

Required fields are shown with yellow backgrounds and asterisks.

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

File No. * SR 2024 - * 49

Amendment No. (req. for Amendments *) 2

Filing by NYSE American LLC

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

Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)		
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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 *).

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 * Kathleen Last Name * Murphy

Title * Senior Counsel, NYSE

E-mail * kathleen.murphy@ice.com

Telephone * (212) 656-4841 Fax

Signature

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

Date 10/07/2024

(Title *)

By Patrick Troy

Associate General Counsel

(Name *)

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.

Patrick Troy Digitally signed by Patrick Troy
Date: 2024.10.07 13:47:13 -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 *

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SR-NYSEAMER-2024-49 19b4 Am No

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 *

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SR-NYSEAMER-2024-49 Ex 1 Am No

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 *

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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

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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

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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

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SR-NYSEAMER-2024-49 Ex 4 Am No

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-NYSEAMER-2024-49 Ex 5 Am No

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 Proposed Rule Change

- (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder,² NYSE American LLC (“NYSE American” or the “Exchange”) proposes to amend Rule 915 regarding the criteria for underlying securities. This Amendment No. 2 supersedes and replaces Amendment No. 1 to the original filing in its entirety.³

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of the proposed rule change is attached as Exhibit 5.

- (b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange’s governing documents. Therefore, the Exchange’s internal procedures with respect to the proposed rule change are complete.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule change is:

Kathleen E. Murphy
Senior Counsel
NYSE Group, Inc.
(212) 656-4841

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ On September 9, 2024, the Exchange filed Amendment No. 1 to SR-NYSEAMER-2024-49, which replaced and superseded the original filing in its entirety. See <https://www.sec.gov/comments/sr-nyseamer-2024-49/srnyseamer202449-518495-1491742.pdf>. This Amendment No. 2 which supersedes and replaces Amendment No. 1 in its entirety, modifies the original filing by (1) including reference to, and reliance on, the “ISE IBIT Approval Order,” as referenced *infra*; (2) narrowing the scope of the original filing by eliminating the following bitcoin-related funds, and any information related thereto: the ARK21Shares Bitcoin ETF, the Invesco Galaxy Bitcoin ETF, the Franklin Bitcoin ETF, the VanEck Bitcoin Trust, and the WisdomTree Bitcoin Fund; (3) providing additional information and analysis of trading data for the (remaining) Bitcoin Funds in support of this proposal, including the proposed position limits of 25,000 per side for the options on the Bitcoin Funds; and (4) supplementing information related to the Exchange’s surveillance program, including the manner in which it would surveil suspicious trading activity in the underlying Bitcoin Funds and where the Exchange would obtain information about the bitcoin market.

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 Rule 915 (Criteria for Underlying Securities). Specifically, the Exchange proposes to amend Rule 915, Commentary .10 to allow the Exchange to list and trade options on the following exchange-traded products: the Grayscale Bitcoin Trust (BTC) (the “Grayscale Fund” or “GBTC”), the Grayscale Bitcoin Mini Trust BTC (the “Grayscale Mini Fund” or “BTC”), and the Bitwise Bitcoin ETF (the “Bitwise Fund” or “BITB” and, collectively, the “Bitcoin Funds” or “Funds”).⁴

The Exchange notes that this is a competitive filing as the Commission recently approved a rule proposal by Nasdaq ISE, LLC (“ISE”) to allow the listing and trading of options on iShares Bitcoin Trust (or IBIT), which is a trust that holds bitcoin (referred to herein as the “ISE IBIT Approval Order”).⁵ As discussed herein, the Exchange believes, like the recently-approved options on IBIT, options on the Bitcoin Funds would permit hedging, and allow for more liquidity, better price efficiency, and less volatility with respect to the underlying Funds. Further, permitting the listing of such options would enhance the transparency and efficiency of markets in these and correlated products.

Rule 915 provides that, subject to certain other criteria set forth in the Rule, securities deemed appropriate for options trading include Exchange-Traded Fund Shares (or ETFs) that represent certain types of interests and interests in certain specific exchange-traded products (“ETPs”) structured as trusts that hold financial instruments, money market

⁴ On January 11, 2024, GBTC and BITB began trading on NYSE Arca, Inc. (“NYSE Arca”), the Exchange’s affiliated SRO, after the Commission approved rule changes to list and trade shares of “Bitcoin-Based Commodity-Based Trust Shares” pursuant to Rule 8.201-E(c)(1) (Commodity-Based Trust Shares), including GBTC and BITB. See Securities Exchange Act Release No. 99306 (January 10, 2024) (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), 89 FR 3008 (January 17, 2024) (SR-NYSEARCA-2023-44; SR-NYSEARCA-2021-90).

On July 13, 2024, after receiving approval of the Commission, BTC began trading on NYSE Arca. See Securities Exchange Act Release No. 100610 (July 26, 2024) (Order Granting Approval of Proposed Rule Changes, as Modified by Amendment No. 1, to List and Trade Share of BTC pursuant to NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares)), 89 FR 62821 (August 1, 2024) (SR-NYSEARCA-2023-45).

⁵ 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”)) (“ISE Approval Order”).

instruments,⁶ or precious metals (which are deemed commodities).⁷ Like ETPs backed by precious metals (i.e., commodities), the Exchange proposes to allow options trading on the Bitcoin Funds that hold Bitcoin -- which is also deemed a commodity).⁸

The Bitcoin Funds are structured as trusts that hold bitcoin. Like ETFs and ETPs currently deemed appropriate for options trading, the investment objective of each Bitcoin Fund trust is for its shares to reflect the performance of Bitcoin (less the expenses of the trust's operations), offering investors an opportunity to gain exposure to Bitcoin without the complexities of Bitcoin delivery. Each Bitcoin Fund's shares represent units of fractional undivided beneficial interest in the trust, the assets of which consist principally of Bitcoin and are designed to track Bitcoin or the performance of the price of Bitcoin and offer access to the Bitcoin market.⁹ The Bitcoin Funds provide investors with cost-efficient alternatives that allow a level of participation in the Bitcoin market through the securities market.

⁶ See Rule 915, Commentary .06, which permits options trading on ETFs that are traded on a national securities exchange and are defined as an "NMS stock" in Rule 600(b)(55) of Regulation NMS, that represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that hold portfolios of securities and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse purchase agreements (the "Financial Instruments"), and money market instruments, including, but not limited to, U.S. government securities and repurchase agreements (the "Money Market Instruments") comprising or otherwise based on or representing investments in indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments); interests in a trust or similar entity that holds a specified non-U.S. currency deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency and pays the beneficial owner interest and other distributions on deposited non-U.S. currency, if any, declared and paid by the trust ("Currency Trust Shares"); commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency ("Commodity Pool Units"); or represents an interest in a registered investment company ("Investment Company") organized as an open-end management investment company or similar entity, that invests in a portfolio of securities selected by the Investment Company's investment adviser consistent with the Investment Company's investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value ("NAV"), and when aggregated in the same specified minimum number, may be redeemed at a holder's request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined NAV ("Managed Fund Share"); provided that all of the conditions listed in Rules 915 and 916 are met.

⁷ See Rule 915, Commentary .10 (permitting the listing and trading of options on shares of the following trusts: SPDR Gold Trust, the iShares COMEX Gold Trust the iShares Silver Trust, the ETFs Gold Trust, and the ETFs Silver Trust, pursuant to Rule 915 and 916).

⁸ See proposed Rule 915, Commentary .10 (expanded to include the listing and trading of options on shares of GBTC, BTC, and BITB, pursuant to Rule 915 and 916).

⁹ The trust may include minimal cash.

The Exchange believes each Bitcoin Fund satisfies the Exchange’s initial listing standards set forth in Commentary .01 to Rule 915.¹⁰ The Exchange notes that the Bitcoin Funds also satisfy the listing standard applied to ETFs traded on the Exchange that they be available for creation and redemption each business day as set forth in Commentary .06(a)(ii).¹¹

First, each of the Bitcoin Funds satisfy the criteria and guidelines set forth in Rule 915(a). Pursuant to Rule 915(a), a security on which options may be listed and traded on the Exchange must be duly registered (with the Commission) and be an NMS stock (as defined in Rule 600 of Regulation NMS under the Act) and be characterized by a substantial number of outstanding shares that are widely held and actively traded.¹² Each of the Bitcoin Funds is an NMS Stock as defined in Rule 600 of Regulation NMS under the Act.¹³ The Exchange believes each Bitcoin Fund is characterized by a substantial number of outstanding shares that are widely held and actively traded.

As of August 30, 2024, the Bitcoin Funds had the following number of shares outstanding (and corresponding market capitalization):

Bitcoin Fund	Shares Outstanding	Market Value (8/30/2024)
GBTC	284,570,100	\$13,443,091,524
BTC	366,950,100	\$1,930,157,526
BITB	68,690,000	\$2,221,640,670

As shown above, each of the Bitcoin Funds had significantly more than 7,000,000 shares outstanding, which is the minimum number of shares of a corporate stock that the Exchange generally requires to list options on that stock pursuant to Commentary .01(1)

¹⁰ Commentary .01 to Rule 915 provides for guidelines to be by the Exchange when evaluating potential underlying securities for Exchange option transactions.

¹¹ Commentary .06(a)(ii) requires that ETFs must be available for creation or redemption each business day from or through the issuer in cash or in kind at a price related to net asset value, and the issuer must be obligated to issue ETFs in a specified aggregate number even if some or all of the investment assets required to be deposited have not been received by the issuer, subject to the condition that the person obligated to deposit the investments has undertaken to deliver the investment assets as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the issuer, as provided in the respective prospectus.

¹² The criteria and guidelines for a security to be considered widely held and actively traded are set forth in Commentary .01 to Rule 915, subject to exceptions.

¹³ An “NMS stock” means any NMS security other than an option, and an “NMS security” means any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan (or an effective national market system plan for reporting transaction in listed options). See 17 CFR § 242.600(b)(64) (definition of “NMS security”) and (65) (definition of “NMS stock”).

to Rule 915. The Exchange believes this demonstrates that each Bitcoin Fund is characterized by a substantial number of outstanding shares.

Further, the below table contains information regarding the number of beneficial holders of the Bitcoin Funds as of August 14, 2024.

Bitcoin Fund	Beneficial Holders (8/14/24)
GBTC	464,364
BTC	13,403
BITB	75,437

As this table shows, each Bitcoin Fund has significantly more than 2,000 beneficial holders (approximately 232, 7, and 38 times more, respectively), which is the minimum number of holders the Exchange generally requires for corporate stock in order to list options on that stock pursuant to Commentaries .01(2) to Rule 915. Therefore, the Exchange believes the shares of each Bitcoin Fund are widely held.

In addition, the Exchange believes the shares of each Bitcoin Fund are actively traded. Further, as of August 30, 2024, the total trading volume (by shares and notional) for these funds since they began trading¹⁴ and the average daily volume (“ADV”) over the 30-day period of August 1 through August 30, 2024, was as follows:¹⁵

Bitcoin Fund	Trading Volume (Shares)	Trading Volume (Notional \$)	ADV (Shares)
GBTC	1,738,154,400	\$90,375,924,275	5,023,654
BTC	200,160,450	\$1,074,286,926	8,886,626
BITB	396,272,670	\$13,173,423,937	2,399,463

As demonstrated above, even though these Bitcoin Funds have been trading for less than one year (and in the case of the BTC, less than two months), the trading volume for each is substantially higher than 2,400,000 shares (between roughly 165 and 700 times that amount), which is the minimum 12-month volume the Exchange generally requires for a

¹⁴ As noted *supra*, GBTC and BITB began trading on January 11th and BTC began trading on July 31st. Thus, the measurement period for the trading volume (shares/notional) is January 11 through August 1, 2024, for GBTC and BITB and July 31 through August 1, 2024, for BTC.

¹⁵ See FactSet, 8/30/2024, <https://www.factset.com/data-attribution>.

security in order to list options on that security as set forth in Commentary .01 to Rule 915. The Exchange believes this data demonstrates each Bitcoin Fund is characterized by a substantial number of outstanding shares that are actively traded.

In addition to satisfying the Exchange's initial listing standards, options on Bitcoin Funds will be subject to the Exchange's continued listing standards as set forth in Commentary .07 to Rule 916.¹⁶ Pursuant to Commentary .07 to Rule 916, the Exchange will not open for trading any additional series of option contracts covering a fund traded on the Exchange if such fund ceases to be an "NMS stock" as provided for Commentary .01(5) to Rule 915 or the fund is halted from trading on its primary market.¹⁷ Additionally, options on funds traded on the Exchange may be subject to the suspension of opening transactions as follows: (1) the funds no longer meets the terms of Commentary .01 to Rule 916; (2) following the initial twelve-month period beginning upon the commencement of trading of the funds, there are fewer than 50 record and/or beneficial holders of the funds for 30 or more consecutive trading days; (3) the value of the underlying commodity is no longer calculated or available; or (4) such other event occurs or condition exists that in the opinion of the Exchange makes further dealing on the Exchange inadvisable.

Options on each Bitcoin Fund will be physically settled contracts with American-style exercise.¹⁸ Consistent with Rule 903, which governs the opening of options series on a specific underlying security (including ETFs and ETPs), the Exchange will open at least one expiration month for options on each Bitcoin Fund¹⁹ at the commencement of trading on the Exchange and may also list series of options on Bitcoin Funds for trading on a

¹⁶ The Exchange proposes to amend Commentary .11 to Rule 916 to include the Bitcoin Funds in the list of ETPs deemed "Exchange-Traded Fund Shares" -- of ETFs -- for purposes of the continued listing standards set forth in Commentary .07 to Rule 916. See proposed Commentary .11 to Rule 916. For avoidance of doubt, the Exchange refers "funds" rather than "ETFs" to make clear that the Bitcoin Funds are subject to these continued listing standards.

¹⁷ See Commentary .07 to Rule 916.

¹⁸ See Rule 902 (Rights and Obligations of Holders and Writers), which provides that the rights and obligations of holders and writers of option contracts of any class of options dealt in on the Exchange shall be as set forth in the Rules of the Clearing Corporation. See also OCC Rules, Chapter VIII, which governs exercise and assignment, and Chapter IX, which governs the discharge of delivery and payment obligations arising out of the exercise of physically settled stock option contracts. OCC Rules can be located at: https://www.theocc.com/getmedia/9d3854cd-b782-450f-bcf7-33169b0576ce/occ_rules.pdf.

¹⁹ See Rule 903(c), Commentary .03. The monthly expirations are subject to certain listing criteria for underlying securities described within Rule 915. Monthly listings expire the third Friday of the month. The term "expiration date" (unless separately defined elsewhere in the OCC By-Laws), when used in respect of an option contract (subject to certain exceptions), means the third Friday of the expiration month of such option contract, or if such Friday is a day on which the exchange on which such option is listed is not open for business, the preceding day on which such exchange is open for business. See OCC By-Laws Article I, Section 1. Pursuant to Rule 903(d), additional series of options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to expiration.

weekly,²⁰ monthly,²¹ or quarterly²² basis. The Exchange may also list long-term equity option series (“LEAPS”)²³ that expire from twelve to thirty-nine months from the time they are listed.

Pursuant to Rule 903, Commentary .05(a), which governs strike prices of series of options on ETFs, the interval between strike prices of series of options on Bitcoin Funds will be \$1 or greater when the strike price is \$200 or less and \$5 or greater where the strike price is over \$200.²⁴ Additionally, the Exchange may list series of options pursuant to the \$1 Strike Price Interval Program,²⁵ the \$0.50 Strike Program,²⁶ the \$2.50 Strike Price Program,²⁷ and the \$5 Strike Program.²⁸ Pursuant to Rule 960NY, where the price of a series of a Bitcoin Fund option is less than \$3.00, the minimum increment will be \$0.05, and where the price is \$3.00 or higher, the minimum increment will be \$0.10.²⁹ Any and all new series of Bitcoin Fund options that the Exchange lists will be consistent and comply with the expirations, strike prices, and minimum increments set forth in Rules 903 and 960NY, as applicable.

Further, the Exchange notes that Rule 462, which governs margin requirements applicable to the trading of all options on the Exchange, including options on ETFs, will also apply to the trading of Bitcoin Fund options.

Position and Exercise Limits

Position and exercise limits for options, including options on Bitcoin Funds, are determined pursuant to Rules 904 and 905, respectively. Position and exercise limits for options vary according to the number of outstanding shares and the trading volumes of the underlying security over the past six months, where the largest in capitalization and the most frequently traded funds have an option position and exercise limit of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; and smaller capitalization funds have position and exercise limits of 200,000,

²⁰ See Rule 903(h).

²¹ See Rule 903, Commentary .11.

²² See Rule 903, Commentary .09.

²³ See Rule 903, Commentary .03.

²⁴ The Exchange notes that for options listed pursuant to the Short Term Option Series Program, the Monthly Options Series Program, and the Quarterly Options Series Program, Rules 903(h) and Commentaries .09 and .03 to Rule 903, specifically set forth intervals between strike prices on Quarterly Options Series, Short Term Option Series, and Monthly Options Series, respectively.

²⁵ See Rule 903, Commentary .06.

²⁶ See Rule 903, Commentary .13.

²⁷ See Rule 903, Commentary .07(a).

²⁸ See Rule 903, Commentary .12.

²⁹ If options on a Bitcoin Fund are eligible to participate in the Penny Interval Program, the minimum increment of \$0.01 below \$3.00 and \$0.50 above \$3.00 would apply. See Rule 960NY(a)(3). See also Rule 960.1NY (which describes the requirements for the Penny Interval Program).

75,000, 50,000 or 25,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market.³⁰

Position 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. The purpose of position limits, which are set forth in Rule 904, is 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. As such, position limits must balance concerns regarding mitigating potential manipulation and the cost of inhibiting potential hedging activity that investors may use for legitimate economic purposes. To achieve this balance, the Exchange proposes to set the position and exercise limits for the options on the Bitcoin Funds at 25,000 contracts, a limit which has already been approved for IBIT, an ETP that (like the Bitcoin Funds) holds bitcoin.³¹ Capping the position limit at 25,000 contracts, the lowest limit available in options, would address concerns related to manipulation and protection of investors as this number is conservative for the Bitcoin Funds and therefore appropriate given their liquidity. While the Exchange believes that the proposed 25,000-contract position limit is conservative for options on the Bitcoin Funds, it nonetheless believes that, for the reasons set forth below, evidence exists to support a much higher position limit.³²

GBTC, BITB and BTC would easily qualify for the 250,000-contract position limit available to other ETFs pursuant to the criterion in Rule 904, Commentary .07(a)(i), which requires that, for most recent six-months, trading volume for the underlying security be at least 100,000,000 shares.³³ As noted herein, BTC began trading on July 31, 2024, and therefore has only two months of trading data available as shown below.

³⁰ See Commentary .07(a)-(d) to Rule 904. For an option to be eligible for the 50,000-contract limit, the security underlying the option must have most recent six-month trading volume of at least 20,000,000 shares, or most recent six-month trading volume of at least 15,000,000 shares and at least 40,000,000 shares currently outstanding. For an option to be eligible for the 75,000-contract limit, the underlying security must have most recent six-month trading volume of at least 40,000,000 shares, or most recent six-month trading volume of at least 30,000,000 shares and at least 120,000,000 shares currently outstanding. For an option to be eligible for the 200,000-contract limit, the underlying security must have most recent six-month trading volume of at least 80,000,000 shares, or most recent six-month trading volume of at least 60,000,000 shares and at least 240,000,000 shares currently outstanding. For an option to be eligible for the 250,000-contract limit, the security underlying the option must have most recent six-month trading volume of at least 100,000,000 shares, or most recent six-month trading volume of at least 75,000,000 shares and at least 300,000,000 shares currently outstanding. The 25,000-contract limit applies to options on underlying securities that do not qualify for a higher contract limit. See Commentary .07(e) to Rule 904. In addition, Commentary .07(f) to Rule 904 establishes higher position limits for options on certain ETFs.

³¹ See proposed Rule 904, Commentary .07(f). See also ISE IBIT Approval Order, *supra* note 5.

³² The Exchange may file a subsequent rule change to amend the position and exercise limit for options on any or all the Bitcoin Funds based on additional data regarding trading activity, to continue to balance any concerns regarding manipulation. A higher position limit would allow institutional investors to utilize options on the Bitcoin Funds for prudent risk management purposes.

³³ Per Commentary .07(a) to Rule 904, to qualify for the 250,000-contract position limit for options, the underlying security must (i) have trading volume of at least 100,000,000 shares during the most recent six-month trading period; or (ii) have trading volume of at least 75,000,000 shares during the most recent six-month trading period *and* have at least 300,000,000 shares currently outstanding.

Bitcoin Fund	Total volume (9/24/2024)
GBTC	766,296,813 (6-months)
BTC	312,155,666 (2-months)
BITB	262,971,409 (6-months)

By comparison, other options symbols with six-month trading volume less than GBTC, BITB and BTC are eligible for position and exercise limits of at least 250,000.³⁴

With respect to the outstanding shares of each Bitcoin Fund, if a market participant held the maximum number of contracts possible pursuant to the proposed position and exercise limits (25,000 contracts), the equivalent shares represented by the proposed position/exercise limit (2,500,000 shares) would represent the following approximate percentage of current outstanding shares:

Bitcoin Fund	Proposed Position/Exercise Limits in Equivalent Shares	Outstanding Shares (8/30/24)	Percentage of Outstanding Shares
GBTC	2,500,000	284,570,100	0.9%
BTC	2,500,000	366,950,100	0.7%
BITB	2,500,000	68,690,000	3.6%

As this table demonstrates, if a market participant held the maximum permissible options positions in one of the Bitcoin Fund options and exercised all of them at the same time, that market participant would control a small percentage of the outstanding shares of the underlying Bitcoin Fund. For example, as noted above, a position limit of 25,000 same side contracts effectively restricts a market participant from holding positions that could result in the receipt of no more than 2,500,000 shares of the applicable Bitcoin Fund (if that market participant exercised all its options). Based on the number of shares outstanding for each Bitcoin Fund as of August 30, 2024, the table below sets forth the approximate number of market participants that could hold the maximum of 25,000 same side positions in each Bitcoin Fund that would equate to the number of shares outstanding of that Bitcoin Fund:

³⁴

See <https://www.theocc.com/Market-Data/Market-Data-Reports/Series-and-Trading-Data/Series-Search> (including the following symbols that have a position limit of 250,000: GLD, IAU, SLV, SIVR, SGOL).

Bitcoin Fund	Shares Outstanding	Number of Market Participants with 25,000 Same Side Positions
GBTC	284,570,100	114
BTC	366,950,100	147
BITB	68,690,000	27

This means if 114 market participants had 25,000 same side positions in options on GBTC, each of them would have to simultaneously exercise all of those options to create a scenario that may put the underlying security under stress. Similarly, this means if 147 market participants had 25,000 same side positions in options on BTC, each of them would have to simultaneously exercise all of those options to create a scenario that may put the underlying security under stress. Finally, this means if 27 market participants had 25,000 same side positions in options on BITB, each of them would have to simultaneously exercise all of those options to create a scenario that may put the underlying security under stress. The Exchange believes it is highly unlikely for this to occur; however, even if either such event did occur, the Exchange would not expect either Bitcoin Fund to be under stress because such an event would merely induce the creation of more shares through the trust's creation and redemption process.

Further, given that the issuer of each Bitcoin Fund may create and redeem shares that represent an interest in Bitcoin, the Exchange believes it is relevant to compare the size of a position limit to the market capitalization of the Bitcoin market. As of August 30, 2024, the global supply of Bitcoin was 19,747, 066, and the price of one Bitcoin was approximately \$59,108.23,³⁹ which equates to a market capitalization of approximately \$1.167 trillion.³⁵ Consider the proposed position and exercise limit of 25,000 option contracts for each Bitcoin Fund option. A position and exercise limit of 25,000 same side contracts effectively restricts a market participant from holding positions that could result in the receipt of no more than 2,500,000 shares of GBTC, BTC, or BITB, as applicable (if that market participant exercised all its options). The following table shows the share price of each Bitcoin Fund on August 30, 2024, the value of 2,500,000 shares of the Bitcoin Fund at that price, and the approximate percentage of that value of the size of the Bitcoin market:

Bitcoin Fund	Aug. 30th Share Price (\$)	Value of 2,500,000 Shares of Bitcoin Fund (\$)	Percentage of Bitcoin Market
GBTC	46.75	116,875,000	0.010%
BTC	5.20	13,000,000	0.001%
BITB	31.95	79,875,000	0.007%

³⁵

See <https://www.blockchain.com/explorer/charts/total-bitcoins>.

Therefore, if a market participant with the maximum 25,000 same side contracts in options on GBTC, BTC, or BITB exercised all positions at one time, such an event would have no practical impact on the Bitcoin market.

The Exchange also reviewed the market capitalization of each Bitcoin Fund relative to the market capitalization of the entire bitcoin market, as of August 30, 2024.

	Bitcoin/Shares Outstanding	Market Value (8/30/2024)	% of Total Bitcoin Market
Total Bitcoin Market³⁶	19,747,066	\$1,167,214,096,788	100.00%
GBTC	284,570,100	\$13,443,091,524	1.15%
BTC	366,950,100	\$1,930,157,526	0.17%
BITB	68,690,000	\$2,221,640,670	0.19%

As shown above, the Bitcoin Funds collectively represent approximately 1.51% of the global supply of Bitcoin (19,747, 066). Based on the \$46.75 price of a GBTC share on August 30, 2024, a market participant could have redeemed one Bitcoin for approximately 1,264 GBTC shares. Another 24,967,146,455 GBTC shares could be created before the supply of Bitcoin was exhausted. As a result, 9,987 market participants would have to simultaneously exercise 25,000 same side positions in GBTC options to receive shares of the GBTC holding the entire global supply of Bitcoin. Similarly, based on the \$5.20 price of a BTC share on August 30, 2024, a market participant could have redeemed one Bitcoin for approximately 11,367 BTC shares. Another 224,464,249,382 BTC shares could be created before the supply of Bitcoin was exhausted. As a result, 89,786 market participants would have to simultaneously exercise 25,000 same side positions in BTC options to receive shares of BTC holding the entire global supply of Bitcoin. Similarly, based on the \$31.95 price of a BITB share on August 30, 2024, a market participant could have redeemed one Bitcoin for approximately 1,850 BITB shares. Another 36,532,522,591 BITB shares could be created before the supply of Bitcoin was exhausted. As a result, 14,613 market participants would have to simultaneously exercise 25,000 same side positions in BITB options to receive shares of BITB holding the entire global supply of Bitcoin. Unlike the Bitcoin Funds, the number of shares that corporations may issue is limited. However, like corporations, which authorize additional shares, repurchase shares, or split their shares, the Bitcoin Funds may create, redeem, or split shares in response to demand. While the supply of Bitcoin is limited to 21,000,000, it is believed that it will take more than 100 years to fully mine the

³⁶

See <https://www.blockchain.com/explorer/charts/total-bitcoins>.

remaining Bitcoin.³⁷ The supply of Bitcoin is larger than the available supply of most securities.³⁸ Given the significant unlikelihood of any of these events ever occurring, the Exchange does not believe options on the Bitcoin Funds should be subject to position and exercise limits even lower than those proposed (which are already equal to the lowest available limit for equity options in the industry) to protect the supply of Bitcoin.³⁹

The Exchange also believes the proposed limits are appropriate given position limits for Bitcoin futures. For example, the Chicago Mercantile Exchange (“CME”) imposes a position limit of 2,000 futures (for the initial spot month) on its Bitcoin future contract.⁴⁰ On August 28, 2024, CME Aug 24 Bitcoin Futures settled at \$58,950. A position of 2,000 CME Bitcoin futures, therefore, would have a notional value of \$589,500,000. The following table shows the share price of each Bitcoin Fund on August 28, 2024, and the approximate number of option contracts that equates to that notional value:

Bitcoin Fund	Aug. 28th Share Price	Number of Option Contracts
GBTC	46.94	125,585
BTC	5.23	1,127,151
BITB	32.08	183,759

The approximate number of option contracts for each Bitcoin Fund that equate to the notional value of CME Bitcoin futures is significantly higher than the proposed limit of 25,000 options contract for each Bitcoin Fund option. The fact that many options ultimately expire out-of-the-money and thus are not exercised for shares of the underlying, while the delta of a Bitcoin Future is 1, further demonstrates how conservative the proposed limits of 25,000 options contracts are for the Bitcoin Fund options.

The Exchange notes, 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).⁴¹ Therefore, if a portfolio includes positions in options on futures, CME would aggregate those positions into the

³⁷ See <https://www.blockchain.com/explorer/assets/btc> (citing 21 million as the “total supply” of bitcoin).

³⁸ The market capitalization of Bitcoin would rank in the top 10 among securities. See <https://companiesmarketcap.com/usa/largest-companies-in-the-usa-by-market-cap/>.

³⁹ This would be even more unlikely with respect to the Bitcoin Funds for which the Exchange proposes lower position limits.

⁴⁰ See CME Rulebook Chapter 350 (description of CME Bitcoin Futures) and Chapter 5, Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices. Each CME Bitcoin futures contract is valued at five Bitcoins as defined by the CME CF Bitcoin Reference Rate (“BRR”). See CME Rule 35001.

⁴¹ Id.

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.⁴² 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 futures for Bitcoin, the Exchange believes that that the proposed same side position limits are more than appropriate for the Bitcoin Fund options.

The Exchange believes the available supply of Bitcoin is not relevant to the determination of position and exercise limits for options overlying the Bitcoin Funds.⁴² Position and exercise limits are not a tool that should be used to address a potential limited supply of the underlying of an underlying. Position and exercise limits do not limit the total number of options that may be held, but rather they limit the number of positions a single customer may hold or exercise at one time.⁴³ "Since the inception of standardized options trading, the options exchanges have had rules imposing limits on the aggregate number of options contracts that a member or customer could hold or exercise."⁴⁴ Position and exercise limit rules 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 position. In particular, position and exercise limits are designed to minimize the potential for mini-manipulations and for corners or squeezes of the underlying market. In addition, such limits serve to reduce the possibility for disruption of the options market itself, especially in illiquid options classes."⁴⁵

⁴² The Exchange is unaware of any proposed rule change related to position and exercise limits for any equity option (including commodity ETF options) for which the Commission required consideration of whether the available supply of an underlying (whether it be a corporate stock or an ETF) or the contents of an ETF (commodity or otherwise) should be considered when an exchange proposed to establish those limits. See, e.g., Securities Exchange Act Release No. 57894 May 30, 2008), 73 FR 32061 (June 5, 2008) (SR-CBOE-2005-11) (approval order in which the Commission stated that the "listing and trading of Gold Trust Options will be subject to the exchanges' rules pertaining to position and exercise limits and margin"). The Exchange notes when the Commission approved this filing, the position limits in Rule 9054 were the same as they are today. For reference, the current position and exercise limits for options on SPDR Gold Shares ETF ("GLD") and options on iShares Silver Trust ("SLV") are 250,000 contracts, or 10 times that proposed position and exercise limit for the Bitcoin Fund options.

⁴³ For example, suppose an option has a position limit of 25,000 option contracts and there are a total of 10 investors trading that option. If all 10 investors max out their positions, that would result in 250,000 option contracts outstanding at that time. However, suppose 10 more investors decide to begin trading that option and also max out their positions. This would result in 500,000 option contracts outstanding at that time. An increase in the number of investors could cause an increase in outstanding options even if position limits remain unchanged.

⁴⁴ See Securities Exchange Act Release No. 39489 (December 24, 1997), 63 FR 276 (January 5, 1998) (SR-CBOE-1997-11).

⁴⁵ Id.

The Exchange notes that a Registration Statement on Form S-1 was filed with the Commission for each Bitcoin Fund, each of which described the supply of Bitcoin as being limited to 21,000,000 (of which approximately 90% had already been mined), and that the limit would be reached around the year 2140.⁴⁶ Each Registration Statement permits an unlimited number of shares of the applicable Bitcoin Fund to be created. Further, the Commission approved proposed rule changes that permitted the listing and trading of shares of each Bitcoin Fund, which approval did not comment on the sufficient supply of Bitcoin or address whether there was a risk that permitting an unlimited number of shares for a Bitcoin Fund would impact the supply of Bitcoin.⁴⁷ Therefore, the Exchange believes the Commission had ample time and opportunity to consider whether the supply of Bitcoin was sufficient to permit the creation of unlimited Bitcoin Fund shares, and does not believe considering this supply with respect to the establishment of position and exercise limits is appropriate given its lack of relevance to the purpose of position and exercise limits. However, given the significant size of the Bitcoin supply, the proposed positions limits are more than sufficient to protect investors and the market.

Based on the foregoing, the Exchange believes the proposal to list options on the Bitcoin Funds with positions and exercise limits of 25,000 on the same side, the lowest position limit available in the options industry, is conservative and appropriate given the market capitalization, average daily volume, and high number of outstanding shares for each of the Bitcoin Funds. The proposed position and exercise limits reasonably and appropriately balance the liquidity provisioning in the market against the prevention of manipulation. The Exchange believes these proposed limits are effectively designed to prevent an individual customer or entity from establishing options positions that could be used to manipulate the market of the underlying as well as the Bitcoin market.⁴⁸

As described herein, options on the Bitcoin Funds will trade in the same manner as any other ETF or ETP options on the Exchange. The Exchange Rules that currently apply to the listing and trading of options on the Exchange, including, for example, Rules that govern listing criteria, expiration and exercise prices, minimum increments, margin requirements, customer accounts and trading halt procedures will apply to the listing and trading of Bitcoin Funds on the Exchange in the same manner as they apply to all other ETFs and ETPs that are listed and traded on the Exchange, including the precious metal-backed commodity ETPs already deemed appropriate for options trading on the Exchange pursuant to Commentary .10 to Rule 915. Further, as described above, Exchange Rules regarding position and exercise limits will likewise apply to options on

⁴⁶ See, e.g., GBTC Form S-1 Registration Statement, at p. 17, <https://www.sec.gov/Archives/edgar/data/1588489/000119312517013693/d157414ds1.htm>; BTC Form S-1 Registration Statement, at p. 21, <https://www.sec.gov/Archives/edgar/data/2015034/000119312524065444/d785023ds1.htm>; and BITB Amendment No 2. to S-1, at p. 47, https://www.sec.gov/Archives/edgar/data/1763415/000199937123000735/bitwise-s1a_120423.htm (“Bitcoin Funds Reg. Stmts.”).

⁴⁷ See Bitcoin ETP Approval Order.

⁴⁸ See Securities Exchange Act Release No. 39489 (December 24, 1997), 63 FR 276 (January 5, 1998) (SR-CBOE-1997-11).

the Bitcoin Funds except the that, as proposed, the position and exercise limits will be set at 25,000 on the same side.

The Exchange notes that options on Bitcoin Funds would not be available for trading until The Options Clearing Corporation (“OCC”) represents to the Exchange that it is fully able to clear and settle such options. The Exchange has also analyzed its capacity and represents that it and The Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle the additional traffic associated with the listing of options on Bitcoin Funds. The Exchange believes any additional traffic that would be generated from the trading of options on Bitcoin Funds would be manageable. The Exchange represents that Exchange members will not have a capacity issue as a result of this proposed rule change.

The Exchange represents that the same surveillance procedures applicable to all other options currently listed and traded on the Exchange will apply to options on Bitcoin Funds, and that it has the necessary systems capacity to support the new option series. The Exchange’s existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading options on ETFs and ETPs, such as (existing) precious metal-commodity backed ETP options as well as the proposed options on Bitcoin Funds. The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of options on Bitcoin Funds in all trading sessions and to deter and detect violations of Exchange rules. Specifically, the Exchange’s market surveillance staff will have access to the surveillances conducted by its affiliated NYSE, Arca Inc. with respect to the Bitcoin Funds and would review activity in the underlying Funds when conducting surveillances for market abuse or manipulation in the options on the Trust. Additionally, the Exchange is a member of the Intermarket Surveillance Group (“ISG”) under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition, the Exchange has a Regulatory Services Agreement with the Financial Industry Regulatory Authority (“FINRA”). Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillances.⁴⁹ Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on the Bitcoin Funds.

⁴⁹ Section 19(g)(1) of the Act, among other things, requires every SRO registered as a national securities exchange or national securities association to comply with the Act, the rules and regulations thereunder, and the SRO’s own rules, and, absent reasonable justification or excuse, enforce compliance by its members and persons associated with its members. See 15 U.S.C. 78q(d)(1) and 17 CFR 240.17d-2. Section 17(d)(1) of the Act allows the Commission to relieve an SRO of certain responsibilities with respect to members of the SRO who are also members of another SRO. Specifically, Section 17(d)(1) allows the Commission to relieve an SRO of its responsibilities to: (i) receive regulatory reports from such members; (ii) examine such members for compliance with the Act and the rules and regulations thereunder, and the rules of the SRO; or (iii) carry out other specified regulatory responsibilities with respect to such members.

The underlying shares of spot bitcoin ETPs, including the Bitcoin Funds, are also subject to safeguards related to addressing market abuse and manipulation. As the Commission stated in its order approving proposals of several exchanges to list and trade shares of spot bitcoin-based exchange-traded products (“Bitcoin ETP Order”):

Each Exchange has a comprehensive surveillance-sharing agreement with the CME via their common membership in the Intermarket Surveillance Group. This facilitates the sharing of information that is available to the CME through its surveillance of its markets, including its surveillance of the CME bitcoin futures market.⁵⁰

The Exchange states that, given the consistently high correlation between the CME bitcoin futures market and the spot bitcoin market, as confirmed by the Commission through robust correlation analysis, the Commission was able to conclude that such surveillance sharing agreements could reasonably be “expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the [Bitcoin ETPs].”⁵¹

In light of surveillance measures related to both options and futures as well as the underlying Bitcoin Funds,⁵² the Exchange believes that existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed options on the Bitcoin Funds.

Finally, quotation and last sale information for ETFs is available via the Consolidated Tape Association (“CTA”) high speed line. Quotation and last sale information for such securities is also available from the exchange on which such securities are listed. Quotation and last sale information for options on Bitcoin Funds will be available via OPRA and major market data vendors.

⁵⁰ See Securities Exchange Act Release No. 99306 (January 10, 2024), 89 FR 3008, 3009 (January 17, 2024) (File Nos. SR-NYSEArca-2021-90; SR-NYSEArca-2023-44; SR-NYSEArca-2023-58; SR-NASDAQ-2023-016; SR-NASDAQ-2023-019; SR-CboeBZX-2023-028; SR-CboeBZX-2023-038; SR-CboeBZX-2023-040; SR-CboeBZX-2023-042; SRCboeBZX-2023-044; and SR-CboeBZX-2023-072) (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).

⁵¹ See Bitcoin ETP Order, 89 FR at 3010-11.

⁵² See Amendment No. 2 to Proposed Rule Change to List and Trade Shares of the Grayscale Bitcoin Trust (BTC) under NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares) (SR-NYSEARCA-2021-90), filed Jan. 5, 2024, available at <https://www.sec.gov/comments/sr-nysearca-2021-90/srnysearca202190-358659-884182.pdf>; Amendment No. 2 to Proposed Rule Change to List and Trade Shares of the Bitwise Bitcoin ETF under NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares) (SR-NYSEARCA-2023-44), filed Jan. 5, 2024, available at <https://www.sec.gov/comments/sr-nysearca-2023-44/srnysearca202344-358800-884322.pdf>; and Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, To List and Trade Shares of the Grayscale Bitcoin Mini Trust Under NYSE Arca Rule 8.201-E, Commodity-Based Trust Shares, Securities Exchange Act Release No. 100290 (June 6, 2024), 89 FR 49931 (June 12, 2024) (SR-NYSEARCA-2024-45).

The Exchange believes that offering options on Bitcoin Funds will benefit investors by providing them with an additional, relatively lower cost investing tool to gain exposure to the price of Bitcoin and hedging vehicle to meet their investment needs in connection with Bitcoin-related products and positions. The Exchange expects investors will transact in options on Bitcoin Funds in the unregulated over-the-counter (“OTC”) options market,⁵³ but may prefer to trade such options in a listed environment to receive the benefits of trading listing options, including (1) enhanced efficiency in initiating and closing out position; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of all listed options. The Exchange believes that listing Bitcoin Fund options may cause investors to bring this liquidity to the Exchange, would increase market transparency and enhance the process of price discovery conducted on the Exchange through increased order flow. The Exchange notes that the ETPs that hold precious metal commodities on which the Exchange may already list and trade options are trusts structured in substantially the same manner as Bitcoin Funds and essentially offer the same objectives and benefits to investors, just with respect to different assets. The Exchange notes that it has not identified any issues with the continued listing and trading of any ETF options, including ETPs that hold commodities (i.e., precious metals) that it currently lists and trades on the Exchange.

Finally, the Exchange notes that applicable Exchange rules will require that customers receive appropriate disclosure before trading options in Bitcoin Funds.⁵⁴ Further, brokers opening accounts and recommending options transactions must comply with relevant customer suitability standards.⁵⁵

(b) Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act⁵⁶ in general and furthers the objectives of Section 6(b)(5) of the Act⁵⁷ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanisms of a free and open market and a national market system.

In particular, the Exchange believes that the proposal to list and trade options on Bitcoin Funds will remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors because offering options on Bitcoin Funds will provide investors with an opportunity to realize the benefits of

⁵³ The Exchange understands from customers that investors have historically transacted in options on ETFs in the OTC options market if such options were not available for trading in a listed environment.

⁵⁴ See Rules 921(f) and 481.

⁵⁵ See Rule 923.

⁵⁶ 15 U.S.C. 78f(b).

⁵⁷ 15 U.S.C. 78f(b)(5).

utilizing options on a Bitcoin Fund, including cost efficiencies and increased hedging strategies.

The Exchange believes that offering Bitcoin Fund options will benefit investors by providing them with a relatively lower-cost risk management tool, which will allow them to manage their positions and associated risk in their portfolios more easily in connection with exposure to the price of Bitcoin and with Bitcoin-related products and positions. Additionally, the Exchange's offering of Bitcoin Fund options will provide investors with the ability to transact in such options in a listed market environment as opposed to in the unregulated OTC options market, which would increase market transparency and enhance the process of price discovery conducted on the Exchange through increased order flow to the benefit of all investors. The Exchange also notes that it already lists options on other commodity-based ETPs,⁵⁸ which, as described above, are trusts structured in substantially the same manner as Bitcoin Funds and essentially offer the same objectives and benefits to investors, just with respect to a different commodity (i.e., Bitcoin rather than precious metals) and for which the Exchange has not identified any issues with the continued listing and trading of commodity-backed ETP options it currently lists for trading.

The Exchange also believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system, because it is consistent with current Exchange Rules previously filed with the Commission. Options on Bitcoin Funds satisfy the initial listing standards and continued listing standards currently in the Exchange Rules applicable to options on all ETFs and ETPs, including ETPs that hold other commodities already deemed appropriate for options trading on the Exchange. Additionally, as demonstrated above, each Bitcoin Fund is characterized by a substantial number of shares that are widely held and actively traded. Bitcoin Fund options will trade in the same manner as any other ETF or ETP options — the same Exchange Rules that currently govern the listing and trading of options, including permissible expirations, strike prices, minimum increments, and margin requirements, will govern the listing and trading of options on Bitcoin Funds in the same manner. The proposed position and exercise limit for options on the Bitcoin Funds is 25,000 contracts. These position and exercise limits are the lowest position limit available in the options industry, is extremely conservative and more than appropriate given the Bitcoin Funds' market capitalization, average daily volume, number of beneficial holders, and high number of outstanding shares.⁵⁹ The proposed position and exercise limit is consistent with the Act as it addresses concerns related to manipulation and protection of investors because the position and exercise limit is extremely conservative and more than appropriate given the Bitcoin Funds are actively traded.

⁵⁸ See Rule 915, Commentary .10.

⁵⁹ The Exchange notes that IBIT -- which has been approved for options trading -- represents a larger percentage of the bitcoin market than all three Bitcoin Funds. See ISE IBIT Approval Order, supra note 5. As noted herein, the Bitcoin Funds collectively represent approximately 1.51% of the bitcoin market. By comparison, IBIT options have an approved position limit of 25,000 contracts per side, which represents 4% of total underlying spot BTC liquidity, and IBIT is the most liquid spot Bitcoin ETF. See id.

The Exchange represents that it has the necessary systems capacity to support the new Bitcoin Fund options. The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading options, including Bitcoin Fund options. The Exchange's existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading options on ETFs and ETPs, such as (existing) precious metal-commodity backed ETP options as well as the proposed options on Bitcoin Funds. The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of options on Bitcoin Funds in all trading sessions and to deter and detect violations of Exchange rules. Specifically, the Exchange's market surveillance staff will have access to the surveillances conducted by its affiliated NYSE, Arca Inc. with respect to the Bitcoin Funds and would review activity in the underlying Funds when conducting surveillances for market abuse or manipulation in the options on the Trust. Additionally, the Exchange is a member of the ISG under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition, the Exchange has a Regulatory Services Agreement with the FINRA and, as noted herein, pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillances. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on the Bitcoin Funds.

The underlying shares of spot bitcoin ETPs, including the Bitcoin Funds, are also subject to safeguards related to addressing market abuse and manipulation. As the Commission stated in its order approving proposals of several exchanges to list and trade shares of spot bitcoin-based ETPs, “[e]ach Exchange has a comprehensive surveillance-sharing agreement with the CME via their common membership in the Intermarket Surveillance Group. This facilitates the sharing of information that is available to the CME through its surveillance of its markets, including its surveillance of the CME bitcoin futures market.⁶⁰ The Exchange states that, given the consistently high correlation between the CME bitcoin futures market and the spot bitcoin market, as confirmed by the Commission through robust correlation analysis, the Commission was able to conclude that such surveillance sharing agreements could reasonably be “expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the [Bitcoin ETPs].”⁶¹ In light of surveillance measures related to both options and futures as well as the underlying Bitcoin Funds,⁶² the Exchange believes that existing

⁶⁰ See Securities Exchange Act Release No. 99306 (January 10, 2024), 89 FR 3008, 3009 (January 17, 2024) (File Nos. SR-NYSEArca-2021-90; SR-NYSEArca-2023-44; SR-NYSEArca-2023-58; SR-NASDAQ-2023-016; SR-NASDAQ-2023-019; SR-CboeBZX-2023-028; SR-CboeBZX-2023-038; SR-CboeBZX-2023-040; SR-CboeBZX-2023-042; SR-CboeBZX-2023-044; and SR-CboeBZX-2023-072) (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).

⁶¹ See Bitcoin ETP Order, 89 FR at 3010-11.

⁶² See Amendment No. 2 to Proposed Rule Change to List and Trade Shares of the Grayscale Bitcoin Trust (BTC) under NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares) (SR-NYSEARCA-2021-90),

surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed options on the Bitcoin Funds. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on Bitcoin ETPs.

Finally, the Exchange notes that 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 because applicable Exchange rules will require that customers receive appropriate disclosure before trading options in Bitcoin Funds⁶³ and will require that brokers opening accounts and recommending options transactions comply with relevant customer suitability standards.⁶⁴

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.

Intramarket Competition: The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act as Bitcoin Funds would need to satisfy the initial listing standards set forth in the Exchange Rules in the same manner as any other ETF before the Exchange could list options on them. Additionally, Bitcoin Fund options will be equally available to all market participants who wish to trade such options. The Exchange Rules currently applicable to the listing and trading of options on ETFs on the Exchange will apply in the same manner to the listing and trading of all options on Bitcoin Funds. Also, and as stated above, the Exchange already lists options on other commodity-based ETFs.⁶⁵

Intermarket Competition: The Exchange does not believe that the proposal to list and trade options on Bitcoin Funds will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the extent that the advent of Bitcoin Fund options trading on the Exchange may make the Exchange a more attractive marketplace to market participants at other exchanges, such market participants are free to elect to become market participants on the Exchange. As noted herein, this is a competitive filing as the Commission recently approved the listing and

filed Jan. 5, 2024, available at <https://www.sec.gov/comments/sr-nysearca-2021-90/srnysearca202190-358659-884182.pdf>; Amendment No. 2 to Proposed Rule Change to List and Trade Shares of the Bitwise Bitcoin ETF under NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares) (SR-NYSEARCA-2023-44), filed Jan. 5, 2024, available at <https://www.sec.gov/comments/sr-nysearca-2023-44/srnysearca202344-358800-884322.pdf>; and Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, To List and Trade Shares of the Grayscale Bitcoin Mini Trust Under NYSE Arca Rule 8.201-E, Commodity-Based Trust Shares, Securities Exchange Act Release No. 100290 (June 6, 2024), [89 FR 49931](#) (June 12, 2024) (SR-NYSEARCA-2024-45).

⁶³ See Rules 921(f) and 481.

⁶⁴ See Rule 923.

⁶⁵ See Rule 915, Commentary .10.

trading of options on an ETF that, like the Bitcoin Funds, holds bitcoin.⁶⁶ Additionally, other options exchanges are free to amend their listing rules, as applicable, to permit them to list and trade options on Bitcoin Funds. The Exchange notes that listing and trading Bitcoin Fund options on the Exchange will subject such options to transparent exchange-based rules as well as price discovery and liquidity, as opposed to alternatively trading such options in the OTC market.

The Exchange believes that the proposed rule change may relieve any burden on, or otherwise promote, competition as it is designed to increase competition for order flow on the Exchange in a manner that is beneficial to investors by providing them with a lower-cost option to hedge their investment portfolios. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues that offer similar products. Ultimately, the Exchange believes that offering Bitcoin Fund options for trading on the Exchange will promote competition by providing investors with an additional, relatively low-cost means to hedge their portfolios and meet their investment needs in connection with Bitcoin prices and Bitcoin-related products and positions on a listed options exchange.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

The Exchange does not consent at this time to an extension of any 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 Exchange believes this Amendment No. 2 qualifies for accelerated effectiveness pursuant to Section 19(b)(2) of the Act.⁶⁷ The Exchange’s proposal to amend Rule 915, Criteria for Underlying Securities (the “original filing”) was published in the Federal Register for notice and comment on August 28, 2024.⁶⁸ Amendment No. 1, which replaced and superseded each of the original filing in its entirety was filed on September 9, 2024.⁶⁹ As of the date of this Amendment No. 2, no comments regarding the original filing, as modified by Amendment No.1, were submitted.

⁶⁶ See ISE IBIT Approval Order, *supra* note 5.

⁶⁷ 15 U.S.C. 78s(b)(2).

⁶⁸ See Securities Exchange Act Release No. 100863 (August 28, 2024), 89 FR 71945 (September 4, 2024) (SR-NYSEAMER-2024-49) (Notice of Filing of Proposed Rule Change to Amend Rule 915 to Permit the Listing and Trading of Options on Bitcoin ETFs) (“Notice of Original Filing”).

⁶⁹ See Amendment No. 1 to Amend Rule 915 to Permit the Listing and Trading of Options on Bitcoin ETFs (SR-NYSEAMER-2024-49), filed Sept. 9, 2024, available at <https://www.sec.gov/comments/sr-nyseamer->

As a national securities exchange, NYSE American is required under Section 6(b)(1) of the Act⁷⁰ to enforce compliance by its members, and persons associated with its members, with the provisions of the Act, Commission rules and regulations thereunder, and its own rules with respect to the proposed product. In addition, brokers that trade options on Bitcoin Funds will be subject to best execution obligations.⁷¹ Applicable Exchange rules will require that customers receive appropriate disclosure before trading options in Bitcoin Funds.⁷² Further, brokers opening accounts and recommending options transactions must comply with relevant customer suitability standards.⁷³ Options on Bitcoin Funds must also satisfy Exchange initial listing and continued listing standards⁷⁴ applicable to options on all ETFs, including other commodity ETFs already approved for options trading on the Exchange. In addition to including options on Bitcoin Funds in Rule 915, Commentary .07, the securities underlying options on Bitcoin Funds must also be duly registered and be an “NMS stock” as defined under Rule 600 of Regulation NMS⁷⁵ and be characterized by a substantial number of outstanding shares which are widely held and actively traded.⁷⁶ Exchange rules that currently govern the listing and trading of options, including permissible expirations, strike prices, minimum increments, position and exercise limits, and margin requirements, will govern the listing and trading of options on Bitcoin Funds. Additionally, options on Bitcoin Funds will trade in the same manner as any other options on all other ETFs and ETPs listed on the Exchange.⁷⁷

Amendment No. 2, which supersedes and replaces Amendment No. 1 in its entirety, modifies the original filing by (1) including reference to, and reliance on, the ISE IBIT Approval Order; (2) narrowing the scope of the original filing down to the three Bitcoin Funds; (3) providing additional information and analysis of trading data for the (remaining) Bitcoin Funds in support of this proposal, including the proposed position limits of 25,000 per side for the options on the Bitcoin Funds; and (4) supplementing information related to the Exchange’s surveillance program, including the manner in which it would surveil suspicious trading activity in the underlying Bitcoin Funds and where the Exchange would obtain information about the bitcoin market.⁷⁸ The Exchange believes the proposed position and exercise limit of 25,000 contracts per side, which is the lowest limit available in the options industry, would assure fair and orderly trading

[2024-49/srnyseamer202449-518495-1491742.pdf](#).

⁷⁰ 15 U.S.C. 78f(b)(1).

⁷¹ See Rule 16.

⁷² See Rules 921(f) and 481.

⁷³ See Rule 923.

⁷⁴ See Rules 916 and 916, respectively.

⁷⁵ See Rule 915(a)(1).

⁷⁶ See Rule 915(a)(2).

⁷⁷ See Trading of Options Contracts, Sections 1 - 900NY (setting for rules principally applicable to options contracts on the Exchange).

⁷⁸ See supra note 3.

for this product because such limits are 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.

The Exchange's existing surveillance and reporting safeguards, which are designed to deter and detect possible manipulative behavior which might arise from listing and trading options, will apply to options on Bitcoin Funds similar to options on other ETFs and ETPs. The Exchange also represents that it has the necessary systems capacity to support the new option on Bitcoin Funds.

The Exchange believes that good cause exists to grant accelerated approval of this Amendment No. 2 because it the changes sent forth in this Amendment No. 2 are provide additional information for the basis of the proposal that are designed to promote transparency and clarity in Exchange rules, including as to the applicable position limit for options on the Bitcoin Funds. Accelerated approval is essential for competitive purposes as the Commission has already approved the proposed position and exercise limits for IBIT.⁷⁹ This Amendment No. 2 includes substantially similar information for each Bitcoin Fund as was provided for IBIT, and it is necessary and appropriate for the Commission to act upon comparable filings of all options exchanges. This would benefit investors because it will permit the Exchange to list options on the Bitcoin Funds at the same time as its competitor exchange can list options on a competitive product. The Exchange believes it promotes competition to make options available on multiple Bitcoin Funds, and the Exchange has provided comparable data and analysis for each Bitcoin Fund that the competitor exchange provided for IBIT. Approval of the Bitcoin Funds for options trading will protect investors by providing them with the benefits of options regardless of in which Bitcoin Fund they may choose to trade. Investors should not be denied the hedging and other investment protections and benefits that options offer merely because their investment strategies happen to involve one Bitcoin Fund versus another.

Accordingly, the Exchange believes that no regulatory purpose would be served by delaying implementation of the proposal beyond the close of the period for public comment on the proposed rule change. The proposed options on Bitcoin Funds do not raise any novel issues. Today, the Exchange lists options on other commodity-backed ETPs structured as trusts.⁸⁰ As proposed, options on Bitcoin Funds would be listed,

⁷⁹ See ISE IBIT Approval Order, supra note 5. As noted herein, the Bitcoin Funds collectively represent approximately 1.51% of the bitcoin market. By comparison, IBIT represents 4% of total underlying spot BTC liquidity, and IBIT is the most liquid spot Bitcoin ETF and IBIT options have an approved position limit of 25,000 contracts per side. See id.

⁸⁰ The Commission has previously approved the listing and trading of options on other commodity ETFs structured as a trust on the Exchange, such as SPDR Gold Trust, the iShares COMEX Gold Trust the iShares Silver Trust, the ETFS Gold Trust, and the ETFS Silver Trust. See, e.g., Commentary .10 to Rule 915.

traded, and surveilled in the same fashion as other options on ETFs and ETPs listed on the Exchange.

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

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

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

Exhibit 1 – Form of Notice of Proposed Rule Change for Federal Register

Exhibit 4 – Proposed Rule Text Marked to Show Changes to Exhibit 5 Made in Amendment No. 2

Exhibit 5 – Text of the Proposed Rule Change

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NYSEAMER-2024-49, Amendment No. 2)

[Date]

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing of Proposed Change to Amend Rule 915 Regarding the Criteria for Underlying Securities.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on October 7, 2024, NYSE American LLC (“NYSE American” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. 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 Rule 915 regarding the criteria for underlying securities. This Amendment No. 2 supersedes and replaces Amendment No. 1 to the original filing in its entirety.⁴ The proposed rule change is available on the Exchange’s website at

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ On September 9, 2024, the Exchange filed Amendment No. 1 to SR-NYSEAMER-2024-49, which replaced and superseded the original filing in its entirety. See <https://www.sec.gov/comments/sr-nyseamer-2024-49/srnyseamer202449-518495-1491742.pdf>. This Amendment No. 2 which supersedes and replaces Amendment No. 1 in its entirety, modifies the original filing by (1) including reference to, and reliance on, the “ISE IBIT Approval Order,” as referenced *infra*; (2) narrowing the scope of the original filing by eliminating the following bitcoin-related funds, and any information related thereto: the ARK21Shares Bitcoin ETF, the Invesco Galaxy Bitcoin ETF, the Franklin Bitcoin ETF, the VanEck Bitcoin Trust, and the WisdomTree Bitcoin Fund; (3) providing additional information and analysis of trading data for the (remaining) Bitcoin Funds in support of this proposal, including the proposed position limits of 25,000 per side for the options on the Bitcoin Funds; and (4) supplementing information related to the Exchange’s surveillance program, including the manner in which it would surveil suspicious trading activity in the underlying Bitcoin Funds and where the Exchange would obtain information about the bitcoin market.

www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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 self-regulatory organization 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 those 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 parts of such statements.

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

1. Purpose

The Exchange proposes to amend Rule 915 (Criteria for Underlying Securities). Specifically, the Exchange proposes to amend Rule 915, Commentary .10 to allow the Exchange to list and trade options on the following exchange-traded products: the Grayscale Bitcoin Trust (BTC) (the “Grayscale Fund” or “GBTC”), the Grayscale Bitcoin Mini Trust BTC (the “Grayscale Mini Fund” or “BTC”), and the Bitwise Bitcoin ETF (the “Bitwise Fund” or “BITB” and, collectively, the “Bitcoin Funds” or “Funds”).⁵

⁵ On January 11, 2024, GBTC and BITB began trading on NYSE Arca, Inc. (“NYSE Arca”), the Exchange’s affiliated SRO, after the Commission approved rule changes to list and trade shares of “Bitcoin-Based Commodity-Based Trust Shares” pursuant to Rule 8.201-E(c)(1) (Commodity-Based Trust Shares), including GBTC and BITB. See Securities Exchange Act Release No. 99306 (January 10, 2024) (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), 89 FR 3008 (January 17, 2024) (SR-NYSEARCA-2023-44; SR-NYSEARCA-2021-90).

On July 13, 2024, after receiving approval of the Commission, BTC began trading on NYSE Arca. See Securities Exchange Act Release No. 100610 (July 26, 2024) (Order Granting Approval of Proposed Rule Changes, as Modified by Amendment No. 1, to List and Trade Share of BTC pursuant to NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares)), 89 FR 62821 (August 1, 2024) (SR-NYSEARCA-2023-45).

The Exchange notes that this is a competitive filing as the Commission recently approved a rule proposal by Nasdaq ISE, LLC (“ISE”) to allow the listing and trading of options on iShares Bitcoin Trust (or IBIT), which is a trust that holds bitcoin (referred to herein as the “ISE IBIT Approval Order”).⁶ As discussed herein, the Exchange believes, like the recently-approved options on IBIT, options on the Bitcoin Funds would permit hedging, and allow for more liquidity, better price efficiency, and less volatility with respect to the underlying Funds. Further, permitting the listing of such options would enhance the transparency and efficiency of markets in these and correlated products.

Rule 915 provides that, subject to certain other criteria set forth in the Rule, securities deemed appropriate for options trading include Exchange-Traded Fund Shares (or ETFs) that represent certain types of interests and interests in certain specific exchange-traded products (“ETPs”) structured as trusts that hold financial instruments, money market instruments,⁷ or

⁶ 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”)) (“ISE Approval Order”).

⁷ See Rule 915, Commentary .06, which permits options trading on ETFs that are traded on a national securities exchange and are defined as an “NMS stock” in Rule 600(b)(55) of Regulation NMS, that represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that hold portfolios of securities and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse purchase agreements (the “Financial Instruments”), and money market instruments, including, but not limited to, U.S. government securities and repurchase agreements (the “Money Market Instruments”) comprising or otherwise based on or representing investments in indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments); interests in a trust or similar entity that holds a specified non-U.S. currency deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency and pays the beneficial owner interest and other distributions on deposited non-U.S. currency, if any, declared and paid by the trust (“Currency Trust Shares”); commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency (“Commodity Pool Units”); or represents an interest in a registered investment company (“Investment Company”) organized as an open-end management investment company or similar entity, that invests in a portfolio of

precious metals (which are deemed commodities).⁸ Like ETPs backed by precious metals (i.e., commodities), the Exchange proposes to allow options trading on the Bitcoin Funds that hold Bitcoin -- which is also deemed a commodity).⁹

The Bitcoin Funds are structured as trusts that hold bitcoin. Like ETFs and ETPs currently deemed appropriate for options trading, the investment objective of each Bitcoin Fund trust is for its shares to reflect the performance of Bitcoin (less the expenses of the trust's operations), offering investors an opportunity to gain exposure to Bitcoin without the complexities of Bitcoin delivery. Each Bitcoin Fund's shares represent units of fractional undivided beneficial interest in the trust, the assets of which consist principally of Bitcoin and are designed to track Bitcoin or the performance of the price of Bitcoin and offer access to the Bitcoin market.¹⁰ The Bitcoin Funds provide investors with cost-efficient alternatives that allow a level of participation in the Bitcoin market through the securities market.

The Exchange believes each Bitcoin Fund satisfies the Exchange's initial listing standards set forth in Commentary .01 to Rule 915.¹¹ The Exchange notes that the Bitcoin Funds also satisfy the listing standard applied to ETFs traded on the Exchange that they be available for

securities selected by the Investment Company's investment adviser consistent with the Investment Company's investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value ("NAV"), and when aggregated in the same specified minimum number, may be redeemed at a holder's request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined NAV ("Managed Fund Share"); provided that all of the conditions listed in Rules 915 and 916 are met.

⁸ See Rule 915, Commentary .10 (permitting the listing and trading of options on shares of the following trusts: SPDR Gold Trust, the iShares COMEX Gold Trust the iShares Silver Trust, the ETFs Gold Trust, and the ETFs Silver Trust, pursuant to Rule 915 and 916).

⁹ See proposed Rule 915, Commentary .10 (expanded to include the listing and trading of options on shares of GBTC, BTC, and BITB, pursuant to Rule 915 and 916).

¹⁰ The trust may include minimal cash.

¹¹ Commentary .01 to Rule 915 provides for guidelines to be by the Exchange when evaluating potential underlying securities for Exchange option transactions.

creation and redemption each business day as set forth in Commentary .06(a)(ii).¹²

First, each of the Bitcoin Funds satisfy the criteria and guidelines set forth in Rule 915(a). Pursuant to Rule 915(a), a security on which options may be listed and traded on the Exchange must be duly registered (with the Commission) and be an NMS stock (as defined in Rule 600 of Regulation NMS under the Act) and be characterized by a substantial number of outstanding shares that are widely held and actively traded.¹³ Each of the Bitcoin Funds is an NMS Stock as defined in Rule 600 of Regulation NMS under the Act.¹⁴ The Exchange believes each Bitcoin Fund is characterized by a substantial number of outstanding shares that are widely held and actively traded.

As of August 30, 2024, the Bitcoin Funds had the following number of shares outstanding (and corresponding market capitalization):

Bitcoin Fund	Shares Outstanding	Market Value (8/30/2024)
GBTC	284,570,100	\$13,443,091,524
BTC	366,950,100	\$1,930,157,526
BITB	68,690,000	\$2,221,640,670

¹² Commentary .06(a)(ii) requires that ETFs must be available for creation or redemption each business day from or through the issuer in cash or in kind at a price related to net asset value, and the issuer must be obligated to issue ETFs in a specified aggregate number even if some or all of the investment assets required to be deposited have not been received by the issuer, subject to the condition that the person obligated to deposit the investments has undertaken to deliver the investment assets as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the issuer, as provided in the respective prospectus.

¹³ The criteria and guidelines for a security to be considered widely held and actively traded are set forth in Commentary .01 to Rule 915, subject to exceptions.

¹⁴ An “NMS stock” means any NMS security other than an option, and an “NMS security” means any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan (or an effective national market system plan for reporting transaction in listed options). See 17 CFR § 242.600(b)(64) (definition of “NMS security”) and (65) (definition of “NMS stock”).

As shown above, each of the Bitcoin Funds had significantly more than 7,000,000 shares outstanding, which is the minimum number of shares of a corporate stock that the Exchange generally requires to list options on that stock pursuant to Commentary .01(1) to Rule 915. The Exchange believes this demonstrates that each Bitcoin Fund is characterized by a substantial number of outstanding shares.

Further, the below table contains information regarding the number of beneficial holders of the Bitcoin Funds as of August 14, 2024.

Bitcoin Fund	Beneficial Holders (8/14/24)
GBTC	464,364
BTC	13,403
BITB	75,437

As this table shows, each Bitcoin Fund has significantly more than 2,000 beneficial holders (approximately 232, 7, and 38 times more, respectively), which is the minimum number of holders the Exchange generally requires for corporate stock in order to list options on that stock pursuant to Commentary .01(2) to Rule 915. Therefore, the Exchange believes the shares of each Bitcoin Fund are widely held.

In addition, the Exchange believes the shares of each Bitcoin Fund are actively traded. Further, as of August 30, 2024, the total trading volume (by shares and notional) for these funds since they began trading¹⁵ and the average daily volume (“ADV”) over the 30-day period of

¹⁵ As noted *supra*, GBTC and BITB began trading on January 11th and BTC began trading on July 31st. Thus, the measurement period for the trading volume (shares/notional) is January 11 through August 1, 2024, for GBTC and BITB and July 31 through August 1, 2024, for BTC.

August 1 through August 30, 2024, was as follows:¹⁶

Bitcoin Fund	Trading Volume (Shares)	Trading Volume (Notional \$)	ADV (Shares)
GBTC	1,738,154,400	\$90,375,924,275	5,023,654
BTC	200,160,450	\$1,074,286,926	8,886,626
BITB	396,272,670	\$13,173,423,937	2,399,463

As demonstrated above, even though these Bitcoin Funds have been trading for less than one year (and in the case of the BTC, less than two months), the trading volume for each is substantially higher than 2,400,000 shares (between roughly 165 and 700 times that amount), which is the minimum 12-month volume the Exchange generally requires for a security in order to list options on that security as set forth in Commentary .01 to Rule 915. The Exchange believes this data demonstrates each Bitcoin Fund is characterized by a substantial number of outstanding shares that are actively traded.

In addition to satisfying the Exchange's initial listing standards, options on Bitcoin Funds will be subject to the Exchange's continued listing standards as set forth in Commentary .07 to Rule 916.¹⁷ Pursuant to Commentary .07 to Rule 916, the Exchange will not open for trading any additional series of option contracts covering a fund traded on the Exchange if such fund ceases to be an "NMS stock" as provided for Commentary .01(5) to Rule 915 or the fund is halted from

¹⁶ See FactSet, 8/30/2024, <https://www.factset.com/data-attribution>.

¹⁷ The Exchange proposes to amend Commentary .11 to Rule 916 to include the Bitcoin Funds in the list of ETPs deemed "Exchange-Traded Fund Shares" -- of ETFs -- for purposes of the continued listing standards set forth in Commentary .07 to Rule 916. See proposed Commentary .11 to Rule 916. For avoidance of doubt, the Exchange refers "funds" rather than "ETFs" to make clear that the Bitcoin Funds are subject to these continued listing standards.

trading on its primary market.¹⁸ Additionally, options on funds traded on the Exchange may be subject to the suspension of opening transactions as follows: (1) the funds no longer meets the terms of Commentary .01 to Rule 916; (2) following the initial twelve-month period beginning upon the commencement of trading of the funds, there are fewer than 50 record and/or beneficial holders of the funds for 30 or more consecutive trading days; (3) the value of the underlying commodity is no longer calculated or available; or (4) such other event occurs or condition exists that in the opinion of the Exchange makes further dealing on the Exchange inadvisable.

Options on each Bitcoin Fund will be physically settled contracts with American-style exercise.¹⁹ Consistent with Rule 903, which governs the opening of options series on a specific underlying security (including ETFs and ETPs), the Exchange will open at least one expiration month for options on each Bitcoin Fund²⁰ at the commencement of trading on the Exchange and may also list series of options on Bitcoin Funds for trading on a weekly,²¹ monthly,²² or

¹⁸ See Commentary .07 to Rule 916.

¹⁹ See Rule 902 (Rights and Obligations of Holders and Writers), which provides that the rights and obligations of holders and writers of option contracts of any class of options dealt in on the Exchange shall be as set forth in the Rules of the Clearing Corporation. See also OCC Rules, Chapter VIII, which governs exercise and assignment, and Chapter IX, which governs the discharge of delivery and payment obligations arising out of the exercise of physically settled stock option contracts. OCC Rules can be located at: https://www.theocc.com/getmedia/9d3854cd-b782-450f-bcf7-33169b0576ce/occ_rules.pdf.

²⁰ See Rule 903(c), Commentary .03. The monthly expirations are subject to certain listing criteria for underlying securities described within Rule 915. Monthly listings expire the third Friday of the month. The term “expiration date” (unless separately defined elsewhere in the OCC By-Laws), when used in respect of an option contract (subject to certain exceptions), means the third Friday of the expiration month of such option contract, or if such Friday is a day on which the exchange on which such option is listed is not open for business, the preceding day on which such exchange is open for business. See OCC By-Laws Article I, Section 1. Pursuant to Rule 903(d), additional series of options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to expiration.

²¹ See Rule 903(h).

²² See Rule 903, Commentary .11.

quarterly²³ basis. The Exchange may also list long-term equity option series (“LEAPS”)²⁴ that expire from twelve to thirty-nine months from the time they are listed.

Pursuant to Rule 903, Commentary .05(a), which governs strike prices of series of options on ETFs, the interval between strike prices of series of options on Bitcoin Funds will be \$1 or greater when the strike price is \$200 or less and \$5 or greater where the strike price is over \$200.²⁵ Additionally, the Exchange may list series of options pursuant to the \$1 Strike Price Interval Program,²⁶ the \$0.50 Strike Program,²⁷ the \$2.50 Strike Price Program,²⁸ and the \$5 Strike Program.²⁹ Pursuant to Rule 960NY, where the price of a series of a Bitcoin Fund option is less than \$3.00, the minimum increment will be \$0.05, and where the price is \$3.00 or higher, the minimum increment will be \$0.10.³⁰ Any and all new series of Bitcoin Fund options that the Exchange lists will be consistent and comply with the expirations, strike prices, and minimum increments set forth in Rules 903 and 960NY, as applicable.

Further, the Exchange notes that Rule 462, which governs margin requirements applicable to the trading of all options on the Exchange, including options on ETFs, will also apply to the trading of Bitcoin Fund options.

²³ See Rule 903, Commentary .09.

²⁴ See Rule 903, Commentary .03.

²⁵ The Exchange notes that for options listed pursuant to the Short Term Option Series Program, the Monthly Options Series Program, and the Quarterly Options Series Program, Rules 903(h) and Commentaries .09 and .03 to Rule 903, specifically set forth intervals between strike prices on Quarterly Options Series, Short Term Option Series, and Monthly Options Series, respectively.

²⁶ See Rule 903, Commentary .06.

²⁷ See Rule 903, Commentary .13.

²⁸ See Rule 903, Commentary .07(a).

²⁹ See Rule 903, Commentary .12.

³⁰ If options on a Bitcoin Fund are eligible to participate in the Penny Interval Program, the minimum increment of \$0.01 below \$3.00 and \$0.50 above \$3.00 would apply. See Rule 960NY(a)(3). See also Rule 960.1NY (which describes the requirements for the Penny Interval Program).

Position and Exercise Limits

Position and exercise limits for options, including options on Bitcoin Funds, are determined pursuant to Rules 904 and 905, respectively. Position and exercise limits for options vary according to the number of outstanding shares and the trading volumes of the underlying security over the past six months, where the largest in capitalization and the most frequently traded funds have an option position and exercise limit of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; and smaller capitalization funds have position and exercise limits of 200,000, 75,000, 50,000 or 25,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market.³¹

Position 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. The purpose of position limits, which are set forth in Rule 904, is 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. As such, position limits must balance concerns regarding mitigating potential manipulation and the cost of inhibiting potential hedging activity that investors may use for legitimate economic purposes. To

³¹ See Commentary .07(a)-(d) to Rule 904. For an option to be eligible for the 50,000-contract limit, the security underlying the option must have most recent six-month trading volume of at least 20,000,000 shares, or most recent six-month trading volume of at least 15,000,000 shares and at least 40,000,000 shares currently outstanding. For an option to be eligible for the 75,000-contract limit, the underlying security must have most recent six-month trading volume of at least 40,000,000 shares, or most recent six-month trading volume of at least 30,000,000 shares and at least 120,000,000 shares currently outstanding. For an option to be eligible for the 200,000-contract limit, the underlying security must have most recent six-month trading volume of at least 80,000,000 shares, or most recent six-month trading volume of at least 60,000,000 shares and at least 240,000,000 shares currently outstanding. For an option to be eligible for the 250,000-contract limit, the security underlying the option must have most recent six-month trading volume of at least 100,000,000 shares, or most recent six-month trading volume of at least 75,000,000 shares and at least 300,000,000 shares currently outstanding. The 25,000-contract limit applies to options on underlying securities that do not qualify for a higher contract limit. See Commentary .07(e) to Rule 904. In addition, Commentary .07(f) to Rule 904 establishes higher position limits for options on certain ETFs.

achieve this balance, the Exchange proposes to set the position and exercise limits for the options on the Bitcoin Funds at 25,000 contracts, a limit which has already been approved for IBIT, an ETP that (like the Bitcoin Funds) holds bitcoin.³² Capping the position limit at 25,000 contracts, the lowest limit available in options, would address concerns related to manipulation and protection of investors as this number is conservative for the Bitcoin Funds and therefore appropriate given their liquidity. While the Exchange believes that the proposed 25,000-contract position limit is conservative for options on the Bitcoin Funds, it nonetheless believes that, for the reasons set forth below, evidence exists to support a much higher position limit.³³

GBTC, BITB and BTC would easily qualify for the 250,000-contract position limit available to other ETFs pursuant to the criterion in Rule 904, Commentary .07(a)(i), which requires that, for most recent six-months, trading volume for the underlying security be at least 100,000,000 shares.³⁴ As noted herein, BTC began trading on July 31, 2024, and therefore has only two months of trading data available as shown below.

Bitcoin Fund	Total volume (9/24/2024)
GBTC	766,296,813 (6-months)
BTC	312,155,666 (2-months)
BITB	262,971,409 (6-months)

³² See proposed Rule 904, Commentary .07(f). See also ISE IBIT Approval Order, *supra* note 6.

³³ The Exchange may file a subsequent rule change to amend the position and exercise limit for options on any or all the Bitcoin Funds based on additional data regarding trading activity, to continue to balance any concerns regarding manipulation. A higher position limit would allow institutional investors to utilize options on the Bitcoin Funds for prudent risk management purposes.

³⁴ Per Commentary .07(a) to Rule 904, to qualify for the 250,000-contract position limit for options, the underlying security must (i) have trading volume of at least 100,000,000 shares during the most recent six-month trading period; or (ii) have trading volume of at least 75,000,000 shares during the most recent six-month trading period *and* have at least 300,000,000 shares currently outstanding.

By comparison, other options symbols with six-month trading volume less than GBTC, BITB and BTC are eligible for position and exercise limits of at least 250,000.³⁵

With respect to the outstanding shares of each Bitcoin Fund, if a market participant held the maximum number of contracts possible pursuant to the proposed position and exercise limits (25,000 contracts), the equivalent shares represented by the proposed position/exercise limit (2,500,000 shares) would represent the following approximate percentage of current outstanding shares:

Bitcoin Fund	Proposed Position/Exercise Limits in Equivalent Shares	Outstanding Shares (8/30/24)	Percentage of Outstanding Shares
GBTC	2,500,000	284,570,100	0.9%
BTC	2,500,000	366,950,100	0.7%
BITB	2,500,000	68,690,000	3.6%

As this table demonstrates, if a market participant held the maximum permissible options positions in one of the Bitcoin Fund options and exercised all of them at the same time, that market participant would control a small percentage of the outstanding shares of the underlying Bitcoin Fund. For example, as noted above, a position limit of 25,000 same side contracts effectively restricts a market participant from holding positions that could result in the receipt of no more than 2,500,000 shares of the applicable Bitcoin Fund (if that market participant exercised all its options). Based on the number of shares outstanding for each Bitcoin Fund as of August 30, 2024, the table below sets forth the approximate number of market participants that

³⁵ See <https://www.theocc.com/Market-Data/Market-Data-Reports/Series-and-Trading-Data/Series-Search> (including the following symbols that have a position limit of 250,000: GLD, IAU, SLV, SIVR, SGOL).

could hold the maximum of 25,000 same side positions in each Bitcoin Fund that would equate to the number of shares outstanding of that Bitcoin Fund:

Bitcoin Fund	Shares Outstanding	Number of Market Participants with 25,000 Same Side Positions
GBTC	284,570,100	114
BTC	366,950,100	147
BITB	68,690,000	27

This means if 114 market participants had 25,000 same side positions in options on GBTC, each of them would have to simultaneously exercise all of those options to create a scenario that may put the underlying security under stress. Similarly, this means if 147 market participants had 25,000 same side positions in options on BTC, each of them would have to simultaneously exercise all of those options to create a scenario that may put the underlying security under stress. Finally, this means if 27 market participants had 25,000 same side positions in options on BITB, each of them would have to simultaneously exercise all of those options to create a scenario that may put the underlying security under stress. The Exchange believes it is highly unlikely for this to occur; however, even if either such event did occur, the Exchange would not expect either Bitcoin Fund to be under stress because such an event would merely induce the creation of more shares through the trust's creation and redemption process.

Further, given that the issuer of each Bitcoin Fund may create and redeem shares that represent an interest in Bitcoin, the Exchange believes it is relevant to compare the size of a position limit to the market capitalization of the Bitcoin market. As of August 30, 2024, the global supply of Bitcoin was 19,747, 066, and the price of one Bitcoin was approximately \$59,108.23,³⁹ which equates to a market capitalization of approximately \$1.167 trillion.³⁶

³⁶ See <https://www.blockchain.com/explorer/charts/total-bitcoins>.

Consider the proposed position and exercise limit of 25,000 option contracts for each Bitcoin Fund option. A position and exercise limit of 25,000 same side contracts effectively restricts a market participant from holding positions that could result in the receipt of no more than 2,500,000 shares of GBTC, BTC, or BITB, as applicable (if that market participant exercised all its options). The following table shows the share price of each Bitcoin Fund on August 30, 2024, the value of 2,500,000 shares of the Bitcoin Fund at that price, and the approximate percentage of that value of the size of the Bitcoin market:

Bitcoin Fund	Aug. 30th Share Price (\$)	Value of 2,500,000 Shares of Bitcoin Fund (\$)	Percentage of Bitcoin Market
GBTC	46.75	116,875,000	0.010%
BTC	5.20	13,000,000	0.001%
BITB	31.95	79,875,000	0.007%

Therefore, if a market participant with the maximum 25,000 same side contracts in options on GBTC, BTC, or BITB exercised all positions at one time, such an event would have no practical impact on the Bitcoin market.

The Exchange also reviewed the market capitalization of each Bitcoin Fund relative to the market capitalization of the entire bitcoin market, as of August 30, 2024.

	Bitcoin/Shares Outstanding	Market Value (8/30/2024)	% of Total Bitcoin Market
Total Bitcoin Market³⁷	19,747,066	\$1,167,214,096,788	100.00%
GBTC	284,570,100	\$13,443,091,524	1.15%

³⁷ See <https://www.blockchain.com/explorer/charts/total-bitcoins>.

BTC	366,950,100	\$1,930,157,526	0.17%
BITB	68,690,000	\$2,221,640,670	0.19%

As shown above, the Bitcoin Funds collectively represent approximately 1.51% of the global supply of Bitcoin (19,747, 066). Based on the \$46.75 price of a GBTC share on August 30, 2024, a market participant could have redeemed one Bitcoin for approximately 1,264 GBTC shares. Another 24,967,146,455 GBTC shares could be created before the supply of Bitcoin was exhausted. As a result, 9,987 market participants would have to simultaneously exercise 25,000 same side positions in GBTC options to receive shares of the GBTC holding the entire global supply of Bitcoin. Similarly, based on the \$5.20 price of a BTC share on August 30, 2024, a market participant could have redeemed one Bitcoin for approximately 11,367 BTC shares. Another 224,464,249,382 BTC shares could be created before the supply of Bitcoin was exhausted. As a result, 89,786 market participants would have to simultaneously exercise 25,000 same side positions in BTC options to receive shares of BTC holding the entire global supply of Bitcoin. Similarly, based on the \$31.95 price of a BITB share on August 30, 2024, a market participant could have redeemed one Bitcoin for approximately 1,850 BITB shares. Another 36,532,522,591 BITB shares could be created before the supply of Bitcoin was exhausted. As a result, 14,613 market participants would have to simultaneously exercise 25,000 same side positions in BITB options to receive shares of BITB holding the entire global supply of Bitcoin. Unlike the Bitcoin Funds, the number of shares that corporations may issue is limited. However, like corporations, which authorize additional shares, repurchase shares, or split their shares, the Bitcoin Funds may create, redeem, or split shares in response to demand. While the supply of Bitcoin is limited to 21,000,000, it is believed that it will take more than 100 years to fully mine

the remaining Bitcoin.³⁸ The supply of Bitcoin is larger than the available supply of most securities.³⁹ Given the significant unlikelihood of any of these events ever occurring, the Exchange does not believe options on the Bitcoin Funds should be subject to position and exercise limits even lower than those proposed (which are already equal to the lowest available limit for equity options in the industry) to protect the supply of Bitcoin.⁴⁰

The Exchange also believes the proposed limits are appropriate given position limits for Bitcoin futures. For example, the Chicago Mercantile Exchange (“CME”) imposes a position limit of 2,000 futures (for the initial spot month) on its Bitcoin future contract.⁴¹ On August 28, 2024, CME Aug 24 Bitcoin Futures settled at \$58,950. A position of 2,000 CME Bitcoin futures, therefore, would have a notional value of \$589,500,000. The following table shows the share price of each Bitcoin Fund on August 28, 2024, and the approximate number of option contracts that equates to that notional value:

Bitcoin Fund	Aug. 28th Share Price	Number of Option Contracts
GBTC	46.94	125,585
BTC	5.23	1,127,151
BITB	32.08	183,759

The approximate number of option contracts for each Bitcoin Fund that equate to the notional value of CME Bitcoin futures is significantly higher than the proposed limit of 25,000

³⁸ See <https://www.blockchain.com/explorer/assets/btc> (citing 21 million as the “total supply” of bitcoin).

³⁹ The market capitalization of Bitcoin would rank in the top 10 among securities. See <https://companiesmarketcap.com/usa/largest-companies-in-the-usa-by-market-cap/>.

⁴⁰ This would be even more unlikely with respect to the Bitcoin Funds for which the Exchange proposes lower position limits.

⁴¹ See CME Rulebook Chapter 350 (description of CME Bitcoin Futures) and Chapter 5, Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices. Each CME Bitcoin futures contract is valued at five Bitcoins as defined by the CME CF Bitcoin Reference Rate (“BRR”). See CME Rule 35001.

options contract for each Bitcoin Fund option. The fact that many options ultimately expire out-of-the-money and thus are not exercised for shares of the underlying, while the delta of a Bitcoin Future is 1, further demonstrates how conservative the proposed limits of 25,000 options contracts are for the Bitcoin Fund options.

The Exchange notes, 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).⁴² 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.⁴² 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 futures for Bitcoin, the Exchange believes that that the proposed same side position limits are more than appropriate for the Bitcoin Fund options.

The Exchange believes the available supply of Bitcoin is not relevant to the determination of position and exercise limits for options overlying the Bitcoin Funds.⁴³ Position

⁴² Id.

⁴³ The Exchange is unaware of any proposed rule change related to position and exercise limits for any equity option (including commodity ETF options) for which the Commission required consideration of whether the available supply of an underlying (whether it be a corporate stock or an ETF) or the contents of an ETF (commodity or otherwise) should be considered when an exchange proposed to establish those limits. See, e.g., Securities Exchange Act Release No. 57894 May 30, 2008), 73 FR 32061 (June 5, 2008) (SR-CBOE-

and exercise limits are not a tool that should be used to address a potential limited supply of the underlying of an underlying. Position and exercise limits do not limit the total number of options that may be held, but rather they limit the number of positions a single customer may hold or exercise at one time.⁴⁴ “Since the inception of standardized options trading, the options exchanges have had rules imposing limits on the aggregate number of options contracts that a member or customer could hold or exercise.”⁴⁵ Position and exercise limit rules 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 position. In particular, position and exercise limits are designed to minimize the potential for mini-manipulations and for corners or squeezes of the underlying market. In addition, such limits serve to reduce the possibility for disruption of the options market itself, especially in illiquid options classes.”⁴⁶ The Exchange notes that a Registration Statement on Form S-1 was filed with the Commission for each Bitcoin Fund, each of which described the supply of Bitcoin as being limited to 21,000,000 (of which approximately 90% had already been mined), and that the limit would be reached around the year 2140.⁴⁷ Each Registration Statement permits an unlimited number of

2005-11) (approval order in which the Commission stated that the “listing and trading of Gold Trust Options will be subject to the exchanges’ rules pertaining to position and exercise limits and margin”). The Exchange notes when the Commission approved this filing, the position limits in Rule 9054 were the same as they are today. For reference, the current position and exercise limits for options on SPDR Gold Shares ETF (“GLD”) and options on iShares Silver Trust (“SLV”) are 250,000 contracts, or 10 times that proposed position and exercise limit for the Bitcoin Fund options.

⁴⁴ For example, suppose an option has a position limit of 25,000 option contracts and there are a total of 10 investors trading that option. If all 10 investors max out their positions, that would result in 250,000 option contracts outstanding at that time. However, suppose 10 more investors decide to begin trading that option and also max out their positions. This would result in 500,000 option contracts outstanding at that time. An increase in the number of investors could cause an increase in outstanding options even if position limits remain unchanged.

⁴⁵ See Securities Exchange Act Release No. 39489 (December 24, 1997), 63 FR 276 (January 5, 1998) (SR-CBOE-1997-11).

⁴⁶ Id.

⁴⁷ See, e.g., GBTC Form S-1 Registration Statement, at p. 17, <https://www.sec.gov/Archives/edgar/data/1588489/000119312517013693/d157414ds1.htm>; BTC Form S-1

shares of the applicable Bitcoin Fund to be created. Further, the Commission approved proposed rule changes that permitted the listing and trading of shares of each Bitcoin Fund, which approval did not comment on the sufficient supply of Bitcoin or address whether there was a risk that permitting an unlimited number of shares for a Bitcoin Fund would impact the supply of Bitcoin.⁴⁸ Therefore, the Exchange believes the Commission had ample time and opportunity to consider whether the supply of Bitcoin was sufficient to permit the creation of unlimited Bitcoin Fund shares, and does not believe considering this supply with respect to the establishment of position and exercise limits is appropriate given its lack of relevance to the purpose of position and exercise limits. However, given the significant size of the Bitcoin supply, the proposed positions limits are more than sufficient to protect investors and the market.

Based on the foregoing, the Exchange believes the proposal to list options on the Bitcoin Funds with positions and exercise limits of 25,000 on the same side, the lowest position limit available in the options industry, is conservative and appropriate given the market capitalization, average daily volume, and high number of outstanding shares for each of the Bitcoin Funds. The proposed position and exercise limits reasonably and appropriately balance the liquidity provisioning in the market against the prevention of manipulation. The Exchange believes these proposed limits are effectively designed to prevent an individual customer or entity from establishing options positions that could be used to manipulate the market of the underlying as well as the Bitcoin market.⁴⁹

Registration Statement, at p. 21, <https://www.sec.gov/Archives/edgar/data/2015034/000119312524065444/d785023ds1.htm>; and BITB Amendment No 2. to S-1, at p. 47, https://www.sec.gov/Archives/edgar/data/1763415/000199937123000735/bitwise-s1a_120423.htm (“Bitcoin Funds Reg. Stmts.”).

⁴⁸ See Bitcoin ETP Approval Order.

⁴⁹ See Securities Exchange Act Release No. 39489 (December 24, 1997), 63 FR 276 (January 5, 1998) (SR-CBOE-1997-11).

As described herein, options on the Bitcoin Funds will trade in the same manner as any other ETF or ETP options on the Exchange. The Exchange Rules that currently apply to the listing and trading of options on the Exchange, including, for example, Rules that govern listing criteria, expiration and exercise prices, minimum increments, margin requirements, customer accounts and trading halt procedures will apply to the listing and trading of Bitcoin Funds on the Exchange in the same manner as they apply to all other ETFs and ETPs that are listed and traded on the Exchange, including the precious metal-backed commodity ETPs already deemed appropriate for options trading on the Exchange pursuant to Commentary .10 to Rule 915. Further, as described above, Exchange Rules regarding position and exercise limits will likewise apply to options on the Bitcoin Funds except that, as proposed, the position and exercise limits will be set at 25,000 on the same side.

The Exchange notes that options on Bitcoin Funds would not be available for trading until The Options Clearing Corporation (“OCC”) represents to the Exchange that it is fully able to clear and settle such options. The Exchange has also analyzed its capacity and represents that it and The Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle the additional traffic associated with the listing of options on Bitcoin Funds. The Exchange believes any additional traffic that would be generated from the trading of options on Bitcoin Funds would be manageable. The Exchange represents that Exchange members will not have a capacity issue as a result of this proposed rule change.

The Exchange represents that the same surveillance procedures applicable to all other options currently listed and traded on the Exchange will apply to options on Bitcoin Funds, and that it has the necessary systems capacity to support the new option series. The Exchange’s

existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading options on ETFs and ETPs, such as (existing) precious metal-commodity backed ETP options as well as the proposed options on Bitcoin Funds. The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of options on Bitcoin Funds in all trading sessions and to deter and detect violations of Exchange rules. Specifically, the Exchange's market surveillance staff will have access to the surveillances conducted by its affiliated NYSE, Arca Inc. with respect to the Bitcoin Funds and would review activity in the underlying Funds when conducting surveillances for market abuse or manipulation in the options on the Trust. Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition, the Exchange has a Regulatory Services Agreement with the Financial Industry Regulatory Authority ("FINRA"). Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillances.⁵⁰ Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on the Bitcoin Funds.

The underlying shares of spot bitcoin ETPs, including the Bitcoin Funds, are also subject to safeguards related to addressing market abuse and manipulation. As the Commission stated in

⁵⁰ Section 19(g)(1) of the Act, among other things, requires every SRO registered as a national securities exchange or national securities association to comply with the Act, the rules and regulations thereunder, and the SRO's own rules, and, absent reasonable justification or excuse, enforce compliance by its members and persons associated with its members. See 15 U.S.C. 78q(d)(1) and 17 CFR 240.17d-2. Section 17(d)(1) of the Act allows the Commission to relieve an SRO of certain responsibilities with respect to members of the SRO who are also members of another SRO. Specifically, Section 17(d)(1) allows the Commission to relieve an SRO of its responsibilities to: (i) receive regulatory reports from such members; (ii) examine such members for compliance with the Act and the rules and regulations thereunder, and the rules of the SRO; or (iii) carry out other specified regulatory responsibilities with respect to such members.

its order approving proposals of several exchanges to list and trade shares of spot bitcoin-based exchange-traded products (“Bitcoin ETP Order”):

Each Exchange has a comprehensive surveillance-sharing agreement with the CME via their common membership in the Intermarket Surveillance Group. This facilitates the sharing of information that is available to the CME through its surveillance of its markets, including its surveillance of the CME bitcoin futures market.⁵¹

The Exchange states that, given the consistently high correlation between the CME bitcoin futures market and the spot bitcoin market, as confirmed by the Commission through robust correlation analysis, the Commission was able to conclude that such surveillance sharing agreements could reasonably be “expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the [Bitcoin ETPs].”⁵²

In light of surveillance measures related to both options and futures as well as the underlying Bitcoin Funds,⁵³ the Exchange believes that existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially

⁵¹ See Securities Exchange Act Release No. 99306 (January 10, 2024), 89 FR 3008, 3009 (January 17, 2024) (File Nos. SR-NYSEArca-2021-90; SR-NYSEArca-2023-44; SR-NYSEArca-2023-58; SR-NASDAQ-2023-016; SR-NASDAQ-2023-019; SR-CboeBZX-2023-028; SR-CboeBZX-2023-038; SR-CboeBZX-2023-040; SR-CboeBZX-2023-042; SRCboeBZX-2023-044; and SR-CboeBZX-2023-072) (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).

⁵² See Bitcoin ETP Order, 89 FR at 3010-11.

⁵³ See Amendment No. 2 to Proposed Rule Change to List and Trade Shares of the Grayscale Bitcoin Trust (BTC) under NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares) (SR-NYSEARCA-2021-90), filed Jan. 5, 2024, available at <https://www.sec.gov/comments/sr-nysearca-2021-90/srnysearca202190-358659-884182.pdf>; Amendment No. 2 to Proposed Rule Change to List and Trade Shares of the Bitwise Bitcoin ETF under NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares) (SR-NYSEARCA-2023-44), filed Jan. 5, 2024, available at <https://www.sec.gov/comments/sr-nysearca-2023-44/srnysearca202344-358800-884322.pdf>; and Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, To List and Trade Shares of the Grayscale Bitcoin Mini Trust Under NYSE Arca Rule 8.201-E, Commodity-Based Trust Shares, Securities Exchange Act Release No. 100290 (June 6, 2024), [89 FR 49931](https://www.federalregister.gov/documents/2024/06/06/2024-11493) (June 12, 2024) (SR-NYSEARCA-2024-45).

arise from listing and trading the proposed options on the Bitcoin Funds.

Finally, quotation and last sale information for ETFs is available via the Consolidated Tape Association (“CTA”) high speed line. Quotation and last sale information for such securities is also available from the exchange on which such securities are listed. Quotation and last sale information for options on Bitcoin Funds will be available via OPRA and major market data vendors.

The Exchange believes that offering options on Bitcoin Funds will benefit investors by providing them with an additional, relatively lower cost investing tool to gain exposure to the price of Bitcoin and hedging vehicle to meet their investment needs in connection with Bitcoin-related products and positions. The Exchange expects investors will transact in options on Bitcoin Funds in the unregulated over-the-counter (“OTC”) options market,⁵⁴ but may prefer to trade such options in a listed environment to receive the benefits of trading listing options, including (1) enhanced efficiency in initiating and closing out position; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of all listed options. The Exchange believes that listing Bitcoin Fund options may cause investors to bring this liquidity to the Exchange, would increase market transparency and enhance the process of price discovery conducted on the Exchange through increased order flow. The Exchange notes that the ETPs that hold precious metal commodities on which the Exchange may already list and trade options are trusts structured in substantially the same manner as Bitcoin Funds and essentially offer the same objectives and benefits to investors, just with respect to different assets. The Exchange notes that it has not identified any issues with the

⁵⁴ The Exchange understands from customers that investors have historically transacted in options on ETFs in the OTC options market if such options were not available for trading in a listed environment.

continued listing and trading of any ETF options, including ETPs that hold commodities (i.e., precious metals) that it currently lists and trades on the Exchange.

Finally, the Exchange notes that applicable Exchange rules will require that customers receive appropriate disclosure before trading options in Bitcoin Funds.⁵⁵ Further, brokers opening accounts and recommending options transactions must comply with relevant customer suitability standards.⁵⁶

2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act⁵⁷ in general and furthers the objectives of Section 6(b)(5) of the Act⁵⁸ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanisms of a free and open market and a national market system.

In particular, the Exchange believes that the proposal to list and trade options on Bitcoin Funds will remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors because offering options on Bitcoin Funds will provide investors with an opportunity to realize the benefits of utilizing options on a Bitcoin Fund, including cost efficiencies and increased hedging strategies.

The Exchange believes that offering Bitcoin Fund options will benefit investors by providing them with a relatively lower-cost risk management tool, which will allow them to manage their positions and associated risk in their portfolios more easily in connection with exposure to the price of Bitcoin and with Bitcoin-related products and positions. Additionally,

⁵⁵ See Rules 921(f) and 481.

⁵⁶ See Rule 923.

⁵⁷ 15 U.S.C. 78f(b).

⁵⁸ 15 U.S.C. 78f(b)(5).

the Exchange's offering of Bitcoin Fund options will provide investors with the ability to transact in such options in a listed market environment as opposed to in the unregulated OTC options market, which would increase market transparency and enhance the process of price discovery conducted on the Exchange through increased order flow to the benefit of all investors. The Exchange also notes that it already lists options on other commodity-based ETPs,⁵⁹ which, as described above, are trusts structured in substantially the same manner as Bitcoin Funds and essentially offer the same objectives and benefits to investors, just with respect to a different commodity (i.e., Bitcoin rather than precious metals) and for which the Exchange has not identified any issues with the continued listing and trading of commodity-backed ETP options it currently lists for trading.

The Exchange also believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system, because it is consistent with current Exchange Rules previously filed with the Commission. Options on Bitcoin Funds satisfy the initial listing standards and continued listing standards currently in the Exchange Rules applicable to options on all ETFs and ETPs, including ETPs that hold other commodities already deemed appropriate for options trading on the Exchange. Additionally, as demonstrated above, each Bitcoin Fund is characterized by a substantial number of shares that are widely held and actively traded. Bitcoin Fund options will trade in the same manner as any other ETF or ETP options — the same Exchange Rules that currently govern the listing and trading of options, including permissible expirations, strike prices, minimum increments, and margin requirements, will govern the listing and trading of options on Bitcoin Funds in the same manner. The proposed position and exercise limit for options on the Bitcoin Funds is 25,000

⁵⁹ See Rule 915, Commentary .10.

contracts. These position and exercise limits are the lowest position limit available in the options industry, is extremely conservative and more than appropriate given the Bitcoin Funds' market capitalization, average daily volume, number of beneficial holders, and high number of outstanding shares.⁶⁰ The proposed position and exercise limit is consistent with the Act as it addresses concerns related to manipulation and protection of investors because the position and exercise limit is extremely conservative and more than appropriate given the Bitcoin Funds are actively traded.

The Exchange represents that it has the necessary systems capacity to support the new Bitcoin Fund options. The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading options, including Bitcoin Fund options. The Exchange's existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading options on ETFs and ETPs, such as (existing) precious metal-commodity backed ETP options as well as the proposed options on Bitcoin Funds. The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of options on Bitcoin Funds in all trading sessions and to deter and detect violations of Exchange rules. Specifically, the Exchange's market surveillance staff will have access to the surveillances conducted by its affiliated NYSE, Arca Inc. with respect to the Bitcoin Funds and would review activity in the underlying Funds when conducting surveillances for market abuse or manipulation in the options on the Trust. Additionally, the Exchange is a

⁶⁰ The Exchange notes that IBIT -- which has been approved for options trading -- represents a larger percentage of the bitcoin market than all three Bitcoin Funds. See ISE IBIT Approval Order, supra note 6. As noted herein, the Bitcoin Funds collectively represent approximately 1.51% of the bitcoin market. By comparison, IBIT options have an approved position limit of 25,000 contracts per side, which represents 4% of total underlying spot BTC liquidity, and IBIT is the most liquid spot Bitcoin ETF. See id.

member of the ISG under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition, the Exchange has a Regulatory Services Agreement with the FINRA and, as noted herein, pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillances. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on the Bitcoin Funds.

The underlying shares of spot bitcoin ETPs, including the Bitcoin Funds, are also subject to safeguards related to addressing market abuse and manipulation. As the Commission stated in its order approving proposals of several exchanges to list and trade shares of spot bitcoin-based ETPs, “[e]ach Exchange has a comprehensive surveillance-sharing agreement with the CME via their common membership in the Intermarket Surveillance Group. This facilitates the sharing of information that is available to the CME through its surveillance of its markets, including its surveillance of the CME bitcoin futures market.⁶¹ The Exchange states that, given the consistently high correlation between the CME bitcoin futures market and the spot bitcoin market, as confirmed by the Commission through robust correlation analysis, the Commission was able to conclude that such surveillance sharing agreements could reasonably be “expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the [Bitcoin ETPs].”⁶² In light of surveillance measures related to both options and futures as

⁶¹ See Securities Exchange Act Release No. 99306 (January 10, 2024), 89 FR 3008, 3009 (January 17, 2024) (File Nos. SR-NYSEArca-2021-90; SR-NYSEArca-2023-44; SR-NYSEArca-2023-58; SR-NASDAQ-2023-016; SR-NASDAQ-2023-019; SR-CboeBZX-2023-028; SR-CboeBZX-2023-038; SR-CboeBZX-2023-040; SR-CboeBZX-2023-042; SRCboeBZX-2023-044; and SR-CboeBZX-2023-072) (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).

⁶² See Bitcoin ETP Order, 89 FR at 3010-11.

well as the underlying Bitcoin Funds,⁶³ the Exchange believes that existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed options on the Bitcoin Funds. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on Bitcoin ETPs.

Finally, the Exchange notes that 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 because applicable Exchange rules will require that customers receive appropriate disclosure before trading options in Bitcoin Funds⁶⁴ and will require that brokers opening accounts and recommending options transactions comply with relevant customer suitability standards.⁶⁵

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.

Intramarket Competition: The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act as Bitcoin Funds would need to satisfy the initial listing

⁶³ See Amendment No. 2 to Proposed Rule Change to List and Trade Shares of the Grayscale Bitcoin Trust (BTC) under NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares) (SR-NYSEARCA-2021-90), filed Jan. 5, 2024, available at <https://www.sec.gov/comments/sr-nysearca-2021-90/srnysearca202190-358659-884182.pdf>; Amendment No. 2 to Proposed Rule Change to List and Trade Shares of the Bitwise Bitcoin ETF under NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares) (SR-NYSEARCA-2023-44), filed Jan. 5, 2024, available at <https://www.sec.gov/comments/sr-nysearca-2023-44/srnysearca202344-358800-884322.pdf>; and Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, To List and Trade Shares of the Grayscale Bitcoin Mini Trust Under NYSE Arca Rule 8.201-E, Commodity-Based Trust Shares, Securities Exchange Act Release No. 100290 (June 6, 2024), [89 FR 49931](https://www.federalregister.gov/documents/2024/06/08/2024-11431) (June 12, 2024) (SR-NYSEARCA-2024-45).

⁶⁴ See Rules 921(f) and 481.

⁶⁵ See Rule 923.

standards set forth in the Exchange Rules in the same manner as any other ETF before the Exchange could list options on them. Additionally, Bitcoin Fund options will be equally available to all market participants who wish to trade such options. The Exchange Rules currently applicable to the listing and trading of options on ETFs on the Exchange will apply in the same manner to the listing and trading of all options on Bitcoin Funds. Also, and as stated above, the Exchange already lists options on other commodity-based ETFs.⁶⁶

Intermarket Competition: The Exchange does not believe that the proposal to list and trade options on Bitcoin Funds will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the extent that the advent of Bitcoin Fund options trading on the Exchange may make the Exchange a more attractive marketplace to market participants at other exchanges, such market participants are free to elect to become market participants on the Exchange. As noted herein, this is a competitive filing as the Commission recently approved the listing and trading of options on an ETF that, like the Bitcoin Funds, holds bitcoin.⁶⁷ Additionally, other options exchanges are free to amend their listing rules, as applicable, to permit them to list and trade options on Bitcoin Funds. The Exchange notes that listing and trading Bitcoin Fund options on the Exchange will subject such options to transparent exchange-based rules as well as price discovery and liquidity, as opposed to alternatively trading such options in the OTC market.

The Exchange believes that the proposed rule change may relieve any burden on, or otherwise promote, competition as it is designed to increase competition for order flow on the Exchange in a manner that is beneficial to investors by providing them with a lower-cost option

⁶⁶ See Rule 915, Commentary .10.

⁶⁷ See ISE IBIT Approval Order, supra note 6.

to hedge their investment portfolios. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues that offer similar products. Ultimately, the Exchange believes that offering Bitcoin Fund options for trading on the Exchange will promote competition by providing investors with an additional, relatively low-cost means to hedge their portfolios and meet their investment needs in connection with Bitcoin prices and Bitcoin-related products and positions on a listed options exchange.

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

No written comments were solicited or received with respect to the proposed rule change.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be 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:

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-NYSEAMER-2024-49 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-NYSEAMER-2024-49. 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-NYSEAMER-2024-49 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.⁶⁸

Sherry R. Haywood,

Assistant Secretary.

⁶⁸ 17 CFR 200.30-3(a)(12).

Additions: Underlined

Deletions: [Bracketed]

Amendment No. 4 added text in ***bold italics double-underlined***

Amendment No. 4 deleted text in ~~strikethrough~~

NYSE American Rules

Trading of Option Contracts

Section 1. General Rules Relating to Options

Rule 904. Position Limits

Commentary:

.01 - .06 No change.

.07 (a) - (e) No change.

(f) In addition, the position limit for the options contracts set forth below are as follows:

Option	Position Limits
PowerShares QQQ TrustSM, Series 1 (QQQ)	1,800,000 contracts
SPDR® S&P 500® ETF (SPY)	3,600,000 contracts
iShares® Russell 2000® ETF (IWM)	1,000,000 contracts
SPDR®Dow Jones Industrial AverageSM ETF Trust (DIA)	300,000 contracts
iShares MSCI Emerging Markets ETF (EEM)	1,000,000 contracts
iShares China Large-Cap ETF (FXI)	1,000,000 contracts
iShares MSCI EAFE ETF (EFA)	1,000,000 contracts
iShares MSCI Brazil Capped ETF (EWZ)	500,000 contracts
iShares 20+ Year Treasury Bond Fund ETF (TLT)	500,000 contracts
iShares MSCI Japan ETF (EWJ)	500,000 contracts
iShares iBoxx High Yield Corporate Bond Fund (HYG)	500,000 contracts
iShares iBoxx \$ Investment Grade Corporate Bond ETF (LQD)	500,000 contracts
Financial Select Sector SPDR Fund (XLF)	500,000 contracts
VanEck Vectors Gold Miners ETF (GDX)	500,000 contracts

Grayscale Bitcoin Trust (BTC) (GBTC) 25,000 contracts

Grayscale Bitcoin Mini Trust (BTC) (BTC) 25,000 contracts

Bitwise Bitcoin ETF (BITB) 25,000 contracts

.08 - .14 No Change.

Section 2. Underlying Securities

Rule 915. Criteria for Underlying Securities

••• Commentary

.10 The Exchange may list and trade options on shares of the SPDR® Gold Trust (symbol: GLD), iShares COMEX Gold Trust (symbol: IAU), the iShares Silver Trust (symbol: SLV), the ETFS Silver Trust (symbol: SIVR), the ETFS Gold Trust (symbol: SGOL), the ETFS Palladium Trust (symbol: PALL), [and] the ETFS Platinum Trust (symbol: PPLT), ~~the Fidelity Wise Origin Bitcoin Fund, the ARK21Shares Bitcoin ETF, the Invesco Galaxy Bitcoin ETF, the Franklin Bitcoin ETF, the VanEck Bitcoin Trust, the WisdomTree Bitcoin Fund, the Grayscale Bitcoin Trust (BTC), the Grayscale Bitcoin Mini Trust (BTC), and the Bitwise Bitcoin ETF, the iShares Bitcoin Trust ETF, and the Valkyrie Bitcoin Fund,~~ pursuant to Rules 915 and 916.

Rule 916. Withdrawal of Approval of Underlying Securities

••• *Commentary*

.11 For purposes of Commentary .07 of this Rule 916, shares of the SPDR® Gold Trust (symbol: GLD), iShares COMEX Gold Trust (symbol: IAU), the iShares Silver Trust (symbol: SLV), and the ETFS Silver Trust (symbol: SIVR) and the ETFS Gold Trust (symbol: SGOL), the ETFS Palladium Trust (symbol: PALL), [and] the ETFS Platinum Trust (symbol: PPLT), ~~the Fidelity Wise Origin Bitcoin Fund, the ARK21Shares Bitcoin ETF, the Invesco Galaxy Bitcoin ETF, the Franklin Bitcoin ETF, the VanEck Bitcoin Trust, the WisdomTree Bitcoin Fund, the Grayscale Bitcoin Trust (BTC), the Grayscale Bitcoin Mini Trust (BTC), and the Bitwise Bitcoin ETF, the iShares Bitcoin Trust ETF, and the Valkyrie Bitcoin Fund~~ are deemed to be “Exchange-Traded Fund Shares.”

New text is underlined;
Deleted text is in [brackets]

NYSE American Rules

Trading of Option Contracts

Section 1. General Rules Relating to Options

Rule 904. Position Limits

Commentary:

.01 - .06 No change.

.07 (a) - (e) No change.

(f) In addition, the position limit for the options contracts set forth below are as follows:

Option	Position Limits
PowerShares QQQ TrustSM, Series 1 (QQQ)	1,800,000 contracts
SPDR® S&P 500® ETF (SPY)	3,600,000 contracts
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iShares MSCI Emerging Markets ETF (EEM)	1,000,000 contracts
iShares China Large-Cap ETF (FXI)	1,000,000 contracts
iShares MSCI EAFE ETF (EFA)	1,000,000 contracts
iShares MSCI Brazil Capped ETF (EWZ)	500,000 contracts
iShares 20+ Year Treasury Bond Fund ETF (TLT)	500,000 contracts
iShares MSCI Japan ETF (EWJ)	500,000 contracts
iShares iBoxx High Yield Corporate Bond Fund (HYG)	500,000 contracts
iShares iBoxx \$ Investment Grade Corporate Bond ETF (LQD)	500,000 contracts
Financial Select Sector SPDR Fund (XLF)	500,000 contracts
VanEck Vectors Gold Miners ETF (GDX)	500,000 contracts

<u>Grayscale Bitcoin Trust (BTC) (GBTC)</u>	<u>25,000 contracts</u>
<u>Grayscale Bitcoin Mini Trust (BTC) (BTC)</u>	<u>25,000 contracts</u>
<u>Bitwise Bitcoin ETF (BITB)</u>	<u>25,000 contracts</u>

.08 - .14 No Change.

Section 2. Underlying Securities

Rule 915. Criteria for Underlying Securities

••• Commentary

.10 The Exchange may list and trade options on shares of the SPDR® Gold Trust (symbol: GLD), iShares COMEX Gold Trust (symbol: IAU), the iShares Silver Trust (symbol: SLV), the ETFS Silver Trust (symbol: SIVR), the ETFS Gold Trust (symbol: SGOL), the ETFS Palladium Trust (symbol: PALL), [and] the ETFS Platinum Trust (symbol: PPLT), the Grayscale Bitcoin Trust (BTC), the Grayscale Bitcoin Mini Trust (BTC), and the Bitwise Bitcoin ETF, pursuant to Rules 915 and 916.

Rule 916. Withdrawal of Approval of Underlying Securities

••• *Commentary*

.11 For purposes of Commentary .07 of this Rule 916, shares of the SPDR® Gold Trust (symbol: GLD), iShares COMEX Gold Trust (symbol: IAU), the iShares Silver Trust (symbol: SLV), and the ETFS Silver Trust (symbol: SIVR) and the ETFS Gold Trust (symbol: SGOL), the ETFS Palladium Trust (symbol: PALL), [and] the ETFS Platinum Trust (symbol: PPLT), the Grayscale Bitcoin Trust (BTC), the Grayscale Bitcoin Mini Trust (BTC), and the Bitwise Bitcoin ETF are deemed to be “Exchange-Traded Fund Shares.”
