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February 22, 2017

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F. Street N.E.
Washington, D.C. 205549-0609

Re: Proposal to List and Trade Shares of the SolidX Bitcoin Trust (SR-NYSEArca-2016-101)

Dear Mr. Fields:

NYSE Arca, Inc. ("NYSE Arca" or "Exchange") is providing further comments in support of the Exchange's proposal to list and trade shares of the SolidX Bitcoin Trust.¹ NYSE Arca has a long history of supporting the innovation of new exchange-traded products ("ETPs"), and takes seriously its responsibilities as a listing venue and self-regulatory organization for the development, application and oversight of listing standards for ETPs. NYSE Arca is proud to have supported the innovation in the ETP issuer community that now has more than \$2 trillion of ETP assets under management in the United States.

NYSE Arca is the premier listing and trading venue for ETPs in the U.S., representing the largest single pool of liquidity for ETPs, with over two times more liquidity than the next largest exchange. With over 1,500 total listings, NYSE Arca represents approximately 92% of ETP assets under management. Our strategy remains consistent – to provide issuers and market professionals with the most compelling and innovative marketplace for launching and trading ETPs.

The Exchange believes that approval of the listing and trading of the SolidX Bitcoin Trust's shares would allow investors to diversify their investment portfolios with a Bitcoin-based product. By virtue of Exchange listing, the SolidX Bitcoin Trust would provide a robust and liquid market for bitcoin-based trading. In addition, Exchange trading would provide greatly increased bitcoin pricing transparency than currently exists. In view of the intense and growing global interest from investors, corporations and other market participants in uses for digital assets such as bitcoin, the Exchange views the "commoditization" of financial instruments such as

¹ See Securities Exchange Release Nos. 78426 (July 27, 2016), 81 FR 50763 (August 2, 2016) (notice of SR-NYSEArca-2016-101) ("Proposal"); 78770 (September 6, 2016), 81 FR 62780 (September 12, 2016) (notice of designation of longer period for Commission action SR-NYSEArca-2016-101); 79171 (October 27, 2016), 81 FR 76400 (November 2, 2016) (order instituting proceedings to determine whether to approve or disapprove SR-NYSEArca-2016-101); 79726 (January 3, 2017), 82 FR 2426 (January 9, 2017) (notice of designation of longer period for Commission action on proceedings to determine whether to approve or disapprove SR-NYSEArca-2016-101).

bitcoin as both inevitable and essential if there is to be broad participation by all market constituents. By providing bitcoin market participation in a regulated trading environment, Exchange listing and trading would represent a significant step in the transparency of pricing and trading surveillance in the bitcoin market.

The Exchange wishes to provide the following additional comments regarding features of the SolidX Bitcoin Trust shares and the SolidX Bitcoin Trust’s underlying index – the TradeBlock XBX Index (“XBX Index”), which we believe supports the Exchange’s representation that the Proposal protects investors and the public interest.

TradeBlock XBX Index Methodology

As described in the Proposal, the SolidX Bitcoin Trust will use the XBX Index to value the bitcoin held by the SolidX Bitcoin Trust. The Exchange believes that a well-designed index such as the XBX Index, which incorporates price information from multiple bitcoin exchanges, is an effective and appropriate means to objectively determine the fair-market value of one bitcoin priced in U.S. dollars (“USD”).

Price discovery for bitcoin is widespread and continuous because, unlike commodities or securities that trade principally on a single exchange, the bitcoin marketplace is a 24-hour, 365-day per year market with trading that takes place on at least eight USD-denominated bitcoin exchanges and in the over-the-counter (“OTC”) market. The OTC market for bitcoin as a standalone liquidity pool has greater daily trade volumes than any single exchange, and the XBX Index represents the price at which bitcoin trades.

The Exchange notes that, according to available trading data,² because there exist a number of bitcoin exchanges globally, the highest volume and liquidity exchange will change periodically, making the XBX Index a better reference for bitcoin pricing than any single USD-denominated bitcoin exchange.

The Exchange believes that the methodology used to generate the XBX Index makes it a desirable pricing source to value the Trust’s bitcoin holdings. This methodology helps protect the calculation of the XBX Index against any undue impact from bitcoin pricing outliers among the various exchanges and any potential attempts at the manipulation of the bitcoin price for the following reasons:

- With five constituent USD-denominated bitcoin exchanges, the XBX Index is a real-time USD-denominated composite reference rate for the price of bitcoin.
- As demonstrated by the data presented in the SolidX Bitcoin Trust’s registration statement on Form S-1 (“Registration Statement”),³ the XBX Index price closely approximates actual bitcoin transaction prices across USD-denominated bitcoin exchanges.

² Data related to bitcoin trading volume on various bitcoin exchanges is available at <http://data.bitcoinity.org/>

³ See Amendment No. 3 to the Trust’s registration statement on Form S-1 under the Securities Act of 1933 (File No. 333-212479).

- According to the Registration Statement, the XBX Index calculation methodology and governance protocol are based on the IOSCO (International Organization of Securities Commissions) principles for financial benchmarks. These principles are designed to enhance the integrity, the reliability and the oversight of benchmarks by establishing guidelines for benchmark administrators and other relevant bodies in areas such as governance and benchmark quality.
- The XBX Index value is algorithmically calculated once every second based on observed trading activity on the five leading USD-denominated bitcoin exchanges. The XBX Index is not reliant on any single exchange for pricing purposes.
- XBX Index is volume and price variance weighted and automatically adjusts for exchange trading inactivity. These adjustments happen in real time (i.e., without delay), whenever the adjustments are warranted based on conditions on any of the constituent exchanges.

Ability to Arbitrage and Hedge

To promote a more efficient and liquid market for the SolidX Bitcoin Trust Shares, the SolidX Bitcoin Trust would provide for both in-kind and cash creations and redemptions, as described in the Proposal. The Exchange believes that the availability of both in-kind and cash creations and redemptions is consistent with NYSE Arca Rule 8.201 and that facilitation of the creation/redemption process by “Authorized Participants” (“APs”) and market makers through both cash and in-kind creations and redemptions will provide maximum efficiencies in AP and market maker arbitrage activity. The Exchange notes that other commodity and non-commodity ETPs routinely provide for both in-kind and cash creations and redemptions, and that the Commission previously has approved Commodity-Based Trust Shares for listing and trading under NYSE Arca Equities Rule 8.201 that provide for both in-kind and cash redemptions.⁴ The Exchange believes that the option of a cash creation and redemption mechanism is central to the success of a more efficient and liquid market because it will promote greater involvement from a wider pool of APs and market makers.

For the following reasons, the ability to create and redeem either in cash or in-kind will foster a more efficient and liquid market for the SolidX Bitcoin Trust Shares when compared to in-kind creation and redemption only:

- The Exchange understands that few APs are currently equipped to deal with or trade

⁴ See Securities Exchange Act Release Nos. 66930 (May 7, 2012), 77 FR 27817 (May 11, 2012) (SR-NYSEArca-2012-18) (order approving listing and trading of shares of the APMEX Physical-1 oz. Gold Redeemable Trust, which provides for weekly in-kind redemptions and monthly cash redemptions); 61496 (February 4, 2010), 75 FR 6758 (February 10, 2010) (SR-NYSEArca-2009-113) (order approving listing and trading of shares of the Sprott Physical Gold Trust, which provides for monthly redemptions in cash or in-kind); 70195 (August 14, 2013), 78 FR 51239 (August 20, 2013) (SR-NYSEArca-2013-61) (order approving listing and trading of shares of the First Trust Gold Trust, which provides for monthly redemptions in cash or in-kind); 68430 (December 13, 2012), 77 FR 75239 (December 19, 2012) (SR-NYSEArca-2012-111) (order approving listing and trading of shares of Sprott Physical Platinum and Palladium Trust, which provides for monthly redemptions in cash or in-kind).

bitcoin directly and, therefore, are not prepared to create and redeem SolidX Bitcoin Trust Shares in-kind.

- There are many market makers, only a subset of which are APs, that transact directly in bitcoin. Even those market makers that are not APs will be able to regularly participate in ETP creation and redemption processes via relationships with APs.
- APs will be able to facilitate cash creation and redemption orders for their market maker customers. Market makers are able to create and redeem using cash while hedging their exposure by participating directly in the market for bitcoin.

Similarly, the ability for APs and market makers to synthetically hedge their exposure to bitcoin through non-deliverable forward contracts (“NDFs”) and swaps will expand the number of APs and market makers that will be able to arbitrage SolidX Bitcoin Trust Shares:

- Bitcoin NDFs and swaps will make it possible for APs and market makers that lack the trading infrastructure to transact in bitcoin to hedge their exposure when creating and redeeming SolidX Bitcoin Trust Shares.
- With the ability to obtain synthetic exposure to bitcoin and the option to create and redeem using cash, any AP or market maker – even those with no bitcoin-related infrastructure – could participate in the creation and redemption process, which would promote a more efficient and liquid market for the SolidX Bitcoin Trust shares.

As described in the Registration Statement, the Trust sponsor, SolidX Management LLC (“Sponsor”), which is independent of any bitcoin exchange, will custody the SolidX Bitcoin Trust’s bitcoin holdings and may act as agent for APs and market makers in connection with their bitcoin hedging needs. The Sponsor will only enter into NDF and swap transactions with APs and market makers and/or act as agent by buying and selling bitcoin on behalf of APs and market makers solely for their hedging needs. These activities will help APs and market makers arbitrage SolidX Bitcoin Trust shares and facilitate a more efficient and liquid market for such shares. These transactions enable APs and market makers to hedge their exposure to bitcoin, thereby helping to establish an efficient and liquid market. The SolidX Bitcoin Trust will not be a party to any such transactions.

Insurance against Loss or Theft

The Sponsor represents that the SolidX Bitcoin Trust has secured insurance from a syndicate of A-rated underwriters. The Exchange understands that the Sponsor has bound insurance coverage in the amount of \$125 million and has made arrangements to scale that coverage for amounts that will exceed \$125 million. The Trust will be insured against loss of bitcoin by, among other things, theft, destruction, bitcoin in transit, computer fraud and other loss of numerical codes, known as “private keys,” which are necessary to access the bitcoin held by the SolidX Bitcoin Trust.⁵ The Exchange believes that, as a substitute to the investor safeguards offered by traditional custodians, bitcoin insurance is important for investor protection and the public interest.

Potential for Manipulation of Bitcoin and Share Prices

⁵ The insurance will not cover certain losses, as specified in the Registration Statement.

In a recent submission to the Commission regarding the Proposal,⁶ Craig M. Lewis, former Chief Economist of the Commission, has addressed issues related to potential manipulation of bitcoin prices as well as the price of SolidX Bitcoin Trust Shares. The White Paper describes how trading in the SolidX Bitcoin Trust Shares would not be expected to contribute to the manipulation of bitcoin prices and, in fact, may actually reduce the potential for fraud and manipulation.

The Exchange agrees with the representations and analysis set forth in the White Paper. We believe that the characteristics of the XBX Index methodology described above and in the Proposal; the facilitation of efficient arbitrage through continuous cash and in-kind creations and redemptions; the application of the requirements of NYSE Arca Equities Rule 8.201 (including calculation and dissemination of the bitcoin value and the Indicative Trust Value); and the availability on the SolidX Bitcoin Trust's website of information regarding the SolidX Bitcoin Trust's portfolio, as described in the Proposal, have the potential to significantly advance the pricing and trading integrity in bitcoin. This advancement, in turn, could attract additional market liquidity from APs, market makers and other market participants, thereby providing a more liquid and transparent investor market for bitcoin than currently exists.

Sincerely,

Douglas M. Yones *mc*

Douglas M. Yones
Head of Exchange Traded Products
New York Stock Exchange

⁶ See “SolidX Bitcoin Trust: A Bitcoin Exchange Traded Product (February 2017) (“White Paper”) available at <https://www.sec.gov/comments/sr-nysearca-2016-101/nysearca2016101-1579480-131874.pdf>