



January 27, 2025

Via Electronic Submission

Venessa Countryman
Secretary

Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: SR-PHLX-2024-72

Dear Ms. Countryman:

Vest Financial (“Vest”) is supportive of Nasdaq PHLX’s recent rule filing to allow FLEX trading on iShares Bitcoin Trust (IBIT). Permitting FLEX trading on IBIT will allow firms like Vest to create products that have precise payoff terms, which will present investors with unique hedged access to IBIT.

Background

Vest Financial is a derivatives-based asset manager that specializes in Target Outcome and Target Income investments. Founded in 2012, Vest advises or sub-advises over \$36 billion in assets (as of 12/31/2024).

Our flagship Target Outcome strategy provides investors with buffered downside exposure to a reference asset in exchange for capped upside. These exposures are created through the use of listed FLEX options. Vest employs this strategy on various reference assets, including SPDR S&P 500 ETF Trust (SPY), Invesco QQQ Trust (QQQ), iShares Russell 2000 ETF (IWM), iShares MSCI EAFE ETF (EFA), iShares MSCI Emerging Markets ETF (EEM), Invesco S&P 500 Equal Weight ETF (RSP) and SPDR Gold Shares (GLD). We seek to deliver these strategies in various investment wrappers, including exchange-traded funds (ETFs), mutual funds, unit investment trusts, variable insurance trusts and private funds. Within an ETF wrapper, Vest manages over \$20 billion in Target Outcome investments, across nearly 100 different ETFs (as of 12/31/2024).¹

Vest’s Target Income strategy also relies on options to produce our intended investment results. Specifically, Target Income seeks to generate a specific level of income on a reference asset through a

¹ The largest single ETF that Vest manages is approaching \$1 billion in assets.

regular cadence of selling partially covered calls. Vest's Target Income ETFs exceed \$5.5 billion across eight different funds (as of 12/31/2024).

Vest's Target Outcome and Target Income strategies have become very popular with investors. Generally, investors that are in retirement or near retirement find Vest's strategies appealing because they allow them to participate in the underlying reference asset, but in a manner that is less risky than being long the reference asset outright. Indeed, our 12 different 10% SPY buffer ETFs had an average volatility in 2024 of 6.57%, while SPY's volatility was 12.66%. This reduced-risk access to popular underlyings like SPY, QQQ and IWM is a key reason why Vest has been able to attract billions of dollars into our strategies.

Permitting FLEX trading on IBIT

Vest intends to deploy our Target Outcome strategies where spot bitcoin is the underlying reference asset, such as IBIT, Grayscale Bitcoin Trust ETF (GBTC), Fidelity Wise Origin Bitcoin Fund (FBTC), Bitwise Bitcoin ETF (BITB), Grayscale Bitcoin Mini Trust ETF (BTC) and ARK 21Shares Bitcoin ETF (ARKB). Implementation of our Target Outcome strategies without the availability of FLEX options would be suboptimal, as FLEX options give us the flexibility to be more precise in terms of strike selection, expiration date selection and exercise style selection.

Since the introduction of options on spot bitcoin ETFs in November 2024, volume and open interest has been dominated by IBIT (with over 300,000 contracts trading per day), while options on the other spot bitcoin ETFs have been under 10,000 contracts per day. Vest naturally prefers to deploy our strategies on the most liquid reference assets. Indeed, SPY, QQQ, IWM and EEM are among the most heavily traded listed options in the market. IBIT options have quickly emerged as one of the top ETF option underlyings in terms of contracts traded per day, surpassed only by SPY, QQQ, IWM and iShares 20+ Year Treasury Bond ETF (TLT).

| Volume Rank | Symbol | Option Contracts per Day (November 19, 2024 - January 17, 2025) ² |
|-------------|--------|--|
| 1 | SPY | 7,855,620 |
| 2 | QQQ | 4,118,125 |
| 3 | IWM | 1,517,550 |
| 4 | TLT | 642,412 |
| 5 | IBIT | 362,406 |
| 6 | HYG | 297,832 |
| 7 | SLV | 274,122 |
| 8 | EEM | 254,703 |
| 9 | XLF | 246,770 |
| 10 | TQQQ | 246,004 |

² Source: The Options Clearing Corporation.



Why Asset Managers Like Vest Require FLEX Options on IBIT

FLEX options allow the user to define their own strike price, expiration date and exercise style. In addition, for certain ETF underlyings, cash or physical settlement can be selected. Vest is a major user of FLEX options. For instance, Vest manages 56 different buffer ETFs where SPY is the reference asset. These ETFs have total assets under management of \$18 billion (as of 12/31/2024), and they all use FLEX options to implement their strategies. In total, these funds currently hold 1,282,948 SPY FLEX contracts in open interest, which represents over 6.5% of the total SPY open interest³ (including both standardized SPY options and FLEX SPY options, as of 12/31/2024).

The most important customizable feature of FLEX options to a Target Outcome ETF manager like Vest is the strike precision that we can achieve. Such precision allows Vest to create buffers that are exactly 0% to -10%, 0% to -15%, and -5% to -30%. This level of specificity cannot be obtained in the standardized listed market. The certainty and precision inherent within Target Outcome ETFs is one reason why investors poured billions of dollars into these strategies.

Target Outcome ETF managers like Vest also rely on the ability to define exercise style through the use of FLEX options. Vest prefers to trade European-style options within our buffer ETFs, as the inability to exercise early ensures that our intended target outcomes will remain intact throughout the entire target outcome period. European-style exercise is not available on standardized listed ETF options. In addition, the ability to choose an expiration date on any business day going out 15 years allows Vest to create outcome periods that precisely match investor demands.

Lastly, Vest has been an active user of the cash settlement feature within qualifying ETF options since their introduction in August 2023. Cash settlement is preferred on Target Outcome ETFs as it allows for an efficient transition from one target outcome period to the next.

Vest would like to use FLEX options on our intended IBIT Target Outcome ETFs to create the same level of precision that we have been able to create for other reference assets, like SPY, QQQ and IWM. Vest greatly appreciates the Commission's consideration of FLEX options for IBIT. Having the ability to execute these precise strategies is an important feature in attracting hedged exposure to IBIT.

Sincerely,

A handwritten signature in black ink that reads "Matt McFarland".

Matt McFarland
Senior Vice President, Capital Markets

³ Total SPY open interest is 19,570,000 contracts, according to Bloomberg on January 17, 2025.