities, against their respective position limit figures. From this regression, ISE was able to determine the implied coefficients to create a formulaic method for determining an appropriate position limit.[24] In this case, the modeled position limit is 565,796 contracts.[25] The results of the study are below.

Regression Statistics	
Multiple R	0.496800597
R Square	0.246810833
Adjusted R Square	0.246361643
Standard Error	202227.4271
Observations	3905

ANOVA

	df	*SS*	*MS*	*F*
Regression	2	5.2304E+13	2.6152E+13	639.482566
Residual	3903	1.5962E+14	4.0896E+10	
Total	3905	2.1192E+14		

[24] ISE utilized Excel's Data Analysis Package to model the position limit.

[25] ISE utilized this formula to arrive at the number of contracts: ((46,783,380,800 mkt cap * 0.0000002630 market cap coefficient) + (39,421,877 ADV * 0.0140402219 ADV coefficient)).

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	0	#N/A	#N/A	#N/A
Market Cap	0.0000002630	3.3371E-08	7.88130564	4.1699E-15
90-day ADV	0.0140402219	0.00055818	25.1533643	1.613E-129

Based on the aforementioned analysis, the Exchange believes that the proposed 250,000 contracts for position and exercise limits is appropriate.

Second, ISE reviewed IBIT's data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables. ISE noted that, as of November 25, 2024, there are 19,787,762 bitcoins in circulation.[26] At a price of $94,830,[27] that equates to a market capitalization of greater than $1.876 trillion US. ISE stated that if a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%[28] of the outstanding shares outstanding of IBIT. Since IBIT has a creation and redemption process managed through the issuer, ISE noted that the position limit can be compared to the total market capitalization of the entire bitcoin market and in that case, the exercisable risk for options on IBIT would represent less than .072% of all bitcoin outstanding.[29] ISE concluded that assuming a scenario where all options on IBIT shares were exercised given the proposed 250,000 contract position limit (and exercise limit), this would have a virtually unnoticed impact on the entire bitcoin

26 See https://www.coingecko.com/en/coins/bitcoin.

27 ISE noted that this was the approximate price of bitcoin from 4:00pm ET on November 25, 2024.

28 ISE noted that this percentage was arrived at with this equation: (250,000 contract limit * 100 shares per option / 866,040,000 shares outstanding).

29 ISE noted that this number was arrived at with this calculation: ((250,000 limit * 100 shares per option * $54.02 settle) / (19,787,762 BTC outstanding * $94,830 BTC price)).

market. This analysis demonstrates that the proposed effective 250,000 per same side position and exercise limit is appropriate for options on IBIT given its liquidity.

Third, ISE reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the Commodity Futures Trading Commission ("CFTC"). While the CFTC, through the relevant Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), ISE examined equivalent bitcoin futures position limits. In particular, ISE looked to the CME bitcoin futures contract[30] that has a position limit of 2,000 futures.[31] On October 22, 2024, CME bitcoin futures settled at $94,945.[32] ISE noted that, on October 22, 2024, IBIT settled at $54.02, which would equate to greater than 17,557,898 shares of IBIT if the CME notional position limit was utilized. Since substantial portions of any distributed options portfolio is likely to be out of the money on expiration, ISE noted that an options position limit equivalent to the CME position limit for bitcoin futures (considering that all options deltas are <=1.00) should be a bit higher than the CME implied 175,578 limit. Of note, unlike options contracts, CME position limits are calculated on a net futures-equivalent basis by contract and include contracts that aggregate into one or more base contracts according to an aggregation ratio(s).[33] Therefore, if a portfolio includes positions in options on futures, CME would aggregate those positions into the underlying futures contracts in accordance with a table published

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[30] CME Bitcoin Futures are described in Chapter 350 of CME's Rulebook.

[31] See the Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5 of CME's Rulebook.

[32] 2,000 futures at a 5 bitcoin multiplier (per the contract specifications) equates to $949,450,000 (2000 contracts * 5 BTC per contract * $94,945 price of November BTC future) of notional value.

[33] See https://www.cmegroup.com/education/courses/market-regulation/position-limits/position-limits-aggregation-of-contracts-and-table.htm.

by CME on a delta equivalent value for the relevant spot month, subsequent spot month, single month and all month position limits.[34] If a position exceeds position limits because of an option assignment, CME permits market participants to liquidate the excess position within one business day without being considered in violation of its rules. Additionally, if at the close of trading, a position that includes options exceeds position limits for futures contracts, when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation. Based on the aforementioned analysis, the Exchange believes that the proposed 250,000 contracts for position and exercise limits is appropriate.

Fourth, ISE analyzed a position and exercise limit of 250,000 for IBIT options against other options on ETFs with an underling commodity, namely SPDR Gold Shares ("GLD"), iShares Silver Trust ("SLV"), and ProShares Bitcoin ETF ("BITO").[35] ISE noted that GLD has a float of 306.1 million shares[36] and a position limit of 250,000 contract. ISE noted that SLV has a float of 520.7 million shares,[37] and a position limit of 250,000 contracts. Finally, ISE noted that BITO has 107.65 million shares outstanding[38] and a position limit of 250,000 contracts. As previously noted, position and exercise limits are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or

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34 See id.

35 GLD, SLV and BITO each hold one asset in trust similar to IBIT.

36 See https://www.ssga.com/us/en/intermediary/etfs/spdr-gold-shares-gld.

37 See https://www.ishares.com/us/products/239855/ishares-silver-trust-fund.

38 See https://www.marketwatch.com/investing/fund/bito.

indirectly, may control. ISE noted that a position limit exercise in GLD would represent 8.17% of the float of GLD; a position limit exercise in SLV would represent 4.8% of the float of SLV, and a position limit exercise of BITO would represent 23.22% of the float of BITO. In comparison, ISE noted that a 250,000 contract position limit in IBIT would represent 2.89% of the float of IBIT. Consequently, ISE noted that the 250,000 proposed IBIT options position and exercise limit is more conservative than the standard applied to GLD, SLV and BITO, and appropriate. Additionally, the ISE noted that the Cboe Bitcoin U.S. ETF Index Options (CBTX) and the Cboe Mini Bitcoin U.S. ETF Index Options (MBTX),[39] which trade exclusively on Cboe, are comprised of multiple bitcoin ETFs of which IBIT is the highest weighted (at 20%) in the index composition.[40] ISE noted that these indices currently trade pursuant to a 24,000 contract position and exercise limit.[41]

Fifth, ISE noted that IBIT began trading in penny increments as of January 2, 2025pursuant to the Penny Interval Program.[42] The Commission noted that evidence

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39 MBTX is based on 1/10th the value of the Cboe Bitcoin U.S. ETF Index.

40 See https://www.cboe.com/tradable_products/bitcoin-etf-index-options?utm_source=mcae&utm_medium=email&utm_campaign=bitcoin_eft_options_launch. Cboe's website provides a product comparison chart indicating that CBTX and MBTX are permitted to trade FLEX as compared to spot bitcoin ETF options. See https://cdn.cboe.com/resources/membership/Cboe_Bitcoin_US_ETF_Options_Comparative_Overview.pdf?_gl=1*1xmm04c*_up*MQ..*_ga*MTc0MjU1NzU1Ni4xNzM0NTU2NTky*_ga_5Q99WB9X71*MTczNDU1NjU5MC4xLjAuMTczNDU1NjU5MC4wLjAuMA.

41 See Cboe Rule 8.32(a). ISE noted that given the multiplier and notional value of CBTX, the index has a position and exercise limit that equates to 1,000,000 contracts of in kind exposure to IBIT, which is more than 40 times greater than the exposure for options on IBIT at the current 25,000 contract position and exercise limit.

42 ISE noted that it may add to the Penny Program a newly listed option class provided that (i) it is among the 300 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in its first full calendar month of trading and (ii) the underlying security is priced below $200 or the underlying index is at an index level below $200. Any option class added under this provision will be added on the first trading day of the month after it qualifies and will remain in the Penny Program for one full calendar year, after which it will be subject to the Annual Review described in Supplementary Material .01(b) to Options 3, Section 3. The Exchange may add any option class to the Penny Program, provided that (i) it is among the 75 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in the past six full calendar months of trading and (ii) the underlying security is priced

contained in both ISE's Report and the Cornerstone analysis demonstrates that the Penny Pilot has benefitted investors and other market participants in the form of narrower spreads.[43] The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests). As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class that experience a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.[44] IBIT options is among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments. Failing to increase position and exercise limits for IBIT options, now that it is trading in finer increments, may artificially inhibit liquidity and create price inefficiency.

The Exchange believes that IBIT options has demonstrated that it has more than sufficient liquidity to garner an increased position and exercise limit of 250,000 contracts. The Exchange believes that any concerns related to manipulation and protection of investors are mollified by the significant liquidity provision in IBIT. The Exchange states that, as a general principle, increases in active trading volume and deep liquidity of the underlying securities do not lead to manipulation and/or disruption.

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below $200 or the underlying index is at an index level below $200. Any option class added under this provision will be added on the first trading day of the second full month after it qualifies and will remain in the Penny Program for the rest of the calendar year, after which it will be subject to the Annual Review as described in ISE Supplementary Material .01(b) to Options 3, Section 3. BX has the same rule at Supplementary Material .01 to Options 3, Section 3.

43 See Securities Exchange Act Release No. 88532 (April 1, 2020), 67 FR 19545, 19548 (April 7, 2020) (File No. 4–443) (Joint Industry Plan; Order Approving Amendment No. 5 to the Plan for the Purpose of Developing and Implementing Procedures Designed To Facilitate the Listing and Trading of Standardized Options To Adopt a Penny Interval Program) ("Penny Approval Order").

44 See id. at 19548.

The Exchange believes that increasing the position (and exercise) limits for IBIT options would lead to a more liquid and competitive market environment for IBIT options, which will benefit customers that trade these options. Further, the reporting requirement for such options would remain unchanged. Thus, the Exchange will still require that each Participant that maintains positions in impacted options on the same side of the market, for its own account or for the account of a customer, report certain information to the Exchange. This information includes, but would not be limited to, the options' positions, whether such positions are hedged and, if so, a description of the hedge(s). Market Makers would continue to be exempt from this reporting requirement, however, the Exchange may access Market Maker position information.[45] Moreover, the Exchange's requirement that Participants file reports with the Exchange for any customer who held aggregate large long or short positions on the same side of the market of 200 or more option contracts of any single class for the previous day will remain at this level and will continue to serve as an important part of the Exchange's surveillance efforts.[46]

The Exchange also has no reason to believe that the growth in trading volume in IBIT will not continue. Rather, the Exchange expects continued options volume growth in IBIT as opportunities for investors to participate in the options markets increase and evolve. The Exchange believes that the current position and exercise limits in IBIT options are restrictive and will hamper the listed options markets from being able to compete fairly and effectively with the over-the-counter ("OTC") markets. OTC

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45 OCC through the Large Option Position Reporting ("LOPR") system acts as a centralized service provider for member compliance with position reporting requirements by collecting data from each member, consolidating the information, and ultimately providing detailed listings of each member's report to the Exchange, as well as FINRA, acting as its agent pursuant to a regulatory services agreement ("RSA").

46 See BX Options 9, Section 16.

transactions occur through bilateral agreements, the terms of which are not publicly disclosed to the marketplace. As such, OTC transactions do not contribute to the price discovery process on a public exchange or other lit markets. The Exchange believes that without the proposed changes to position and exercise limits for IBIT options, market participants will find the 25,000 contract position limit an impediment to their business and investment objectives as well as an impediment to efficient pricing. As such, market participants may find the less transparent OTC markets a more attractive alternative to achieve their investment and hedging objectives, leading to a retreat from the listed options markets, where trades are subject to reporting requirements and daily surveillance. However, the Exchange notes that IBIT's position limits would be reviewed on a six month basis, pursuant the rules of other options exchange such as ISE Options 9, Section 13(d), similar to other options.

The Exchange believes that the existing surveillance procedures and reporting requirements at the Exchange are capable of properly identifying disruptive and/or manipulative trading activity. The Exchange also represents that it has adequate surveillances in place to detect potential manipulation, as well as reviews in place to identify continued compliance with the Exchange's listing standards. These procedures monitor market activity via automated surveillance techniques to identify unusual activity in both options and the underlyings, as applicable. The Exchange also notes that large stock holdings must be disclosed to the Commission by way of Schedules 13D or 13G,[47] which are used to report ownership of stock which exceeds 5% of a company's total stock issue and may assist in providing information in monitoring for any potential

[47] 17 CFR 240.13d-1.

manipulative schemes. Further, the Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged positions in equity options. Current margin and risk-based haircut methodologies serve to limit the size of positions maintained by any one account by increasing the margin and/or capital that a member organization must maintain for a large position held by itself or by its customer.[48] In addition, Rule 15c3-1[49] imposes a capital charge on member organizations to the extent of any margin deficiency resulting from the higher margin requirement.

BTC and BITB

On October 18, 2024, the Commission approved the listing and trading of BTC and BITB on Arca.[50] On November 22, 2024, Arca obtained rule authority to trade options on BTC and BITB.[51] The current position and exercise limits for BTC and BITB options are 25,000 contracts, the lowest limit available in options.[52] Arca proposed to increase the aggregated position and exercise limits for each ETF to 250,000 contracts. Arca noted that BTC and BITB currently qualify for this increased limit pursuant to Arca Rule 6.8-O Commentary .06(e), which requires that, for the most recent six-month

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48 See BX Options 6C, Section 3 regarding margin requirements.

49 17 CFR 240.15c3-1.

50 See Securities Exchange Act Release No. 101386 (October 18, 2024), 89 FR 84960 (October 24, 2024) (SR-NYSEAMER-2024-49) (order approving rules to permit the listing and trading of options on BTC and BITB, among others) (the "ETF Options Approval Order").

51 See Securities Exchange Act Release No. 101713 (November 22, 2024), 89 FR 94839 (November 29, 2024) (SR-NYSEARCA-2024-101) (notice of immediately effective rule change to permit BTC and BITB options trading, based on the already-approved NYSE American rules) (the "Arca ETF Options Notice").

52 See Arca Rule 6.8-O Commentary .06(e).

period, trading volume for the underlying security is at least 100,000,000 shares.[53] Arca noted that, as of November 25, 2024, during the most recent six-month period, trading volume for BTC was 163,712,700 shares. Arca noted that during the same period, trading volume for BITB was 288,800,860 shares. In addition, Arca noted that, as of November 25, 2024, the market capitalization for BTC was $3,496,748,882[54] with an average daily volume ("ADV") for the preceding three months of 2,036,369 shares, and the market capitalization of BITB was 4,095,157,000[55] with an ADV for the three prior months of 2,480.478. BTC and BITB are well above the requisite minimum of 100,000,000 shares necessary to qualify for the 250,000 contract position and exercise limit. Also, Arca noted that, as of November 25, 2024, there were 19,787,762 bitcoins in circulation.[56] At a price of $94,830 per bitcoin,[57] that equates to a market capitalization of greater than $1.876 trillion. Arca noted that if a position limit of 250,000 contracts were considered for each ETF, the exercisable risk would represent 30.14%[58] of BTC shares

53 See Arca Rule 6.8-O Commentary .06(e) (providing at subparagraph (e) that the position limit shall be 250,000 contracts for options: (i) on underlying stock or Exchange-Traded Fund Share that had trading volume of at least 100,000,000 shares during the most recent six-month trading period; or (ii) on an underlying stock or Exchange-Traded Fund Share that had trading volume of at least 75,000,000 shares during the most recent six-month trading period and has at least 300,000,000 shares currently outstanding).

54 Arca noted that the market capitalization of BTC was determined by multiplying a settlement price ($42.16) by the number of shares outstanding (82,939,964). Data represents figures from FactSet as of November 25, 2024.

55 Arca noted that the market capitalization of BITB was determined by multiplying a settlement price ($51.70) by the number of shares outstanding (79,950,100). Data represents figures from FactSet as of November 25, 2024.

56 See https://www.coingecko.com/en/coins/bitcoin.

57 Arca noted that this is the approximate price of bitcoin from 4:00 p.m. ET on November 25, 2024.

58 Arca noted that this percentage is arrived at with this equation: (250,000 contract limit * 100 shares per option / 82,939,964 BTC shares outstanding).

outstanding; and 31.27%[59] of BITB shares outstanding. Given the liquidity of BTC and BITB, the current 25,000 position limit appears extremely conservative.

First, Arca reviewed the ETFs' data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables. Arca noted that, as noted above, as of November 25, 2024, there were 19,787,762 bitcoins in circulation.[60] Arca noted that at a price of $94,830 per bitcoin,[61] that equates to a market capitalization of greater than $1.876 trillion. Arca noted that if the proposed aggregated position limit of 250,000 contracts were considered, the exercisable risk would represent 30.14% of BTC shares outstanding[62] and 31.27% of BITB shares outstanding.[63] Arca noted that since each ETF has a creation and redemption process managed through the issuer (whereby bitcoin is used to create BTC or BITB shares, as applicable), the position limit can be compared to the total market capitalization of the entire bitcoin market, and in that case, the exercisable risk for options on each ETF would represent less than 0.06% (BTC) or 0.07 % (BITB) of all bitcoin outstanding.[64]

Next, Arca reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the CFTC. While the CFTC, through the relevant

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59 Arca noted that this percentage is arrived at with this equation: (250,000 contract limit * 100 shares per option / 79,950,100 BITB shares outstanding).

60 See https://www.coingecko.com/en/coins/bitcoin.

61 Arca noted that is the approximate price of bitcoin from 4:00pm ET on November 25, 2024.

62 Arca noted that this percentage is arrived at with this equation: (250,000 contract limit * 100 shares per option / 82,939,964 BTC shares outstanding).

63 Arca noted that his percentage is arrived at with this equation: (250,000 contract limit * 100 shares per option / 79,950,100 BITB shares outstanding).

64 Arca noted that for BTC, this number was arrived at with this calculation: ((250,000 limit * 100 shares per option * $42.16 settle) / (19,787,762 bitcoin outstanding * $94,830 bitcoin price)); and for BITB, this number was arrived at with this calculation: ((250,000 limit * 100 shares per option * $51.70 settle) / (19,787,762 bitcoin outstanding * $94,830 bitcoin price)).

Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), the Exchange examined equivalent bitcoin futures position limits. In particular, the Exchange looked to the CME bitcoin futures contract[65] that has a position limit of 8,000 futures. Arca noted that, on October 22, 2024, CME bitcoin futures settled at $94,945.[66] Arca noted that, on October 22, 2024, BTC settled at $29.90, and BITB settled at $36.74, which would equate to approximately 31,754,181 and 25,842,406 shares of BTC and BITB, respectively, if the CME notional position limit was utilized. Since substantial portions of any distributed options portfolio are likely to be out of the money on expiration, an options position limit equivalent to the CME position limit for bitcoin futures (considering that all options deltas are <=1.00) should be a bit higher than the CME implied limit of 317,541 (BTC) and 258,424 (BITB).

Of note, unlike options contracts, CME position limits are calculated on a net futures-equivalent basis by contract and include contracts that aggregate into one or more base contracts according to an aggregation ratio(s).[67] Therefore, if a portfolio includes positions in options on futures, CME would aggregate those positions into the underlying futures contracts in accordance with a table published by CME on a delta equivalent value for the relevant spot month, subsequent spot month, single month and all month position limits.[68] If a position exceeds position limits because of an option assignment,

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65 CME Bitcoin Futures are described in Chapter 350 of CME's Rulebook.

66 See the Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5 of CME's Rulebook.

67 See https://www.cmegroup.com/education/courses/market-regulation/position-limits/positionlimits-aggregation-of-contracts-and-table.htm.

68 See id.

CME permits market participants to liquidate the excess position within one business day without being considered in violation of its rules. Additionally, if at the close of trading, a position that includes options exceeds position limits for futures contracts, when evaluated using the delta factors as of that day's close of trading but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation. Considering CME's position limits on bitcoin futures, the Exchange believes a 250,000-contract limit for options on each ETF would be appropriate.

Finally, Arca analyzed a position and exercise limit of 250,000 for BTC and BITB against other options on commodity ETFs, namely SPDR Gold Shares ("GLD") and iShares Silver Trust ("SLV").[69] Arca noted that GLD has a float of 306.1 million shares and a position limit of 250,000 contract.[70] As previously noted, position and exercise limits are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or indirectly, may control. Arca noted that a position limit exercise in GLD would represent 8.17% of the float of GLD. In comparison, Arca noted that a 250,000-contract position limit in each of BTC and BITB, would represent 30.14% of the BTC float and 31.27% of the BITB float. While less conservative than the standard applied to options on GLD, the Exchange nonetheless believes that subjecting options on BTC and BITB to a 250,000-contract position and exercise limit would be appropriate.[71]

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69 Like BTC and BITB, GLD and SLV each hold one asset in trust.

70 See https://www.ssga.com/us/en/intermediary/etfs/spdr-gold-shares-gld.

71 See, e.g., Arca Rule 6.8-O, Commentary .06(e) (setting forth trading volume requirements to qualify for a 250,000-contract position (and exercise) limit. BX Options 9, Section 13 looks to other exchange rules.

Based on the foregoing, the Exchange believes that it has demonstrated that BTC and BITB each have more than sufficient liquidity to garner an increased position and exercise limit of 250,000 same-side contracts. The Exchange believes that the significant liquidity present in each ETF mitigates against the potential for manipulation.

The Exchange believes that allowing options on each ETF to have increased aggregated position and exercise limits would lead to a more liquid and competitive market environment for such options, which will benefit customers that trade these options. Further, the reporting requirement for such options would remain unchanged. Thus, the Exchange will still require that each Participant that maintains positions in options on BTC or BITB, on the same side of the market, for its own account or for the account of a customer, report certain information to the Exchange. This information includes, but would not be limited to, the options positions, whether such positions are hedged and, if so, a description of the hedge(s). Market Makers[72] would continue to be exempt from this reporting requirement, however, the Exchange may access Market Maker position information.[73] Moreover, the Exchange's requirement that Participants file reports with the Exchange for any customer who held aggregate large long or short positions on the same side of the market of 200 or more option contracts of any single class for the previous day will remain at this level.[74]

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72 The term "BX Options Market Maker" or "Options Market Make"" means an Options Participant registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Options 2. See BX Options 1, Section 1(a)(10).

73 OCC through the Large Option Position Reporting ("LOPR") system acts as a centralized service provider for member compliance with position reporting requirements by collecting data from each member, consolidating the information, and ultimately providing detailed listings of each member's report to the Exchange, as well as FINRA, acting as its agent pursuant to a regulatory services agreement ("RSA").

74 See BX Options 9, Section 16.

GBTC

On October 18, 2024, the Commission approved the listing and trading of GBTC options on Arca.[75] On November 22, 2024, Arca obtained rule authority to trade GBTC options with a 25,000 contract position limit, the lowest limit available in options.[76] Arca noted that GBTC currently qualifies for a 250,000-limit on same-side contracts pursuant to Arca Rule 6.8-O Commentary .06(e)(i), which requires that trading volume for the underlying security in the most recent six months be at least 100,000,000 shares.[77] Arca noted that, as of November 25, 2024, during the most recent six-month period, trading volume for GBTC was 550,687,400 shares. In addition, Arca noted that, as of November 25, 2024, the market capitalization for GBTC was $20,661,316,542,[78] with an average daily volume ("ADV") for the preceding three months of 3,829,597 shares. GBTC is well above the requisite minimum of 100,000,000 shares necessary to qualify for the 250,000-contract position and exercise limit. Also, Arca noted that, as of November 25,

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75 See Securities Exchange Act Release No. 101386 (October 18, 2024), 89 FR 84960 (October 24, 2024) (SR-NYSEAMER-2024-49) (order approving rules to permit the listing and trading of GBTC options, among others) (the "GBTC Options Approval Order").

76 See Securities Exchange Act Release No. 101713 (November 22, 2024), 89 FR 94839 (November 29, 2024) (SR-NYSEARCA-2024-101) (notice of immediately effective rule change to permit GBTC options trading, based on the already-approved NYSE American rules) (the "Arca GBTC Options Notice").

77 See Arca Rule 6.8-OCommentary .06(e) (providing at subparagraph (e) that the position limit shall be 250,000 contracts for options: (i) on underlying stock or Exchange-Traded Fund Share that had trading volume of at least 100,000,000 shares during the most recent six-month trading period; or (ii) on an underlying stock or Exchange-Traded Fund Share that had trading volume of at least 75,000,000 shares during the most recent six-month trading period and has at least 300,000,000 shares currently outstanding). BX Options 9, Section 13 looks to the rules of other options exchanges.

78 Arca noted that the market capitalization of GBTC was determined by multiplying a settlement price ($75.42) by the number of shares outstanding (273,950,100) and that the data represents figures from FactSet as of November 25, 2024.

2024, there were 19,787,762 bitcoins in circulation.[79] At a price of $94,830 per bitcoin,[80] that equates to a market capitalization of greater than $1.876 trillion. If an aggregated position and exercise limit of 250,000 contracts were considered, Arca noted that the exercisable risk would represent 9.13%[81] of GBTC shares outstanding. Given GBTC's liquidity, the current 25,000-contract position (and exercise) limit is extremely conservative.

First, Arca reviewed GBTC's data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables. As noted above, as of November 25, 2024, Arca noted that there were 19,787,762 bitcoins in circulation.[82] At a price of $94,830 per bitcoin,[83] Arca noted that equates to a market capitalization of greater than $1.876 trillion. If an aggregated position (and exercise) limit of 250,000 contracts were considered, Arca noted that the exercisable risk would represent 9.13%[84] of the outstanding shares outstanding of GBTC. Since GBTC has a creation and redemption process managed through the issuer (whereby bitcoin is used to create GBTC shares), the position limit can be compared to the total market capitalization of the entire bitcoin market, and in that case, the exercisable risk for options on GBTC would represent less than 0.10% of all bitcoin outstanding.[85] Arca noed that if GBTC

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79 See https://www.coingecko.com/en/coins/bitcoin.

80 Arca noted that this is the approximate price of bitcoin from 4:00 p.m. ET on November 25, 2024.

81 Arca noted that this percentage is arrived at with this equation: (250,000 contract limit * 100 shares per option / 273,950.100 shares outstanding).

82 See https://www.coingecko.com/en/coins/bitcoin.

83 Arca noted that this is the approximate price of bitcoin from 4:00pm ET on November 25, 2024.

84 Arca noted that this percentage is arrived at with this equation: (250,000 contract limit * 100 shares per option / 273,950,100 shares outstanding).

85 Arca noted that this number was arrived at with this calculation: ((250,000 limit * 100 shares per option * $75.42 settle) / (19,787,762 BTC outstanding * $94,830 BTC price)).

options were subject to a 250,000-contract position and exercise limit (based on GBTC trading volume) and if all options on GBTC shares were exercised at once, this occurrence would have a virtually unnoticed impact on the entire bitcoin market. This analysis demonstrates that a 250,000-contract position (and exercise) limit for GBTC options would be appropriate given GBTC's liquidity.

Next, Arca reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the CFTC. While the CFTC, through the relevant Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), Arca examined equivalent bitcoin futures position limits. In particular, Arca looked to the CME bitcoin futures contract,[86] which has a position limit of 2,000 futures (for the initial spot month).[87] Arca noted that, on October 22, 2024, CME bitcoin futures settled at $94,945.[88] Arca noted that on October 22, 2024, GBTC settled at $53.64, which would equate to greater than 17,700,410 shares of GBTC if the CME notional position limit was utilized. Since substantial portions of any distributed options portfolio are likely to be out of the money on expiration, Arca noted that an options position limit equivalent to the CME position limit for bitcoin futures (considering that all options deltas are <=1.00) should be a bit higher than the CME implied limit of 177,004.

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86 CME Bitcoin Futures are described in Chapter 350 of CME's Rulebook.

87 See the Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5 of CME's Rulebook. Each CME bitcoin futures contract is valued at five bitcoins as defined by the CME CF Bitcoin Reference Rate ("BRR"). See CME Rule 35001.

88 Arca noted that 2,000 futures at a 5-bitcoin multiplier (per the contract specifications) equates to $949,450,000 (2000 contracts * 5 BTC per contract * $94,945 price of November BTC future) of notional value.

Of note, unlike options contracts, CME position limits are calculated on a net futures-equivalent basis by contract and include contracts that aggregate into one or more base contracts according to an aggregation ratio(s).[89] Therefore, if a portfolio includes positions in options on futures, CME would aggregate those positions into the underlying futures contracts in accordance with a table published by CME on a delta equivalent value for the relevant spot month, subsequent spot month, single month and all month position limits.[90] If a position exceeds position limits because of an option assignment, CME permits market participants to liquidate the excess position within one business day without being considered in violation of its rules. Additionally, if at the close of trading, a position that includes options exceeds position limits for futures contracts, when evaluated using the delta factors as of that day's close of trading but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation. Considering CME's position limits on bitcoin futures, the Exchange believes a 250,000-contract limit for GBTC options would be appropriate.

Finally, Arca analyzed a position and exercise limit of 250,000 for GBTC against options on SPDR Gold Shares ("GLD"), which (like GBTC), is a commodity-backed ETF.[91] Arca noted that GLD has a float of 306.1 million shares and a position limit of 250,000 contracts.[92] As previously noted, position and exercise limits are designed to limit the number of options contracts traded on the exchange in an underlying security

89 See https://www.cmegroup.com/education/courses/market-regulation/position-limits/positionlimits-aggregation-of-contracts-and-table.htm.

90 See id.

91 GLD, like GBTC, holds one asset in trust.

92 See https://www.ssga.com/us/en/intermediary/etfs/spdr-gold-shares-gld.

that an investor, acting alone or in concert with others directly or indirectly, may control. Arca noted that a position limit exercise in GLD would represent 8.17% of the float of GLD. In comparison, Arca noted that a 250,000contract position limit in GBTC would represent 9.13% of the float of GBTC. . While less conservative than the standard applied to options on GLD, the Exchange nonetheless believes that subjecting GBTC options to a 250,000 contract position and exercise limit would be appropriate.[93]

Based on the foregoing, the Exchange believes that it has demonstrated that GBTC has more than sufficient liquidity to garner an increased position and exercise limit of 250,000 same-side contracts. The Exchange believes that the significant liquidity present in GBTC mitigates against the potential for manipulation.

The Exchange also has no reason to believe that the growth in trading volume in IBIT, BTC, BITB, and GBTC options will not continue. Rather, the Exchange expects continued options volume growth in IBIT, BTC, BITB, and GBTC as opportunities for investors to participate in the options markets increase and evolve. The Exchange believes that the current position and exercise limits in IBIT, BTC, BITB, and GBTC options are restrictive and will hamper the listed options markets from being able to compete fairly and effectively with the over-the-counter ("OTC") markets. OTC transactions occur through bilateral agreements, the terms of which are not publicly disclosed to the marketplace. As such, OTC transactions do not contribute to the price discovery process on a public exchange or other lit markets. The Exchange believes that without the proposed changes to position and exercise limits for IBIT, BTC, BITB, and

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[93] See, e.g., Arca Rule 6.8-O, Commentary .06(e) (setting forth trading volume requirements to qualify for a 250,000-contract position (and exercise) limit). BX Options 9, Section 13 looks to other exchange trading requirements.

GBTC options, market participants will find the 25,000- contract position limit an impediment to their business and investment objectives as well as an impediment to efficient pricing. As a result, market participants may find the less transparent OTC markets a more attractive alternative to achieve their investment and hedging objectives, leading to a retreat from the listed options markets, where trades are subject to reporting requirements and daily surveillance.

The Exchange believes that the existing surveillance procedures and reporting requirements at the Exchange are capable of properly identifying disruptive and/or manipulative trading activity. The Exchange also represents that it has adequate surveillances in place to detect potential manipulation, as well as reviews in place to identify continued compliance with the Exchange's listing standards. These procedures monitor market activity to identify unusual activity in both options and the underlying equities.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[94] in general, and furthers the objectives of Section 6(b)(5) of the Act,[95] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the

[94] 15 U.S.C. 78f(b).

[95] 15 U.S.C. 78f(b)(5).

mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

Position Limits

IBIT

The Exchange believes that removing the limitation of 25,000 contracts for options on IBIT in Options 9, Sections 13(a)(1) and 15(a)(1) would increase the position and exercise limits for options on IBIT from 25,000 to 250,000 contracts based on the current limits set by other exchanges, such as ISE, so its position limit would be reviewed similar to all other options is consistent with the Act. This proposal will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it will provide market participants with the ability to more effectively execute their trading and hedging activities. Also, based on current trading volume, the resulting increase in the position (and exercise) limits for IBIT options may allow Market Makers to maintain their liquidity in these options in amounts commensurate with the continued high consumer demand in IBIT options. Subjecting options on IBIT to the position limits in Options 9, Sections 13 and corresponding exercise limits in Options 9, Section 15 may also encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. Further, this amendment would allow institutional investors to utilize IBIT options for prudent risk management purposes. The Exchange notes that IBIT's position limits would be reviewed on a six month basis, based on the rules of other options markets such as ISE Options 9, Section

13(d), similar to other options.

In addition, the Exchange believes that the current liquidity in IBIT will mitigate concerns regarding potential manipulation of IBIT options and/or disruption of IBIT upon amending Options 9, Sections 13 and 15 to remove the 25,000 position and exercise limit for options on IBIT.

Additionally, the regression model performed by ISE demonstrates that the proposed position limit is half of the modeled limit given the liquidity of IBIT. Comparing IBIT's data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables, ISE was able to conclude that if a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%[96] of the shares outstanding of IBIT. ISE noted that since IBIT has a creation and redemption process managed through the issuer (whereby Bitcoin is used to create IBIT shares), the position limit can be compared to the total market capitalization of the entire bitcoin market and in that case, the exercisable risk for options on IBIT would represent less than .072% of all bitcoin outstanding.[97] ISE also noted that comparing the proposed position limit to position limits for equivalent bitcoin futures position limits, the analysis demonstrated that a 250,000 contracts position and exercise limits would be appropriate.

Comparing a position limit of 250,000 for IBIT options against other options on ETFs with an underling commodity, namely GLD, SLV and BITO, ISE noted that a position limit exercise in GLD represents 8.17% of the float of GLD, a position limit

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96 ISE noted that this percentage is arrived at with this equation: (250,000 contract limit * 100 shares per option / 866,040,000 shares outstanding).

97 ISE noted that this number was arrived at with this calculation: ((250,000 limit * 100 shares per option * $54.02 settle) / (19,787,762 BTC outstanding * $94,830 BTC price)).

exercise in SLV represents 4.8% of the float of SLV, and a position limit exercise of BITO represents 23.22% of the float of BITO. In comparison, ISE noted that a 250,000 contract position limit in IBIT options would represent 2.89% of the float of IBIT. Consequently, a 250,000 IBIT options position limit is more conservative than the standard applied to GLD, SLV and BITO, and appropriate. Also, ISE noted that Cboe's proprietary CBTX and MBTX indices weight IBIT the highest (at 20%) in its index composition among the other ETFs that comprise the index.[98] The Exchange notes that today, these indexes have a position of 24,000 contracts which is much higher than the current position limits for IBIT options when considering the notional value of the indices.[99] These indexes are already trading with position and exercise limits that are higher than the lowest position limit for an industry index option.[100]

ISE noted that IBIT began trading in penny increments on January 2, 2025 pursuant to the Penny Interval Program.[101] The Commission noted that evidence

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[98] See https://www.cboe.com/tradable_products/bitcoin-etf-index-options?utm_source=mcae&utm_medium=email&utm_campaign=bitcoin_eft_options_launch.

[99] See Cboe Rule 8.32(a). ISE noted that given the multiplier and notional value of CBTX, the index has a position and exercise limit that equates to 1,000,000 contracts of in kind exposure to IBIT, which is more than 40 times greater than the exposure for options on IBIT at the current 25,000 contract position and exercise limit.

[100] ISE noted that 18,000 contracts is the lowest position limit for industry index options. Further, Cboe Rule 8.32(a)(3) permits a limit of 31,500 contracts if the Exchange determines that the conditions specified in Rule 8.32(a)(1) and (2), which would require the establishment of a lower limit, have not occurred.

[101] The Exchange may add to the Penny Program a newly listed option class provided that (i) it is among the 300 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in its first full calendar month of trading and (ii) the underlying security is priced below $200 or the underlying index is at an index level below $200. Any option class added under this provision will be added on the first trading day of the month after it qualifies and will remain in the Penny Program for one full calendar year, after which it will be subject to the Annual Review described in Supplementary Material .01(b) to Options 3, Section 3. The Exchange may add any option class to the Penny Program, provided that (i) it is among the 75 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in the past six full calendar months of trading and (ii) the underlying security is priced below $200 or the underlying index is at an index level below $200. Any option class added under this provision will be added on the first trading day of the second full month after it

contained in both ISE's Report and the Cornerstone analysis demonstrated that the Penny Pilot has benefitted investors and other market participants in the form of narrower spreads.[102] The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests). As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class that experience a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.[103] IBIT options are among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments pursuant to the Penny Interval Program. Failing to permit IBIT options to potentially increase position and exercise limits given the trading in finer increments, may artificially inhibit liquidity and create price inefficiency for IBIT options.

Finally, as discussed above, the Exchange's surveillance and reporting safeguards continue to be designed to deter and detect possible manipulative behavior that might arise from increasing or eliminating position and exercise limits in certain classes. The Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged

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qualifies and will remain in the Penny Program for the rest of the calendar year, after which it will be subject to the Annual Review as described in Supplementary Material .01(b) to BX Options 3, Section 3. See Supplementary Material .01 to BX Options 3, Section 3.

102 See Securities Exchange Act Release No. 88532 (April 1, 2020), 85 FR 19545, 19548 (April 7, 2020) (File No. 4–443) (Joint Industry Plan; Order Approving Amendment No. 5 to the Plan for the Purpose of Developing and Implementing Procedures Designed To Facilitate the Listing and Trading of Standardized Options To Adopt a Penny Interval Program) ("Penny Approval Order").

103 See id. at 19548.

positions in the options on the underlying securities, further promoting just and equitable principles of trading, the maintenance of a fair and orderly market, and the protection of investors.

BTC and BITB

The Exchange believes the proposed rule change to remove the 25,000-contract position (and exercise) limit on BTC and BITB options thus allowing such options to qualify for higher aggregated limits will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest as it will provide market participants with the ability to more effectively execute their trading and hedging activities. In addition, this proposed change may allow Market Makers to maintain their liquidity in these options in amounts commensurate with the continued demand for BTC and BITB options. Further, an increased aggregated position (and exercise) limit on BTC and BITB options may encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. The Exchange notes that permitting a higher aggregated position (and exercise) limit on BTC and BITB options would further allow institutional investors to utilize such options for prudent risk management purposes.

As noted herein, Arca analyzed several data points that support the appropriateness of an aggregated position (and exercise) limit of 250,000 contracts for BTC and BITB options based on recent trading volume in each ETF. Specifically, Arca noted that a comparison of each ETF's market capitalization to the bitcoin market in terms of exercise risk and availability of deliverables revealed that the exercisable risk of an aggregated limit of 250,000 contracts represented 30.14% and 31.27% of BTC and BITB shares outstanding. Further, Arca noted that since each ETF has a creation and redemption process managed through the issuer (whereby bitcoin is used to create BTC or BITB shares, as applicable), a 250,000-contract position (and exercise) limit as compared to the market capitalization of the bitcoin market indicated that the exercisable risk for options on each ETF represented less than 0.06 % (BTC) or 0.07% (BITB) of all bitcoin outstanding as noted by Arca. Moreover, a comparison of a 250,000-contract position limit for options on each ETF to the (actual) position limits for equivalent bitcoin futures revealed that a 250,000-contract limit for each ETF would be appropriate. Finally, Arca compared an aggregated position limit of 250,000 contracts for each ETF against GLD, another commodity-backed ETF. Arca noted that a position limit exercise in GLD represents 8.17% of the float of GLD. By comparison, Arca noted that a position limit exercise in each ETF (assuming a 250,000-contract limit would represent 30.14% (BTC) and 31.27% (BITB) of that ETF's float. Although a 250,000-contract position (and exercise) limit on BTC and BITB options would not be as conservative as the standard applied to GLD, it is comparable and therefore appropriate.

GBTC

The Exchange believes the proposed rule change to remove the 25,000-contract position (and exercise) limit on GBTC options thus allowing such options to qualify for higher aggregated limits will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest as it will provide market participants with the ability to more effectively execute their trading and hedging activities. In addition, this proposed change may allow Market Makers to maintain their liquidity in these options in amounts commensurate with the continued demand for GBTC options. Further, an increased aggregated position (and exercise) limit on GBTC options may encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. The Exchange notes that permitting a higher aggregated position (and exercise) limit on GBTC options would further allow institutional investors to utilize such options for prudent risk management purposes.

As noted herein, Arca analyzed several data points that support the appropriateness of an aggregated position (and exercise) limit of 250,000 contracts for GBTC options based on recent trading volume in GBTC. Specifically, Arca noted that a comparison of GBTC's market capitalization to the bitcoin market in terms of exercise risk and availability of deliverables revealed that the exercisable risk of an aggregated limit of 250,000 contracts represented 9.13%of GBTC shares outstanding. Further, since GBTC has a creation and redemption process managed through the issuer (whereby bitcoin is used to create GBTC shares), Arca noted that a 250,000-contract position (and exercise) limit as compared to the market capitalization of the bitcoin market indicated that the exercisable risk for GBTC options represented less than 0.10% of all bitcoin outstanding as noted by Arca. Moreover, a comparison of a 250,000-contract position limit for GBTC options to the (actual) position limits for equivalent bitcoin futures revealed that a 250,000-contract limit would be appropriate. Finally, Arca compared an aggregated position limit of 250,000 contracts for GBTC options against GLD, another commodity backed ETF. Arca noted that a position limit exercise in GLD represents 8.17% of the float of GLD. By comparison, Arca noted that a position limit exercise in GBTC options (assuming a 250,000-contract limit) would represent 9.13% of the GBTC float. Although a 250,000-contract position (and exercise) limit on GBTC options would not be as conservative as the standard applied to GLD, it is comparable and therefore appropriate.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Position Limits

The Exchange's proposal does not burden intra-market competition because all Participants would be subject to the position limits in Options 9, Sections 13 and corresponding exercise limits in Options 9, Section 15. The Exchange believes that the proposed rule change will also provide additional opportunities for market participants to continue to efficiently achieve their investment and trading objectives for equity options on the Exchange.

The Exchange does not believe that the proposed rule change will impose any burden on inter-market competition. The Exchange expects that all option exchanges will adopt substantively similar proposals, such that the Exchange's proposal would benefit competition. For these reasons, the Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act[104] and subparagraph (f)(6) of Rule 19b-4 thereunder.[105]

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

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104 15 U.S.C. 78s(b)(3)(A)(iii).

105 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include file number SR-BX-2025-014 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-BX-2025-014. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (https://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-BX-2025-014 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[106]

Sherry R. Haywood,

Assistant Secretary.

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106 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq BX, Inc. Rules

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Options Rules

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Options 9 Business Conduct

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Section 13. Position Limits

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(a) No Options Participant shall make, for any account in which it has an interest or for the account of any customer, an opening transaction on any exchange if the Options Participant has reason to believe that as a result of such transaction the Options Participant or its customer would, acting alone or in concert with others, directly or indirectly:

> (1) exceed the applicable position limit fixed from time to time by the Cboe Exchange, Inc. ("Cboe") for any options contract traded on BX Options and Cboe, notwithstanding the foregoing options contracts overlying SPDR® S&P 500® ETF Trust (SPY) shall have a position limit of 3,600,000 contracts on the same side of the market; and contracts overlying [iShares Bitcoin Trust ETF ("IBIT") shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying] the Fidelity Wise Origin Bitcoin Fund shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying the ARK21Shares Bitcoin ETF shall have a position limit of 25,000 contracts on the same side of the market; [and contracts overlying the Grayscale Bitcoin Trust (BTC) shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying the Grayscale Bitcoin Mini Trust BTC shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying the Bitwise Bitcoin ETF shall have a position limit of 25,000 contracts on the same side of the market;] and contracts overlying the iShares Ethereum ETF shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying the Fidelity Ethereum Fund shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying the Bitwise Ethereum ETF shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying the Grayscale Ethereum Trust shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying the Grayscale Ethereum Mini Trust shall have a position limit of 25,000 contracts on the same side of the market;

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Section 15. Exercise Limits

(a) No Options Participant shall exercise, for any account in which it has an interest or for the account of any customer, a long position in any options contract where such Options Participant or customer, acting alone or in concert with others, directly or indirectly, has or will have:

(1) exceeded the applicable exercise limit fixed from time-to-time by Cboe Exchange, Inc. (“Cboe”) for any options contract traded on BX Options and Cboe, notwithstanding the foregoing options contracts overlying SPDR® S&P 500® ETF Trust (SPY) shall have an exercise limit of 3,600,000 contracts on the same side of the market; and contracts overlying [iShares Bitcoin Trust ETF (“IBIT”) shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying] the Fidelity Wise Origin Bitcoin Fund shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying the ARK21Shares Bitcoin ETF shall have a position limit of 25,000 contracts on the same side of the market; [and contracts overlying the Grayscale Bitcoin Trust (BTC) shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying the Grayscale Bitcoin Mini Trust BTC shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying the Bitwise Bitcoin ETF shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying the iShares Ethereum ETF shall have a position limit of 25,000 contracts on the same side of the market;] and contracts overlying the Fidelity Ethereum Fund shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying the Bitwise Ethereum ETF shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying the Grayscale Ethereum Trust shall have a position limit of 25,000 contracts on the same side of the market; and contracts overlying the Grayscale Ethereum Mini Trust shall have a position limit of 25,000 contracts on the same side of the market;

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