Required fields are shown with yellow backgrounds and asterisks.

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

File No. * SR 2024 - * 62
Amendment No. (req. for Amendments *) 2

Filing by Nasdaq ISE, LLC

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

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

Pilot	Extension of Time Period for Commission Action *	Date Expires *
☐	☐	

Rule

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

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

Section 806(e)(1) *	Section 806(e)(2) *
☐	☐

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

☐

Exhibit 2 Sent As Paper Document	Exhibit 3 Sent As Paper Document
☐	☐

Description

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

A proposed rule to amend Options 9, Sections 13 and 15 to propose an increase to the position and exercise limits for iShares Bitcoin Trust ETF (IBIT).

Contact Information

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

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

Signature

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

Date	03/26/2025	(Title *)
By	John A. Zecca	EVP and Chief Legal Officer
	(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.

Date: 2025.03.26
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Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information * Add / Remove / View SR-ISE-2024-62 A-2 19b4.docx	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add / Remove / View SR-ISE-2024-62 A-2 Exhibit 1.docx	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies * Add / Remove / View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2- Notices, Written Comments, Transcripts, Other Communications Add / Remove / View	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G. ☐ Exhibit Sent As Paper Document
Exhibit 3 - Form, Report, or Questionnaire Add / Remove / View	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change. ☐ Exhibit Sent As Paper Document
Exhibit 4 - Marked Copies Add / Remove / View SR-ISE-2024-62 A-2 Exhibit 4.docx	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-ISE-2024-62 A-2 Exhibit 5.docx	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change
Partial Amendment Add / Remove / View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Nasdaq ISE, LLC ("ISE" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule to amend Options 9, Sections 13 and 15 to propose an increase to the position and exercise limits for iShares Bitcoin Trust ETF ("IBIT"). This Amendment No. 2 supersedes Amendment No. 1 in its entirety and proposes to amend the rule change to clarify that the position and exercise limits for IBIT options are being amended to the applicable position and exercise limits as determined by Options 9, Sections 13 and 15.

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

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

(b) Not applicable.

(c) The proposed rule change amends Nasdaq GEMX, LLC ("GEMX") and Nasdaq MRX, LLC ("MRX") Options 9, Sections 13 and 15. GEMX and MRX incorporate ISE Options 9, Sections 13 and 15 by reference.

2. Procedures of the Self-Regulatory Organization

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

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

2 17 CFR 240.19b-4.

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

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

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

a. Purpose

The Exchange proposes to amend Options 9, Section 13, Position Limits, and Options 9, Section 15, Exercise Limits, to permit IBIT to increase its position and exercise limits for options on IBIT from 25,000 contracts by removing IBIT from Supplementary Material .01 to Options 9, Section 13 and Supplementary Material .01 to Options 9, Section 15.

IBIT is an Exchange-Traded Fund ("ETF") that holds bitcoin and is listed on The Nasdaq Stock Market LLC.[3] On September 20, 2024, ISE received approval to list options on IBIT.[4] The position and exercise limits for IBIT options are 25,000 contracts as stated in Options 9, Sections 13 and 15, the lowest limit available in options.[5]

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

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

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

Per the Commission "rules regarding position and exercise limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options positions."[6] For this reason, the Commission requires that "position and exercise limits must be sufficient to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security."[7] Based on its review of the data and analysis provided by the Exchange, the Commission concluded that the 25,000 contract position limit for non-FLEX IBIT options satisfied these objectives.[8]

While the Exchange proposed an aggregated 25,000 contract position limit for IBIT options in its IBIT Approval Order, it nonetheless believed that evidence existed to support a much higher position limit. Specifically, the Commission has considered and reviewed the Exchange's analysis in its IBIT Approval Order that the exercisable risk associated with a position limit of 25,000 contracts represented only 0.4% of the outstanding shares of IBIT.[9] The Commission also has considered and reviewed the Exchange's statement its IBIT Approval Order that with a position limit of 25,000 contracts on the same side of the market and 611,040,00 shares of IBIT outstanding, 244 market participants would have to simultaneously exercise their positions to place IBIT under stress.[10] Based on the Commission's review of this information and analysis, the

6 See supra note 4, IBIT Approval Order, 89 FR 78946.

7 See id.

8 See id.

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

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

Commission concluded that the proposed position and exercise limits of 25,000 contracts were designed to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security, and to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position.[11]

IBIT currently qualifies for a 250,000 contract position limit pursuant to the criteria in Options 9, Section 13(d), which requires that, for the most recent six-month period, trading volume for the underlying security be at least 100 million shares.[12] As of November 25, 2024, the market capitalization for IBIT was $46,783,480,800[13] with an average daily volume ("ADV"), for the preceding three months prior to November 25, 2024, of 39,421,877 shares. IBIT is well above the requisite minimum of 100 million shares necessary to qualify for the 250,000 contract position limit. Also, as of November 25, 2024, there are 19,787,762 bitcoins in circulation.[14] At a price of $94,830,[15] that equates to a market capitalization of greater than $1.876 trillion US. If a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%[16] of the

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11 See id.

12 Options 9, Section 13(d), Equity Option Position Limits, provides at subparagraph (5) that to be eligible for the 250,000 contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least 100 million shares or the most recent six-month trading volume of the underlying security must have totaled at least seventy-five (75) million shares and the underlying security must have at least 300 million shares currently outstanding.

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

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

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

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

outstanding shares outstanding of IBIT. Given IBIT's liquidity, the current 25,000 position limit is extremely conservative.

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

To achieve this balance, ISE proposes to remove IBIT from the table of position limits in Supplementary .01 to Options 9, Section 13 as well as the table of exercise limits in Supplementary .01 to Options 9, Section 15 so that options on IBIT may trade similar to all other options for which the Exchange has not filed to otherwise increase the position limits to levels outside of the limits of ISE Options 9, Section 13(d). As a result of removing IBIT from the aforementioned tables, it would increase the position and exercise limits for options on IBIT from 25,000 to 250,000 contracts based on the parameters of Options 9, Section 13(d). By removing IBIT from the aforementioned tables, IBIT would be subject to subsequent six (6) month reviews to determine future position and exercise limits similar to all other options subject to Options 9, Sections 13 and 15.

In addition to IBIT's Options 9, Section 13(d) eligibility for 250,000 contracts, the Exchange performed additional analysis with respect to IBIT. First, ISE considered

IBIT's market capitalization and Average Daily Volume ("ADV"), and prospective position limit in relation to other securities. In measuring IBIT against other securities, ISE aggregated market capitalization and volume data for securities that have defined position limits utilizing data from The Options Clearing Corporations ("OCC").[17] This pool of data took into consideration 3,897 options on single stock securities, excluding broad based ETFs.[18] Next, the data was aggregated based on market capitalization and ADV and grouped by option symbol and position limit utilizing statistical thresholds for ADV, based on ninety days, and market capitalization that were one standard deviation above the mean for each position limit category (i.e. 25,000, 50,000 to 65,000, 75,000, 100,000 to less than 250,000, and 250,000).[19] This exercise was performed to demonstrate IBIT's position limit relative to other options symbols in terms of market capitalization and ADV. For reference, the market capitalization for IBIT was $46,783,480,800[20] with an ADV, for the preceding three months prior to November 25, 2024, of 39,421,877 shares.

Market Cap Statistics	25k	50k	75k	100k - <250k	250k - <500k	500k - 1mm	>1mm
# of observations	562	473	651	240	1934	27	10
average	1,038,795,162	2,957,127,045	4,466,049,699	5,390,836,360	26,286,624,063	67,390,777,100	717,540,906,097

17 The computations are based on OCC data from November 25, 2024. Data displaying zero values in market capitalization or ADV were removed.

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

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

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

median	360,130,143	889,627,570	1,445,831,231	1,643,123,279	3,535,963,213	27,063,940,966	90,047,209,478
min	2,204,436	4,211,156	3,830,532	5,090,230	1,616,094	2,762,394,749	11,786,645,969
max	36,120,249,097	70,846,805,916	174,820,296,591	106,971,594,180	3,573,884,443,220	733,972,714,698	3,358,647,600,000
IBIT % rank	**100.00%**	**98.94%**	**98.77%**	**98.33%**	**88.57%**	**59.26%**	**20.00%**

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

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

The Exchange also analyzed the position limits for IBIT by regressing the market capitalization figures and 90-day ADV of all non-ETF equities, against their respective position limit figures. From this regression, the Exchange was able to determine the implied coefficients to create a formulaic method for determining an appropriate position limit.[21] In this case, the modeled position limit is 565,796 contracts.[22] The results of the study are below.

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

21 The Exchange utilized Excel's Data Analysis Package to model the position limit.

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

ANOVA

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

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

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

Second, ISE reviewed IBIT's data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables. As of November 25, 2024, there are 19,787,762 bitcoins in circulation.[23] At a price of \$94,830,[24] that equates to a market capitalization of greater than \$1.876 trillion US. If a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%[25] of the outstanding shares outstanding of IBIT. Since IBIT has a creation and redemption process managed through the issuer, the position limit can be compared to the total market capitalization of the entire bitcoin market and in that case, the exercisable risk for options on IBIT would represent less than .072% of all bitcoin outstanding.[26] Assuming a scenario where all options on IBIT shares were exercised given the proposed

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

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

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

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

250,000 contract position limit (and exercise limit), this would have a virtually unnoticed impact on the entire bitcoin market. This analysis demonstrates that the proposed 250,000 per same side position and exercise limit is appropriate for options on IBIT given its liquidity.

Third, ISE reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the Commodity Futures Trading Commission ("CFTC"). While the CFTC, through the relevant Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), ISE examined equivalent bitcoin futures position limits. In particular, ISE looked to the CME bitcoin futures contract[27] that has a position limit of 8,000 futures.[28] On October 22, 2024, CME bitcoin futures settled at $94,945.[29] On October 22, 2024, IBIT settled at $54.02, which would equate to greater than 17,557,898 shares of IBIT if the CME notional position limit was utilized. Since substantial portions of any distributed options portfolio is likely to be out of the money on expiration, an options position limit equivalent to the CME position limit for bitcoin futures (considering that all options deltas are <=1.00) should be a bit higher than the CME implied 175,578 limit. Of note, unlike options contracts, CME position limits are calculated on a net futures-equivalent basis by contract and include contracts that aggregate into one or more base contracts according to an aggregation ratio(s).[30] Therefore, if a portfolio includes

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

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

29 2,000 futures at a 5 bitcoin multiplier (per the contract specifications) equates to $949,450,000 (2000 contracts * 5 BTC per contract * $94,945 price of November BTC future) of notional value.

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

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

Fourth, ISE analyzed a position and exercise limit of 250,000 for IBIT options against other options on ETFs with an underling commodity, namely SPDR Gold Shares ("GLD"), iShares Silver Trust ("SLV"), and ProShares Bitcoin ETF ("BITO").[32] GLD has a float of 306.1 million shares[33] and a position limit of 250,000 contract. SLV has a float of 520.7 million shares,[34] and a position limit of 250,000 contracts. Finally, BITO has 107.65 million shares outstanding[35] and a position limit of 250,000 contracts. As previously noted, position and exercise limits are designed to limit the number of options

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31 Id.

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

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

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

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

contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or indirectly, may control. A position limit exercise in GLD would represent 8.17% of the float of GLD; a position limit exercise in SLV would represent 4.8% of the float of SLV, and a position limit exercise of BITO would represent 23.22% of the float of BITO. In comparison, a 250,000 contract position limit in IBIT would represent 2.89% of the float of IBIT. Consequently, the 250,000 proposed IBIT options position and exercise limit is more conservative than the standard applied to GLD, SLV and BITO, and appropriate. Additionally, the Exchange notes that the Cboe Bitcoin U.S. ETF Index Options (CBTX) and the Cboe Mini Bitcoin U.S. ETF Index Options (MBTX),[36] which trade exclusively on Cboe, are comprised of multiple bitcoin ETFs of which IBIT is the highest weighted (at 20%) in the index composition.[37] These indices currently trade pursuant to a 24,000 contract position and exercise limit.[38]

Fifth, ISE notes that IBIT began trading in penny increments as of January 2, 2025pursuant to the Penny Interval Program.[39] The Commission noted that evidence

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

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

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

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

contained in both the Exchanges' Report and the Cornerstone analysis demonstrates that the Penny Pilot has benefitted investors and other market participants in the form of narrower spreads.[40] The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests). As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class that experience a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.[41] IBIT options is among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments. Failing to increase position and exercise limits for IBIT options, now that it is trading in finer increments, may artificially inhibit liquidity and create price inefficiency.

The Exchange believes that IBIT options has demonstrated that it has more than sufficient liquidity to garner an increased position and exercise limit of 250,000 contracts. The Exchange believes that any concerns related to manipulation and protection of investors are mollified by the significant liquidity provision in IBIT. The Exchange

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

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

41 Id. at 19548.

states that, as a general principle, increases in active trading volume and deep liquidity of the underlying securities do not lead to manipulation and/or disruption.

The Exchange believes that increasing the position (and exercise) limits for IBIT options would lead to a more liquid and competitive market environment for IBIT options, which will benefit customers that trade these options. Further, the reporting requirement for such options would remain unchanged. Thus, the Exchange will still require that each member organization that maintains positions in impacted options on the same side of the market, for its own account or for the account of a customer, report certain information to the Exchange. This information includes, but would not be limited to, the options' positions, whether such positions are hedged and, if so, a description of the hedge(s). Market-Makers would continue to be exempt from this reporting requirement, however, the Exchange may access Market-Maker position information.[42] Moreover, the Exchange's requirement that member organizations file reports with the Exchange for any customer who held aggregate large long or short positions on the same side of the market of 200 or more option contracts of any single class for the previous day will remain at this level and will continue to serve as an important part of the Exchange's surveillance efforts.[43]

The Exchange also has no reason to believe that the growth in trading volume in IBIT will not continue. Rather, the Exchange expects continued options volume growth

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42 The Options Clearing Corporation ("OCC") through the Large option Position Reporting ("LOPR") system acts as a centralized service provider for TPH compliance with position reporting requirements by collecting data from each TPH or TPH organization, consolidating the information, and ultimately providing detailed listings of each TPH's report to the Exchange, as well as Financial Industry Regulatory Authority, Inc. ("FINRA"), acting as its agent pursuant to a regulatory services agreement ("RSA").

43 See Options 9, Section 16.

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

The Exchange believes that the existing surveillance procedures and reporting requirements at the Exchange are capable of properly identifying disruptive and/or manipulative trading activity. The Exchange also represents that it has adequate surveillances in place to detect potential manipulation, as well as reviews in place to identify continued compliance with the Exchange's listing standards. These procedures monitor market activity via automated surveillance techniques to identify unusual activity in both options and the underlyings, as applicable. The Exchange also notes that large stock holdings must be disclosed to the Commission by way of Schedules 13D or 13G,[44] which are used to report ownership of stock which exceeds 5% of a company's total stock issue and may assist in providing information in monitoring for any potential manipulative schemes. Further, the Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged positions in equity options. Current margin and risk-based haircut methodologies serve to limit the size of positions maintained by any one account by increasing the margin and/or capital that a member organization must maintain for a large position held by itself or by its customer.[45] In addition, Rule 15c3-1[46] imposes a capital charge on member organizations to the extent of any margin deficiency resulting from the higher margin requirement.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[47] in general, and furthers the objectives of Section 6(b)(5) of the Act,[48] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to

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44 17 CFR 240.13d-1.

45 See Options 9, Section 3 regarding margin requirements.

46 17 CFR 240.15c3-1.

47 15 U.S.C. 78f(b).

48 15 U.S.C. 78f(b)(5).

protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section (6)(b)(5)[49] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that removing IBIT from the table of position limits in Supplementary .01 to Options 9, Section 13 and the table of exercise limits in Supplementary .01 to Options 9, Section 15, so its position limit would be reviewed similar to all other options for which the Exchange has not filed to otherwise establish the position limits to levels outside of the position limits of ISE Options 9, Section 13(d) is consistent with the Act. This proposal will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it will provide market participants with the ability to more effectively execute their trading and hedging activities. Also, based on current trading volume, the resulting increase in the position (and exercise) limits for IBIT options may allow Market-Makers to maintain their liquidity in these options in amounts commensurate with the continued high consumer demand in IBIT options. Subjecting options on IBIT to the position limits in Options 9, Sections 13(d) and corresponding exercise limits in Options 9, Section 15 may also encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. Further, this amendment would allow institutional investors to utilize IBIT options for prudent risk management purposes. The Exchange

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[49] 15 U.S.C. 78(f)(b)(5).

notes that IBIT's position limits would be reviewed on a six month basis, pursuant to Options 9, Section 13(d), similar to other options.

In addition, the Exchange believes that the current liquidity in IBIT will mitigate concerns regarding potential manipulation of IBIT options and/or disruption of IBIT upon amending the table of position limits in Supplementary .01 to Options 9, Section 13 and the table of exercise limits in Supplementary .01 to Options 9, Section 15.

Additionally, the regression model performed by ISE demonstrates that the proposed position limit is half of the modeled limit given the liquidity of IBIT. Comparing IBIT's data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables, the Exchange was able to conclude that if a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%[50] of the shares outstanding of IBIT. Since IBIT has a creation and redemption process managed through the issuer (whereby Bitcoin is used to create IBIT shares), the position limit can be compared to the total market capitalization of the entire bitcoin market and in that case, the exercisable risk for options on IBIT would represent less than .072% of all bitcoin outstanding.[51] Comparing the proposed position limit to position limits for equivalent bitcoin futures position limits, the analysis demonstrated that a 250,000 contracts position and exercise limits would be appropriate.

Comparing a position limit of 250,000 for IBIT options against other options on ETFs with an underling commodity, namely GLD, SLV and BITO, a position limit

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

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

exercise in GLD represents 8.17% of the float of GLD, a position limit exercise in SLV represents 4.8% of the float of SLV, and a position limit exercise of BITO represents 23.22% of the float of BITO. In comparison, a 250,000 contract position limit in IBIT options would represent 2.89% of the float of IBIT. Consequently, a 250,000 IBIT options position limit is more conservative than the standard applied to GLD, SLV and BITO, and appropriate. Also, the Exchange notes that Cboe's proprietary CBTX and MBTX indices weight IBIT the highest (at 20%) in its index composition among the other ETFs that comprise the index.[52] The Exchange notes that today, these indexes have a position of 24,000 contracts which is much higher than the current position limits for IBIT options when considering the notional value of the indices.[53] These indexes are already trading with position and exercise limits that are higher than the lowest position limit for an industry index option.[54]

ISE notes that IBIT began trading in penny increments on January 2, 2025 pursuant to the Penny Interval Program.[55] The Commission noted that evidence

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

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

54 18,000 contracts is the lowest position limit for industry index options if the Exchange determines, at the time of a review conducted pursuant to subparagraph (2) of this paragraph (a), that any single underlying stock accounted, on average, for thirty percent (30%) or more of the index value during the thirty (30) -day period immediately preceding the review. See ISE Options 4A, Section 7. Further, Cboe Rule 8.32(a)(3) permits a limit of 31,500 contracts if the Exchange determines that the conditions specified in Rule 8.32(a)(1) and (2), which would require the establishment of a lower limit, have not occurred.

55 The Exchange may add to the Penny Program a newly listed option class provided that (i) it is among the 300 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in its first full calendar month of trading and (ii) the underlying security is priced below $200 or the underlying index is at an index level below $200. Any option class added under this provision will be added on the first trading day of the month after it qualifies and will remain in the Penny Program for one full calendar year, after which it will be subject to the

contained in both the Exchanges' Report and the Cornerstone analysis demonstrates that the Penny Pilot has benefitted investors and other market participants in the form of narrower spreads.[56] The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests). As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class that experience a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.[57] IBIT options are among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments pursuant to the Penny Interval Program. Failing to permit IBIT options to potentially increase position and exercise limits given the trading in finer increments, may artificially inhibit liquidity and create price inefficiency for IBIT options.

Finally, as discussed above, the Exchange's surveillance and reporting safeguards continue to be designed to deter and detect possible manipulative behavior that might arise from increasing or eliminating position and exercise limits in certain classes. The

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

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

57 Id. at 19548.

Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged positions in the options on the underlying securities, further promoting just and equitable principles of trading, the maintenance of a fair and orderly market, and the protection of investors.

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.

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

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

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

6.

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

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

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

The Exchange requests accelerated effectiveness pursuant to Section 19(b)(2) of the Act.[58] The Exchange believes that the current liquidity in shares of and options on IBIT will mitigate concerns regarding potential manipulation of IBIT and/or disruption of IBIT upon increasing the position limit. Subjecting options on IBIT to the position limits in Options 9, Sections 13(d) and corresponding exercise limits in Options 9, Section 15, similar to most other options, may also encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. Further, a potentially higher position and exercise limit would allow institutional investors to utilize IBIT options for prudent risk management purposes. ISE notes that IBIT options trade in penny increments as of January 2, 2025, pursuant to the Penny Interval Program..[59] The most actively traded options classes are included in the Penny

58 15 U.S.C. 78s(b)(2).

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

Program based on certain objective criteria (trading volume thresholds and initial price tests). As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class that experience a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.[60] IBIT options are among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments pursuant to the Penny Interval Program. Failing to allow IBIT options to potentially increase their position and exercise limits, given IBIT options trade in finer increments, may artificially inhibit liquidity and create price inefficiency.

Finally, this Amendment No. 1 merely clarifies that IBIT options would be subject to the position limits in Options 9, Sections 13(d) and corresponding exercise limits in Options 9, Section 15, which limits are subject to a six month review similar to a majority of other options traded on the Exchange. Accordingly, the Exchange believes that no regulatory purpose would be served by delaying implementation of the Amendment No. 1 beyond the close of the period for public comment on the proposed rule change. Today, the Exchange lists other options which are similarly subject to Options 9, Sections 13 and 15.

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

Not applicable.

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be subject to the Annual Review as described in Supplementary Material .01(b) to Options 3, Section 3. See Supplementary Material .01 to ISE Options 3, Section 3.

60 Id. at 19548.

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

Not applicable.

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

Not applicable.

11. Exhibits

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

4. Amended rule text.

5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-ISE-2024-62)

March __, 2024

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing of Proposed Rule Change to Increase the Position and Exercise Limits for iShares Bitcoin Trust ETF

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1], and Rule 19b-4 thereunder,[2] notice is hereby given that on March 26, 2025, Nasdaq ISE, LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Options 9, Sections 13 and 15 to propose an increase to the position and exercise limits for iShares Bitcoin Trust ETF ("IBIT"). This Amendment No. 2 supersedes Amendment No. 1 in its entirety and proposes to amend the rule change to clarify that the position and exercise limits for IBIT options are being amended to the applicable position and exercise limits as determined by Options 9, Sections 13 and 15.

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

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

2 17 CFR 240.19b-4.

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

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

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

1. Purpose

The Exchange proposes to amend Options 9, Section 13, Position Limits, and Options 9, Section 15, Exercise Limits, to permit IBIT to increase its position and exercise limits for options on IBIT from 25,000 contracts by removing IBIT from Supplementary Material .01 to Options 9, Section 13 and Supplementary Material .01 to Options 9, Section 15.

IBIT is an Exchange-Traded Fund ("ETF") that holds bitcoin and is listed on The Nasdaq Stock Market LLC.[3] On September 20, 2024, ISE received approval to list

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

options on IBIT.[4] The position and exercise limits for IBIT options are 25,000 contracts as stated in Options 9, Sections 13 and 15, the lowest limit available in options.[5]

Per the Commission "rules regarding position and exercise limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options positions."[6] For this reason, the Commission requires that "position and exercise limits must be sufficient to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security."[7] Based on its review of the data and analysis provided by the Exchange, the Commission concluded that the 25,000 contract position limit for non-FLEX IBIT options satisfied these objectives.[8]

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

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

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

6 See supra note 4, IBIT Approval Order, 89 FR 78946.

7 See id.

8 See id.

outstanding shares of IBIT.[9] The Commission also has considered and reviewed the Exchange's statement its IBIT Approval Order that with a position limit of 25,000 contracts on the same side of the market and 611,040,00 shares of IBIT outstanding, 244 market participants would have to simultaneously exercise their positions to place IBIT under stress.[10] Based on the Commission's review of this information and analysis, the Commission concluded that the proposed position and exercise limits of 25,000 contracts were designed to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security, and to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position.[11]

IBIT currently qualifies for a 250,000 contract position limit pursuant to the criteria in Options 9, Section 13(d), which requires that, for the most recent six-month period, trading volume for the underlying security be at least 100 million shares.[12] As of November 25, 2024, the market capitalization for IBIT was $46,783,480,800[13] with an average daily volume ("ADV"), for the preceding three months prior to November 25, 2024, of 39,421,877 shares. IBIT is well above the requisite minimum of 100 million

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

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

11 See id.

12 Options 9, Section 13(d), Equity Option Position Limits, provides at subparagraph (5) that to be eligible for the 250,000 contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least 100 million shares or the most recent six-month trading volume of the underlying security must have totaled at least seventy-five (75) million shares and the underlying security must have at least 300 million shares currently outstanding.

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

shares necessary to qualify for the 250,000 contract position limit. Also, as of November 25, 2024, there are 19,787,762 bitcoins in circulation.[14] At a price of $94,830,[15] that equates to a market capitalization of greater than $1.876 trillion US. If a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%[16] of the outstanding shares outstanding of IBIT. Given IBIT's liquidity, the current 25,000 position limit is extremely conservative.

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

To achieve this balance, ISE proposes to remove IBIT from the table of position limits in Supplementary .01 to Options 9, Section 13 as well as the table of exercise limits in Supplementary .01 to Options 9, Section 15 so that options on IBIT may trade similar to all other options for which the Exchange has not filed to otherwise increase the position limits to levels outside of the limits of ISE Options 9, Section 13(d). As a result of removing IBIT from the aforementioned tables, it would increase the position and

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

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

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

exercise limits for options on IBIT from 25,000 to 250,000 contracts based on the parameters of Options 9, Section 13(d). By removing IBIT from the aforementioned tables, IBIT would be subject to subsequent six (6) month reviews to determine future position and exercise limits similar to all other options subject to Options 9, Sections 13 and 15.

In addition to IBIT's Options 9, Section 13(d) eligibility for 250,000 contracts, the Exchange performed additional analysis with respect to IBIT. First, ISE considered IBIT's market capitalization and Average Daily Volume ("ADV"), and prospective position limit in relation to other securities. In measuring IBIT against other securities, ISE aggregated market capitalization and volume data for securities that have defined position limits utilizing data from The Options Clearing Corporations ("OCC").[17] This pool of data took into consideration 3,897 options on single stock securities, excluding broad based ETFs.[18] Next, the data was aggregated based on market capitalization and ADV and grouped by option symbol and position limit utilizing statistical thresholds for ADV, based on ninety days, and market capitalization that were one standard deviation above the mean for each position limit category (i.e. 25,000, 50,000 to 65,000, 75,000, 100,000 to less than 250,000, and 250,000).[19] This exercise was performed to

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17 The computations are based on OCC data from November 25, 2024. Data displaying zero values in market capitalization or ADV were removed.

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

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

demonstrate IBIT's position limit relative to other options symbols in terms of market capitalization and ADV. For reference, the market capitalization for IBIT was $46,783,480,800[20] with an ADV, for the preceding three months prior to November 25, 2024, of 39,421,877 shares.

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

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

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

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

The Exchange also analyzed the position limits for IBIT by regressing the market capitalization figures and 90-day ADV of all non-ETF equities, against their respective position limit figures. From this regression, the Exchange was able to determine the implied coefficients to create a formulaic method for determining an appropriate position limit.[21] In this case, the modeled position limit is 565,796 contracts.[22] The results of the study are below.

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

ANOVA

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

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

21 The Exchange utilized Excel's Data Analysis Package to model the position limit.

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

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

Second, ISE reviewed IBIT's data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables. As of November 25, 2024, there are 19,787,762 bitcoins in circulation.[23] At a price of $94,830,[24] that equates to a market capitalization of greater than $1.876 trillion US. If a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%[25] of the outstanding shares outstanding of IBIT. Since IBIT has a creation and redemption process managed through the issuer, the position limit can be compared to the total market capitalization of the entire bitcoin market and in that case, the exercisable risk for options on IBIT would represent less than .072% of all bitcoin outstanding.[26] Assuming a scenario where all options on IBIT shares were exercised given the proposed 250,000 contract position limit (and exercise limit), this would have a virtually unnoticed impact on the entire bitcoin market. This analysis demonstrates that the proposed 250,000 per same side position and exercise limit is appropriate for options on IBIT given its liquidity.

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

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

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

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

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

regulates options positions based upon delta equivalents (creating a less stringent standard), ISE examined equivalent bitcoin futures position limits. In particular, ISE looked to the CME bitcoin futures contract[27] that has a position limit of 8,000 futures.[28] On October 22, 2024, CME bitcoin futures settled at $94,945.[29] On October 22, 2024, IBIT settled at $54.02, which would equate to greater than 17,557,898 shares of IBIT if the CME notional position limit was utilized. Since substantial portions of any distributed options portfolio is likely to be out of the money on expiration, an options position limit equivalent to the CME position limit for bitcoin futures (considering that all options deltas are <=1.00) should be a bit higher than the CME implied 175,578 limit. Of note, unlike options contracts, CME position limits are calculated on a net futures-equivalent basis by contract and include contracts that aggregate into one or more base contracts according to an aggregation ratio(s).[30] 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.[31] 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,

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

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

29 2,000 futures at a 5 bitcoin multiplier (per the contract specifications) equates to $949,450,000 (2000 contracts * 5 BTC per contract * $94,945 price of November BTC future) of notional value.

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

31 Id.

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

Fourth, ISE analyzed a position and exercise limit of 250,000 for IBIT options against other options on ETFs with an underling commodity, namely SPDR Gold Shares ("GLD"), iShares Silver Trust ("SLV"), and ProShares Bitcoin ETF ("BITO").[32] GLD has a float of 306.1 million shares[33] and a position limit of 250,000 contract. SLV has a float of 520.7 million shares,[34] and a position limit of 250,000 contracts. Finally, BITO has 107.65 million shares outstanding[35] and a position limit of 250,000 contracts. As previously noted, position and exercise limits are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or indirectly, may control. A position limit exercise in GLD would represent 8.17% of the float of GLD; a position limit exercise in SLV would represent 4.8% of the float of SLV, and a position limit exercise of BITO would represent 23.22% of the float of BITO. In comparison, a 250,000 contract position limit in IBIT would represent 2.89% of the float of IBIT. Consequently, the 250,000 proposed IBIT options position and exercise limit is more conservative than the standard applied to

[32] GLD, SLV and BITO each hold one asset in trust similar to IBIT.

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

[34] See https://www.ishares.com/us/products/239855/ishares-silver-trust-fund.

[35] See https://www.marketwatch.com/investing/fund/bito.

GLD, SLV and BITO, and appropriate. Additionally, the Exchange notes that the Cboe Bitcoin U.S. ETF Index Options (CBTX) and the Cboe Mini Bitcoin U.S. ETF Index Options (MBTX),[36] which trade exclusively on Cboe, are comprised of multiple bitcoin ETFs of which IBIT is the highest weighted (at 20%) in the index composition.[37] These indices currently trade pursuant to a 24,000 contract position and exercise limit.[38]

Fifth, ISE notes that IBIT began trading in penny increments as of January 2, 2025pursuant to the Penny Interval Program.[39] The Commission noted that evidence contained in both the Exchanges' Report and the Cornerstone analysis demonstrates that the Penny Pilot has benefitted investors and other market participants in the form of narrower spreads.[40] The most actively traded options classes are included in the Penny

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

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

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

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

40 See Securities Exchange Act Release No. 88532 (April 1, 2020), 67 FR 19545, 19548 (April 7, 2020) (File No. 4–443) (Joint Industry Plan; Order Approving Amendment No. 5 to the Plan for

Program based on certain objective criteria (trading volume thresholds and initial price tests). As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class that experience a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.[41] IBIT options is among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments. Failing to increase position and exercise limits for IBIT options, now that it is trading in finer increments, may artificially inhibit liquidity and create price inefficiency.

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

The Exchange believes that increasing the position (and exercise) limits for IBIT options would lead to a more liquid and competitive market environment for IBIT options, which will benefit customers that trade these options. Further, the reporting requirement for such options would remain unchanged. Thus, the Exchange will still require that each member organization that maintains positions in impacted options on the same side of the market, for its own account or for the account of a customer, report

the Purpose of Developing and Implementing Procedures Designed To Facilitate the Listing and Trading of Standardized Options To Adopt a Penny Interval Program) ("Penny Approval Order").

41 Id. at 19548.

certain information to the Exchange. This information includes, but would not be limited to, the options' positions, whether such positions are hedged and, if so, a description of the hedge(s). Market-Makers would continue to be exempt from this reporting requirement, however, the Exchange may access Market-Maker position information.[42] Moreover, the Exchange's requirement that member organizations file reports with the Exchange for any customer who held aggregate large long or short positions on the same side of the market of 200 or more option contracts of any single class for the previous day will remain at this level and will continue to serve as an important part of the Exchange's surveillance efforts.[43]

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

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42 The Options Clearing Corporation ("OCC") through the Large option Position Reporting ("LOPR") system acts as a centralized service provider for TPH compliance with position reporting requirements by collecting data from each TPH or TPH organization, consolidating the information, and ultimately providing detailed listings of each TPH's report to the Exchange, as well as Financial Industry Regulatory Authority, Inc. ("FINRA"), acting as its agent pursuant to a regulatory services agreement ("RSA").

43 See Options 9, Section 16.

participants will find the 25,000 contract position limit an impediment to their business and investment objectives as well as an impediment to efficient pricing. As such, market participants may find the less transparent OTC markets a more attractive alternative to achieve their investment and hedging objectives, leading to a retreat from the listed options markets, where trades are subject to reporting requirements and daily surveillance. However, the Exchange notes that IBIT's position limits would be reviewed on a six month basis, pursuant to Options 9, Section 13(d), similar to other options.

The Exchange believes that the existing surveillance procedures and reporting requirements at the Exchange are capable of properly identifying disruptive and/or manipulative trading activity. The Exchange also represents that it has adequate surveillances in place to detect potential manipulation, as well as reviews in place to identify continued compliance with the Exchange's listing standards. These procedures monitor market activity via automated surveillance techniques to identify unusual activity in both options and the underlyings, as applicable. The Exchange also notes that large stock holdings must be disclosed to the Commission by way of Schedules 13D or 13G,[44] which are used to report ownership of stock which exceeds 5% of a company's total stock issue and may assist in providing information in monitoring for any potential manipulative schemes. Further, the Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged positions in equity options. Current margin and risk-based haircut methodologies serve to limit the size of positions

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[44] 17 CFR 240.13d-1.

maintained by any one account by increasing the margin and/or capital that a member organization must maintain for a large position held by itself or by its customer.[45] In addition, Rule 15c3-1[46] imposes a capital charge on member organizations to the extent of any margin deficiency resulting from the higher margin requirement.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[47] in general, and furthers the objectives of Section 6(b)(5) of the Act,[48] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section (6)(b)(5)[49] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that removing IBIT from the table of position limits in Supplementary .01 to Options 9, Section 13 and the table of exercise limits in Supplementary .01 to Options 9, Section 15, so its position limit would be reviewed

45 See Options 9, Section 3 regarding margin requirements.

46 17 CFR 240.15c3-1.

47 15 U.S.C. 78f(b).

48 15 U.S.C. 78f(b)(5).

49 15 U.S.C. 78(f)(b)(5).

similar to all other options for which the Exchange has not filed to otherwise establish the position limits to levels outside of the position limits of ISE Options 9, Section 13(d) is consistent with the Act. This proposal will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it will provide market participants with the ability to more effectively execute their trading and hedging activities. Also, based on current trading volume, the resulting increase in the position (and exercise) limits for IBIT options may allow Market-Makers to maintain their liquidity in these options in amounts commensurate with the continued high consumer demand in IBIT options. Subjecting options on IBIT to the position limits in Options 9, Sections 13(d) and corresponding exercise limits in Options 9, Section 15 may also encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. Further, this amendment would allow institutional investors to utilize IBIT options for prudent risk management purposes. The Exchange notes that IBIT's position limits would be reviewed on a six month basis, pursuant to Options 9, Section 13(d), similar to other options.

In addition, the Exchange believes that the current liquidity in IBIT will mitigate concerns regarding potential manipulation of IBIT options and/or disruption of IBIT upon amending the table of position limits in Supplementary .01 to Options 9, Section 13 and the table of exercise limits in Supplementary .01 to Options 9, Section 15.

Additionally, the regression model performed by ISE demonstrates that the proposed position limit is half of the modeled limit given the liquidity of IBIT.

Comparing IBIT's data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables, the Exchange was able to conclude that if a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%[50] of the shares outstanding of IBIT. Since IBIT has a creation and redemption process managed through the issuer (whereby Bitcoin is used to create IBIT shares), the position limit can be compared to the total market capitalization of the entire bitcoin market and in that case, the exercisable risk for options on IBIT would represent less than .072% of all bitcoin outstanding.[51] Comparing the proposed position limit to position limits for equivalent bitcoin futures position limits, the analysis demonstrated that a 250,000 contracts position and exercise limits would be appropriate.

Comparing a position limit of 250,000 for IBIT options against other options on ETFs with an underling commodity, namely GLD, SLV and BITO, a position limit exercise in GLD represents 8.17% of the float of GLD, a position limit exercise in SLV represents 4.8% of the float of SLV, and a position limit exercise of BITO represents 23.22% of the float of BITO. In comparison, a 250,000 contract position limit in IBIT options would represent 2.89% of the float of IBIT. Consequently, a 250,000 IBIT options position limit is more conservative than the standard applied to GLD, SLV and BITO, and appropriate. Also, the Exchange notes that Cboe's proprietary CBTX and MBTX indices weight IBIT the highest (at 20%) in its index composition among the

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

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

other ETFs that comprise the index.[52] The Exchange notes that today, these indexes have a position of 24,000 contracts which is much higher than the current position limits for IBIT options when considering the notional value of the indices.[53] These indexes are already trading with position and exercise limits that are higher than the lowest position limit for an industry index option.[54]

ISE notes that IBIT began trading in penny increments on January 2, 2025 pursuant to the Penny Interval Program.[55] The Commission noted that evidence contained in both the Exchanges' Report and the Cornerstone analysis demonstrates that the Penny Pilot has benefitted investors and other market participants in the form of

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

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

54 18,000 contracts is the lowest position limit for industry index options if the Exchange determines, at the time of a review conducted pursuant to subparagraph (2) of this paragraph (a), that any single underlying stock accounted, on average, for thirty percent (30%) or more of the index value during the thirty (30) -day period immediately preceding the review. See ISE Options 4A, Section 7. Further, Cboe Rule 8.32(a)(3) permits a limit of 31,500 contracts if the Exchange determines that the conditions specified in Rule 8.32(a)(1) and (2), which would require the establishment of a lower limit, have not occurred.

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

narrower spreads.[56] The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests). As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class that experience a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.[57] IBIT options are among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments pursuant to the Penny Interval Program. Failing to permit IBIT options to potentially increase position and exercise limits given the trading in finer increments, may artificially inhibit liquidity and create price inefficiency for IBIT options.

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

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

57 Id. at 19548.

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.

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

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

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

No written comments were either solicited or received.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such 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-ISE-2024-62 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-ISE-2024-62. 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-ISE-2024-62 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.[58]

Sherry R. Haywood,

Assistant Secretary.

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[58] 17 CFR 200.30-3(a)(12).

EXHIBIT 4

No changes were made to the Exhibit 5 as a result of Amendment No. 2.

Exhibit 4 shows changes that were introduced with Amendment No. 1. Rule text that was removed as a result of Amendment No. 1 is shown as stricken and rule text that was added as a result of Amendment No. 1 is shown as double underlined.

Deleted text that was introduced in the original filing is shown as bracketed and new rule text that was introduced in the original filing is shown as underlined.

Nasdaq ISE, LLC Rules

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Options Rules

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Options 3A FLEX Options Trading Rules

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Section 3. FLEX Option Listings

(a) **FLEX Option Classes.** The Exchange may authorize for trading a FLEX Option class on any equity security (except ~~[the iShares Bitcoin Trust ETF,]~~ the Fidelity Wise Origin Bitcoin Fund; the ARK21Shares Bitcoin ETF, the Grayscale Bitcoin Trust (BTC), the Grayscale Bitcoin Mini Trust BTC, and the Bitwise Bitcoin ETF) or index if it may authorize for trading a non-FLEX Option class on that equity security or index pursuant to Options 4, Section 3 and Options 4A, Section 3, respectively, even if the Exchange does not list that non-FLEX Option class for trading.

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Section 18. Position Limits

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(b) **FLEX Equity Options**.

(1) **Position Limits**.

(A) There shall be no position limits for FLEX Equity Options, other than as set forth in subparagraph (B) and paragraph (c) below.

(B) Position limits for FLEX Equity Options where the underlying security is an ETF that is settled in cash pursuant to Section 3(c)(5)(A)(ii) above shall be subject to the position limits set forth in Options 9, Section 13, and subject to the exercise limits set forth in Options 9, Section 15. Positions in such cash-settled

FLEX Equity Options shall be aggregated with positions in physically settled options on the same underlying ETF for the purpose of calculating the position limits set forth in Options 9, Section 13 and the exercise limits set forth in Options 9, Section 15.

~~(C) Notwithstanding the foregoing, position limits on FLEX Equity Options for the iShares Bitcoin Trust ETF ("IBIT") that are physically-settled, pursuant to Section 3(c)(5)(A)(i), and settled in cash, pursuant to Section 3(c)(5)(A)(ii), shall be aggregated with positions on the same non-FLEX underlying ETF for the purpose of calculating position and exercise limits on IBIT options as set forth in Options 9, Sections 13 and 15.~~

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Options 9 Business Conduct

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Section 13. Position Limits

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Supplementary Material to Options 9, Section 13

.01 The position limits applicable to option contracts on the securities listed in the chart below are as follows:

Security Underlying Option	**Position Limit**
SPDR Dow Jones® Industrial Average ETF Trust (DIA)	300,000 contracts
SPDR® S&P 500® ETF Trust (SPY)	3,600,000 contracts
iShares® Russell 2000® ETF (IWM)	1,000,000 contracts
INVESCO QQQ Trust℠, Series 1 (QQQ)	1,800,000 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
Financial Select Sector SPDR Fund (XLF)	500,000 contracts
iShares iBoxx $ Investment Grade Corporate Bond ETF (“LQD”)	500,000 contracts
VanEck Vectors Gold Miners ETF (“GDX”)	500,000 contracts
[iShares Bitcoin Trust	25,000 contracts]

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Section 15. Exercise Limits

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Supplementary Material to Option 9, Section 15

.01 The exercise limits applicable to option contracts on the securities listed in the chart below is as follows:

Security Underlying Option	**Position Limit**
SPDR Dow Jones® Industrial Average ETF Trust (DIA)	300,000 contracts
SPDR® S&P 500® ETF Trust (SPY)	3,600,000 contracts
iShares® Russell 2000® ETF (IWM)	1,000,000 contracts
INVESCO QQQTrust℠, Series 1 (QQQ)	1,800,000 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
Financial Select Sector SPDR Fund (XLF)	500,000 contracts
iShares iBoxx $ Investment Grade Corporate Bond ETF ("LQD")	500,000 contracts
VanEck Vectors Gold Miners ETF ("GDX")	500,000 contracts
[iShares Bitcoin Trust	25,000 contracts]

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EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq ISE, LLC Rules

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Options Rules

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Options 9 Business Conduct

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Section 13. Position Limits

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Supplementary Material to Options 9, Section 13

.01 The position limits applicable to option contracts on the securities listed in the chart below are as follows:

Security Underlying Option	**Position Limit**
SPDR Dow Jones® Industrial Average ETF Trust (DIA)	300,000 contracts
SPDR® S&P 500® ETF Trust (SPY)	3,600,000 contracts
iShares® Russell 2000® ETF (IWM)	1,000,000 contracts
INVESCO QQQ Trust℠, Series 1 (QQQ)	1,800,000 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
Financial Select Sector SPDR Fund (XLF)	500,000 contracts

iShares iBoxx $ Investment Grade Corporate Bond ETF ("LQD")	500,000 contracts
VanEck Vectors Gold Miners ETF ("GDX")	500,000 contracts
[iShares Bitcoin Trust	25,000 contracts]

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Section 15. Exercise Limits

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Supplementary Material to Option 9, Section 15

.01 The exercise limits applicable to option contracts on the securities listed in the chart below is as follows:

Security Underlying Option	**Position Limit**
SPDR Dow Jones® Industrial Average ETF Trust (DIA)	300,000 contracts
SPDR® S&P 500® ETF Trust (SPY)	3,600,000 contracts
iShares® Russell 2000® ETF (IWM)	1,000,000 contracts
INVESCO QQQTrust℠, Series 1 (QQQ)	1,800,000 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
Financial Select Sector SPDR Fund (XLF)	500,000 contracts
iShares iBoxx $ Investment Grade Corporate Bond ETF (“LQD”)	500,000 contracts
VanEck Vectors Gold Miners ETF (“GDX”)	500,000 contracts
[iShares Bitcoin Trust	25,000 contracts]

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