



May 17, 2024

**VIA E-MAIL**

Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-0609  
[rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Re: **Proposed Rule Changes to Permit the Listing and Trading of Options on Exchange Traded Products (ETPs) that Hold Crypto-based Commodities (SR-CBOE-2024-05; SR-ISE-2024-03; SR-NYSEAMER-2024-10; SR-NYSEArca-2024-06)**

Dear Ms. Countryman:

CTC, LLC<sup>1</sup> ("CTC") respectfully submits this letter to the U.S. Securities and Exchange Commission ("SEC" or "Commission") in support of a number of similar proposals from exchanges pursuant to Rule 19b-4 under the Securities Exchange Act of 1934 ("Exchange Act") to amend their rules to allow for the listing and trading of options on Exchange Traded Products ("ETPs") that hold crypto-based commodities ("Proposals").<sup>2</sup> CTC supports the Proposals because we believe the best way for investors to manage crypto-related risk is by using established, well-regulated products and venues. Additionally, the use of established, well-regulated products and venues will enhance the transparency and efficiency of markets in these and correlated products. Finally, approval of the Proposals is consistent with options on ETPs holding spot commodities<sup>3</sup> as well as other approved crypto-based traditional products.<sup>4</sup>

Many crypto products first appear on crypto trading platforms as unregulated products that resemble traditional ones, including futures and options. In fact, crypto-based futures and options of various types are currently available on Deribit and many other similar crypto trading platforms. Without considering the merits of crypto as an investment vehicle, there is clearly a market for exposure to such products, as

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<sup>1</sup> CTC, LLC is a registered broker-dealer that is a proprietary options market maker and a member of the Chicago Board Options Exchange, the C2 Options Exchange, Cboe BZX Options, BOX Options, NYSE Arca Options, NYSE American Options, Nasdaq ISE, and Nasdaq Phlx.

<sup>2</sup> See [SR-CBOE-2024-005](#); [SR-ISE-2024-03](#); [SR-NYSEAMER-2024-10](#); [SR-NYSEARCA-2024-06](#)

<sup>3</sup> The SPDR Gold Trust (GLD) was first approved in 2004 See [SR-NYSE-2004-22](#) and options on GLD were approved in 2008 See [SR-CBOE-2005-11](#). The iShares Silver Trust (SLV) was approved in 2006 See [SR-AMEX-2005-072](#) and options were approved in 2008. See [SR-CBOE-2008-72](#)

<sup>4</sup> BTC futures See [CME Submission No. 17-417S](#), ETPs holding BTC futures See [SR-NYSEArca-2021-89](#), and ETPs holding spot BTC See [SR-NYSEARCA-2021-90](#) have all been approved.



evidenced by their proliferation across multiple asset classes. The recent approvals of ETPs based on spot BTC have engendered massive volumes and AUM in GBTC, IBIT, and elsewhere.<sup>5</sup>

I. The best way for investors to manage crypto-related risk is using established, well-regulated products and venues

As crypto assets have gained wider acceptance, the demand for traditional, regulated products to manage crypto-related risk has also increased. In the absence of such traditional regulated products, investors that desire to hedge crypto exposure must do so on unregulated platforms, using unregulated products, or resort to almost-but-not-quite appropriate vehicles like options on Microstrategy (MSTR), a public company with outsize exposure to bitcoin. CTC believes that using established, well-regulated products and venues is the best way for investors to manage crypto-related risk, and that the current lack of ability to do so with SRO-regulated derivatives under SEC jurisdiction creates a “worst of both worlds” situation where investors do have access to a variety of crypto-linked derivatives, but none of them directly represent the risk investors are looking to manage.

II. Using established, well-regulated products and venues enhances the transparency and efficiency of markets

CTC strongly supports well-regulated markets that are both transparent and efficient. Markets are more transparent when information regarding the products, prices, and depth of markets are well known and widely distributed. This transparency further supports more efficient markets, where investors are in possession of the same information, values behave rationally, and assets are priced consistently. We believe that using established, well-regulated product families (such as ETP options) and venues reinforces rational market behavior, leads to accurate pricing, and allows investors to safely hedge risk, all of which are hallmarks of transparent, efficient, and healthy markets.

III. Approval of the Proposals is consistent with options on other ETPs holding spot commodities as well as other approved crypto-based traditional products

Options on ETPs that hold spot commodities have been around since 2008.<sup>6</sup> In December 2017, Cboe and CME launched futures contracts on Bitcoin giving investors a way to manage exposure to Bitcoin through futures contracts traded on regulated markets. In October 2021, the SEC approved ETPs that track Bitcoin futures, giving individual investors and advisors access to Bitcoin exposure in their traditional brokerage

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<sup>5</sup> Grayscale Bitcoin Trust (GBTC) has average daily trading volume of 14.4 million and net assets under management (AUM) of \$19,094,100, while iShares Bitcoin Trust (IBIT) has average daily trading volume of 41.8 million and AUM of \$18,114,300, which put them among the most heavily traded ETPs and with average daily trading volumes comparable to Amazon (AMZN) with 13.5 million or Apple (AAPL) with 14.9 million.

<sup>6</sup> See note 3 *supra*



and retirement accounts for the first time. Recently, in January 2024, the SEC approved a number ETPs that hold spot Bitcoin (a commodity). The event contract market Kalshi began offering CFTC-regulated binary options on spot Bitcoin in March 2024. CTC believes that the approval of the Proposals is consistent with past approvals of options on other ETPs holding spot commodities<sup>7</sup> as well as other approved crypto-based products.<sup>8</sup>

CTC supports the immediate approval of the Proposals because we believe the use of established, well-regulated products and venues is the best way for investors to manage crypto-related risk, the use of these products and venues supports transparent and efficient markets, and approval is consistent with options on other ETPs holding spot commodities as well as other approved crypto-based traditional products.

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Should you have any questions with respect to this letter, please contact our General Counsel, James Ongena at [james.ongena@chicagotrading.com](mailto:james.ongena@chicagotrading.com) or (312) 863-4713. We would welcome the opportunity to discuss it further and appreciate the opportunity to respond.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Crutchfield".

Steve Crutchfield  
Head of Business Development  
CTC

cc: The Honorable Gary Gensler, Chair  
Commissioner Hester M. Peirce  
Commissioner Caroline A. Crenshaw  
Commissioner Mark T. Uyeda  
Commissioner Jaime Lizárraga  
Haoxiang Zhu, Director, Division of Trading and Markets  
David S. Shillman, Associate Director, Division of Trading and Markets

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<sup>7</sup> See note 3 *supra*

<sup>8</sup> See note 4 *supra*