

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103643; File No. SR-ISE-2025-22]

### **Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend FLEX, Position and Exercise Limit Rules for the Grayscale Bitcoin Mini Trust ETF, the Bitwise Bitcoin ETF, and the Grayscale Bitcoin Trust ETF**

August 5, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 31, 2025, Nasdaq ISE, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II 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 3A, Section 3, FLEX Option Listings; Options 3A, Section 18, Position Limits; Options 9, Section 13, Position Limits; and Options 9, Section 15, Exercise Limits, with respect to options on the Grayscale Bitcoin Mini Trust ETF (“BTC”), the Bitwise Bitcoin ETF (“BITB”) and the Grayscale Bitcoin Trust ETF (“GBTC”).

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/ise/rulefilings> and at the principal office of the Exchange.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 3A, Section 3, FLEX Option Listings; Options 3A, Section 18, Position Limits; Options 9, Section 13, Position Limits; and Options 9, Section 15, Exercise Limits with respect to options on the Grayscale Bitcoin Mini Trust ETF (“BTC”), the Bitwise Bitcoin ETF (“BITB”) and the Grayscale Bitcoin Trust ETF (“GBTC”). Each change will be described below.

Position Limits

Recently, NYSE Arca, Inc. (“Arca”) received approval to eliminate the current 25,000 contract position and exercise limit for options on BTC and BITB.<sup>3</sup> As a result, Arca would apply the position limits as determined by Arca Rule 6.8-O, Commentary .06(a)-(e) to options on BTC and BITB. Additionally, Arca recently received approval to eliminate the current 25,000 contract position and exercise limit for options on GBTC.<sup>4</sup> As a result, Arca would apply the position limits as determined by Arca Rule 6.8-O, Commentary .06(a)-(e) to options on GBTC.

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<sup>3</sup> See Securities Exchange Act Release No. 103568 (July 29, 2025) (SR-NYSEArca-2025-10) (not yet noticed).

<sup>4</sup> See Securities Exchange Act Release No. 103567 (July 29, 2025) (SR-NYSEArca-2025-07) (not yet noticed).

The Exchange proposes to similarly amend its position limit rules at ISE Options 9, Section 13 and exercise limit rules at ISE Options 9, Section 15 to likewise eliminate the current 25,000 contract position and exercise limit for options on BTC, BITB and GTBC. As a result, BTC, BITB and GTBC would be subject to the position limits described in ISE Options 9, Section 13 which provides that the position limits for equity options are 25,000 or 50,000 or 75,000 or 200,000 or 250,000 option contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market or such other number of option contracts as may be fixed from time to time by the Exchange. Further, ISE Options 9, Section 13(d) describes how the Exchange determines which of the five position limit amounts will apply to an equity option class (i.e., the position limit applicable to a class is determined based on the trading volume and outstanding shares of the underlying security).

### **BTC and BITB**

On October 18, 2024, the Commission approved the listing and trading of BTC and BITB on Arca.<sup>5</sup> On November 22, 2024, Arca obtained rule authority to trade options on BTC and BITB.<sup>6</sup> The current position and exercise limits for BTC and BITB options are 25,000 contracts on ISE, the lowest limit available in options.<sup>7</sup> Arca proposed to effectively increase the aggregated position and exercise limits for each ETF to 250,000 contracts. Arca noted that BTC and BITB currently qualify for this increased limit pursuant to Arca Rule 6.8-O Commentary .06(e), which requires that, for the most recent six-month period, trading volume for the

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<sup>5</sup> See Securities Exchange Act Release No. 101386 (October 18, 2024), 89 FR 84960 (October 24, 2024) (SR-NYSEAMER-2024-49) (order approving rules to permit the listing and trading of options on BTC and BITB, among others) (the “ETF Options Approval Order”).

<sup>6</sup> See Securities Exchange Act Release No. 101713 (November 22, 2024), 89 FR 94839 (November 29, 2024) (SR-NYSEARCA-2024-101) (notice of immediately effective rule change to permit BTC and BITB options trading, based on the already-approved NYSE American rules) (the “Arca ETF Options Notice”).

<sup>7</sup> See ISE Options 9, Section 13.

underlying security is at least 100,000,000 shares.<sup>8</sup> Arca noted that, as of November 25, 2024, during the most recent six-month period, trading volume for BTC was 163,712,700 shares. Arca noted that during the same period, trading volume for BITB was 288,800,860 shares. In addition, Arca noted that, as of November 25, 2024, the market capitalization for BTC was \$3,496,748,882<sup>9</sup> with an average daily volume (“ADV”) for the preceding three months of 2,036,369 shares, and the market capitalization of BITB was 4,095,157,000<sup>10</sup> with an ADV for the three prior months of 2,480,478. BTC and BITB are well above the requisite minimum of 100,000,000 shares necessary to qualify for the 250,000 contract position and exercise limit. Also, Arca noted that, as of November 25, 2024, there were 19,787,762 bitcoins in circulation.<sup>11</sup> At a price of \$94,830 per bitcoin,<sup>12</sup> that equates to a market capitalization of greater than \$1.876 trillion. Arca noted that if a position limit of 250,000 contracts were considered for each ETF, the exercisable risk would represent 30.14%<sup>13</sup> of BTC shares outstanding; and 31.27%<sup>14</sup> of BITB shares outstanding. Given the liquidity of BTC and BITB, the current 25,000 position limit appears extremely conservative.

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<sup>8</sup> See Arca Rule 6.8-O Commentary .06(e) (providing at subparagraph (e) that the position limit shall be 250,000 contracts for options: (i) on underlying stock or Exchange-Traded Fund Share that had trading volume of at least 100,000,000 shares during the most recent six-month trading period; or (ii) on an underlying stock or Exchange-Traded Fund Share that had trading volume of at least 75,000,000 shares during the most recent six-month trading period and has at least 300,000,000 shares currently outstanding).

<sup>9</sup> The market capitalization of BTC was determined by multiplying a settlement price (\$42.16) by the number of shares outstanding (82,939,964). Data represents figures from FactSet as of November 25, 2024.

<sup>10</sup> The market capitalization of BITB was determined by multiplying a settlement price (\$51.70) by the number of shares outstanding (79,950,100). Data represents figures from FactSet as of November 25, 2024.

<sup>11</sup> See <https://www.coingecko.com/en/coins/bitcoin>.

<sup>12</sup> This is the approximate price of bitcoin from 4:00 p.m. ET on November 25, 2024.

<sup>13</sup> This percentage is arrived at with this equation: (250,000 contract limit \* 100 shares per option / 82,939,964 BTC shares outstanding).

<sup>14</sup> This percentage is arrived at with this equation: (250,000 contract limit \* 100 shares per option / 79,950,100 BITB shares outstanding).

First, Arca reviewed the ETFs' data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables. Arca noted that, as noted above, as of November 25, 2024, there were 19,787,762 bitcoins in circulation.<sup>15</sup> At a price of \$94,830 per bitcoin,<sup>16</sup> that equates to a market capitalization of greater than \$1.876 trillion. Arca noted that if the proposed aggregated position limit of 250,000 contracts were considered, the exercisable risk would represent 30.14% of BTC shares outstanding<sup>17</sup> and 31.27% of BITB shares outstanding.<sup>18</sup> Arca noted that since each ETF has a creation and redemption process managed through the issuer (whereby bitcoin is used to create BTC or BITB shares, as applicable), 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 each ETF would represent less than 0.06% (BTC) or 0.07 % (BITB) of all bitcoin outstanding.<sup>19</sup>

Next, Arca reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the CFTC. While the CFTC, through the relevant Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), the Exchange examined equivalent bitcoin futures position limits. In particular, the Exchange looked to the CME bitcoin futures contract<sup>20</sup> that has a position limit of

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<sup>15</sup> See <https://www.coingecko.com/en/coins/bitcoin>.

<sup>16</sup> This is the approximate price of bitcoin from 4:00pm ET on November 25, 2024.

<sup>17</sup> This percentage is arrived at with this equation:  $(250,000 \text{ contract limit} * 100 \text{ shares per option} / 82,939,964 \text{ BTC shares outstanding})$ .

<sup>18</sup> This percentage is arrived at with this equation:  $(250,000 \text{ contract limit} * 100 \text{ shares per option} / 79,950,100 \text{ BITB shares outstanding})$ .

<sup>19</sup> For BTC, this number was arrived at with this calculation:  $((250,000 \text{ limit} * 100 \text{ shares per option} * \$42.16 \text{ settle}) / (19,787,762 \text{ bitcoin outstanding} * \$94,830 \text{ bitcoin price}))$ ; and for BITB, this number was arrived at with this calculation:  $((250,000 \text{ limit} * 100 \text{ shares per option} * \$51.70 \text{ settle}) / (19,787,762 \text{ bitcoin outstanding} * \$94,830 \text{ bitcoin price}))$ .

<sup>20</sup> CME Bitcoin Futures are described in Chapter 350 of CME's Rulebook.

8,000 futures. Arca noted that, on October 22, 2024, CME bitcoin futures settled at \$94,945.<sup>21</sup> Arca noted that, on October 22, 2024, BTC settled at \$29.90, and BITB settled at \$36.74, which would equate to approximately 31,754,181 and 25,842,406 shares of BTC and BITB, respectively, if the CME notional position limit was utilized. Since substantial portions of any distributed options portfolio are 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  $\leq 1.00$ ) should be a bit higher than the CME implied limit of 317,541 (BTC) and 258,424 (BITB).

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).<sup>22</sup> 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.<sup>23</sup> If a position exceeds position limits because of an option assignment, CME permits market participants to liquidate the excess position within one business day without being considered in violation of its rules. Additionally, if at the close of trading, a position that includes options exceeds position limits for futures contracts, when evaluated using the delta factors as of that day's close of trading but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation. Considering CME's position limits on

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<sup>21</sup> See the Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5 of CME's Rulebook

<sup>22</sup> See <https://www.cmegroup.com/education/courses/market-regulation/position-limits/positionlimits-aggregation-of-contracts-and-table.htm>.

<sup>23</sup> See id.

bitcoin futures, the Exchange believes a 250,000-contract limit for options on each ETF would be appropriate.

Finally, Arca analyzed a position and exercise limit of 250,000 for BTC and BITB against other options on commodity ETFs, namely SPDR Gold Shares (“GLD”) and iShares Silver Trust (“SLV”).<sup>24</sup> GLD has a float of 306.1 million shares and a position limit of 250,000 contract.<sup>25</sup> 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. In comparison, a 250,000-contract position limit in each of BTC and BITB, would represent 30.14% of the BTC float and 31.27% of the BITB float. While less conservative than the standard applied to options on GLD, the Exchange nonetheless believes that subjecting options on BTC and BITB to a 250,000 contract position and exercise limit would be appropriate.<sup>26</sup>

Based on the foregoing, the Exchange believes that BTC and BITB each have more than sufficient liquidity to garner an increased position and exercise limit of 250,000 same-side contracts pursuant to Options 9, Sections 13 and 15. The Exchange believes that the significant liquidity present in each ETF mitigates against the potential for manipulation.

The Exchange believes that allowing options on each ETF to have increased aggregated position and exercise limits would lead to a more liquid and competitive market environment for such options, which will benefit customers that trade these options. Further, the reporting

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<sup>24</sup> Like BTC and BITB, GLD and SLV each hold one asset in trust.

<sup>25</sup> See <https://www.ssga.com/us/en/intermediary/etfs/spdr-gold-shares-gld>.

<sup>26</sup> See, e.g., ISE Options 9, Section 13(d) (setting forth trading volume requirements to qualify for a 250,000 contract position (and exercise) limit).

requirement for such options would remain unchanged. Thus, the Exchange will still require that each member that maintains positions in options on BTC or BITB, 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<sup>27</sup> would continue to be exempt from this reporting requirement, however, the Exchange may access Market Maker position information.<sup>28</sup> Moreover, the Exchange’s requirement that members 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.<sup>29</sup>

## **GBTC**

On October 18, 2024, the Commission approved the listing and trading of GBTC options on Arca.<sup>30</sup> On November 22, 2024, Arca rule authority to trade GBTC options with a 25,000 contract position limit, the lowest limit available in options.<sup>31</sup> Arca noted that GBTC currently qualifies for a 250,000-limit on same-side contracts pursuant to Arca Rule 6.8-O Commentary .06(e)(i), which requires that trading volume for the underlying security in the most recent six

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<sup>27</sup> The term “Market Makers” refers to “Competitive Market Makers” and “Primary Market Makers” collectively. See ISE Options 1, Section 1(a)(21).

<sup>28</sup> OCC through the Large Option Position Reporting (“LOPR”) system acts as a centralized service provider for Member compliance with position reporting requirements by collecting data from each Member, consolidating the information, and ultimately providing detailed listings of each Member’s report to the Exchange, as well as FINRA, acting as its agent pursuant to a regulatory services agreement (“RSA”).

<sup>29</sup> See ISE Options 9, Section 16.

<sup>30</sup> See Securities Exchange Act Release No. 101386 (October 18, 2024), 89 FR 84960 (October 24, 2024) (SR-NYSEAMER-2024-49) (order approving rules to permit the listing and trading of GBTC options, among others) (the “GBTC Options Approval Order”).

<sup>31</sup> See Securities Exchange Act Release No. 101713 (November 22, 2024), 89 FR 94839 (November 29, 2024) (SR-NYSEARCA-2024-101) (notice of immediately effective rule change to permit GBTC options trading, based on the already-approved NYSE American rules) (the “Arca GBTC Options Notice”).

months be at least 100,000,000 shares.<sup>32</sup> Arca noted that, as of November 25, 2024, during the most recent six-month period, trading volume for GBTC was 550,687,400 shares. In addition, Arca noted that, as of November 25, 2024, the market capitalization for GBTC was \$20,661,316,542,<sup>33</sup> with an average daily volume (“ADV”) for the preceding three months of 3,829,597 shares. GBTC is well above the requisite minimum of 100,000,000 shares necessary to qualify for the 250,000-contract position and exercise limit. Also, Arca noted that, as of November 25, 2024, there were 19,787,762 bitcoins in circulation.<sup>34</sup> At a price of \$94,830 per bitcoin,<sup>35</sup> that equates to a market capitalization of greater than \$1.876 trillion. If an aggregated position and exercise limit of 250,000 contracts were considered, the exercisable risk would represent 9.13%<sup>36</sup> of GBTC shares outstanding. Given GBTC’s liquidity, the current 25,000-contract position (and exercise) limit is extremely conservative.

First, Arca reviewed GBTC’s data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables. As noted above, as of November 25, 2024, there were 19,787,762 bitcoins in circulation.<sup>37</sup> At a price of \$94,830 per bitcoin,<sup>38</sup> Arca noted that equates to a market capitalization of greater than \$1.876 trillion. If an

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<sup>32</sup> See Arca Rule 6.8-OCOMmentary .06(e) (providing at subparagraph (e) that the position limit shall be 250,000 contracts for options: (i) on underlying stock or Exchange-Traded Fund Share that had trading volume of at least 100,000,000 shares during the most recent six-month trading period; or (ii) on an underlying stock or Exchange-Traded Fund Share that had trading volume of at least 75,000,000 shares during the most recent six-month trading period and has at least 300,000,000 shares currently outstanding).

<sup>33</sup> The market capitalization of GBTC was determined by multiplying a settlement price (\$75.42) by the number of shares outstanding (273,950,100). Data represents figures from FactSet as of November 25, 2024.

<sup>34</sup> See <https://www.coingecko.com/en/coins/bitcoin>.

<sup>35</sup> This is the approximate price of bitcoin from 4:00 p.m. ET on November 25, 2024.

<sup>36</sup> This percentage is arrived at with this equation: (250,000 contract limit \* 100 shares per option / 273,950,100 shares outstanding).

<sup>37</sup> See <https://www.coingecko.com/en/coins/bitcoin>.

<sup>38</sup> This is the approximate price of bitcoin from 4:00pm ET on November 25, 2024.

aggregated position (and exercise) limit of 250,000 contracts were considered, the exercisable risk would represent 9.13%<sup>39</sup> of the outstanding shares outstanding of GBTC. Since GBTC has a creation and redemption process managed through the issuer (whereby bitcoin is used to create GBTC 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 GBTC would represent less than 0.10% of all bitcoin outstanding.<sup>40</sup> The Exchange notes that if GBTC options were subject to a 250,000-contract position and exercise limit (based on GBTC trading volume) and if all options on GBTC shares were exercised at once, this occurrence would have a virtually unnoticed impact on the entire bitcoin market. This analysis demonstrates that a 250,000-contract position (and exercise) limit for GBTC options would be appropriate given GBTC's liquidity.

Next, Arca reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the CFTC. While the CFTC, through the relevant Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), Arca examined equivalent bitcoin futures position limits. In particular, Arca looked to the CME bitcoin futures contract,<sup>41</sup> which has a position limit of 2,000 futures (for the initial spot month).<sup>42</sup> Arca noted that, on October 22, 2024, CME bitcoin futures settled at \$94,945.<sup>43</sup> Arca noted that on October 22, 2024, GBTC settled at \$53.64, which would equate to

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<sup>39</sup> This percentage is arrived at with this equation:  $(250,000 \text{ contract limit} * 100 \text{ shares per option} / 273,950,100 \text{ shares outstanding})$ .

<sup>40</sup> This number was arrived at with this calculation:  $((250,000 \text{ limit} * 100 \text{ shares per option} * \$75.42 \text{ settle}) / (19,787,762 \text{ BTC outstanding} * \$94,830 \text{ BTC price}))$ .

<sup>41</sup> CME Bitcoin Futures are described in Chapter 350 of CME's Rulebook.

<sup>42</sup> See the Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5 of CME's Rulebook. Each CME bitcoin futures contract is valued at five bitcoins as defined by the CME CF Bitcoin Reference Rate ("BRR"). See CME Rule 35001.

<sup>43</sup> 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.

greater than 17,700,410 shares of GBTC if the CME notional position limit was utilized. Since substantial portions of any distributed options portfolio are 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  $\leq 1.00$ ) should be a bit higher than the CME implied limit of 177,004.

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).<sup>44</sup> 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.<sup>45</sup> If a position exceeds position limits because of an option assignment, CME permits market participants to liquidate the excess position within one business day without being considered in violation of its rules. Additionally, if at the close of trading, a position that includes options exceeds position limits for futures contracts, when evaluated using the delta factors as of that day's close of trading but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation. Considering CME's position limits on bitcoin futures, the Exchange believes a 250,000-contract limit for GBTC options would be appropriate.

Finally, Arca analyzed a position and exercise limit of 250,000 for GBTC against options

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<sup>44</sup> See <https://www.cmegroup.com/education/courses/market-regulation/position-limits/positionlimits-aggregation-of-contracts-and-table.htm>.

<sup>45</sup> See id.

on SPDR Gold Shares (“GLD”), which (like GBTC), is a commodity-backed ETF.<sup>46</sup> Arca noted that GLD has a float of 306.1 million shares and a position limit of 250,000 contracts.<sup>47</sup> 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. Arca noted that a position limit exercise in GLD would represent 8.17% of the float of GLD. In comparison, Arca noted that a 250,000 contract position limit in GBTC would represent 9.13% of the float of GBTC. While less conservative than the standard applied to options on GLD, Arca nonetheless believes that subjecting GBTC options to a 250,000 contract position and exercise limit would be appropriate.<sup>48</sup>

Based on the foregoing, the Exchange believes that GBTC has more than sufficient liquidity to garner an increased position and exercise limit of 250,000 same-side contracts. The Exchange believes that the significant liquidity present in GBTC mitigates against the potential for manipulation.

The Exchange also has no reason to believe that the growth in trading volume in BTC, BITB, and GBTC options will not continue. Rather, the Exchange expects continued options volume growth in BTC, BITB, and GBTC as opportunities for investors to participate in the options markets increase and evolve. The Exchange believes that the current position and exercise limits in BTC, BITB, and GBTC options are restrictive and will hamper the listed options markets from being able to compete fairly and effectively with the over-the-counter

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<sup>46</sup> GLD, like GBTC, holds one asset in trust.

<sup>47</sup> See <https://www.ssga.com/us/en/intermediary/etfs/spdr-gold-shares-gld>.

<sup>48</sup> See, e.g., Arca Rule 6.8-O, Commentary .06(e) (setting forth trading volume requirements to qualify for a 250,000-contract position (and exercise) limit).

(“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 BTC, BITB, and GBTC 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 a result, 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.

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 to identify unusual activity in both options and the underlying equities.

#### FLEX

Arca recently received approval to permit BTC, BITB and GTBC to trade as “FLEX Options.”<sup>49</sup> Identical to approval received by Arca, ISE proposes to permit BTC, BITB and GTBC to trade as FLEX Options and would require the aggregation of any FLEX and non-FLEX positions in the same underlying ETF for purposes of calculating position and exercise limits on such ETF. Thus, for example, assuming a 250,000-contract position limit for options on BTC,

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<sup>49</sup> See Securities Exchange Act Release Nos. 103568 (July 29, 2025) (SR-NYSEArca-2025-10) (not yet noticed); and 103567 (July 29, 2025) (SR-NYSEArca-2025-07) (not yet noticed).

the Exchange would restrict a market participant from holding positions that could result in the receipt of more than 250,000,000 shares (if that market participant exercised all its BTC options). The share creation and redemption process available to each ETF is designed to ensure that an ETF's price closely tracks the value of its underlying asset. For example, if a market participant exercised a long call position for 25,000 contracts and purchased 2,500,000 shares of BTC and this purchase resulted in the value of BTC shares to trade at a premium to the value of the (underlying) bitcoin held by BTC, the Exchange believes that other market participants would attempt to arbitrage this price difference by selling short BTC shares while concurrently purchasing bitcoin. Those market participants (arbitrageurs) would then deliver cash to BTC and receive shares of BTC, which would be used to close out any previously established short position in BTC. Thus, this creation and redemptions process would significantly reduce the potential risk of price dislocation between the value of BTC shares and the value of bitcoin holdings.

The Exchange understands that FLEX Options on ETFs are currently traded in the OTC market by a variety of market participants, e.g., hedge funds, proprietary trading firms, and pension funds, to name a few. The Exchange believes there is room for significant growth if a comparable product were introduced for trading on a regulated market. The Exchange expects that users of these OTC products would be among the primary users of FLEX options on BTC, BITB and GTBC. The Exchange also believes that the trading of FLEX Options would allow these same market participants to better manage the risk associated with the volatility of BTC, BITB or GTBC (the underlying ETF) positions given the enhanced liquidity that an exchange-traded product would bring. Additionally, the Exchange believes that FLEX Options traded on the Exchange would have three important advantages over the contracts that are traded in the

OTC market. First, because of greater standardization of contract terms, exchange-traded contracts should develop more liquidity. Second, counter-party credit risk would be mitigated by the fact that the contracts are issued and guaranteed by OCC. Finally, the price discovery and dissemination provided by the Exchange and its members would lead to more transparent markets. The Exchange believes that its ability to offer FLEX Options would aid it in competing with the OTC market and at the same time expand the universe of products available to interested market participants. The Exchange believes that an exchange-traded alternative may provide a useful risk management and trading vehicle for market participants and their customers.

The Exchange has analyzed its capacity and represents that it and OPRA have the necessary systems capacity to handle the additional traffic associated with the listing of FLEX Options. The Exchange believes any additional traffic that would be generated from the trading of FLEX Options would be manageable. The Exchange believes OTP Holders will not have a capacity issue as a result of this proposed rule change. The Exchange also represents that it does not believe this proposed rule change will cause fragmentation of liquidity. The Exchange will monitor the trading volume associated with the additional options series listed as a result of this proposed rule change and the effect (if any) of these additional series on market fragmentation and on the capacity of the Exchange's automated systems.

The Exchange represents that the same surveillance procedures applicable to the Exchange's other options products listed and traded on the Exchange, including non-FLEX Options, will apply to FLEX Options, and that it has the necessary systems capacity to support such options. FLEX Options products (and their respective symbols) are integrated into the Exchange's existing surveillance system architecture and are thus subject to the relevant

surveillance processes. The Exchange’s market surveillance staff (including staff of Financial Industry Regulatory Authority, Inc. (“FINRA”) who perform surveillance and investigative work on behalf of the Exchange pursuant to a regulatory services agreement) conducts surveillances with respect to BTC, BITB and GTBC (the underlying ETFs) and, as appropriate, would review activity in BTC, BITB and GTBC when conducting surveillances for market abuse or manipulation in the FLEX options on each ETF. The Exchange does not believe that allowing FLEX Options would render the marketplace for non-FLEX Options, or equity options in general, more susceptible to manipulative practices.

The Exchange represents that its existing trading surveillances are adequate to monitor the trading in BTC, BITB and GTBC as well as any subsequent trading of FLEX Options on the Exchange. Additionally, the Exchange is a member of the Intermarket Surveillance Group (“ISG”) under the ISG Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition to the surveillance that is conducted by the Exchange’s market surveillance staff, the Exchange would also be able to obtain information regarding trading in shares of BTC, BITB and GTBC on other exchanges through ISG. In addition, and as referenced above, the Exchange has a regulatory services agreement with FINRA, pursuant to which FINRA conducts certain surveillances on behalf of the Exchange. Further, pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillances.<sup>50</sup> The Exchange will implement any additional surveillance procedures it

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<sup>50</sup> Section 19(g)(1) of the Act, among other things, requires every SRO registered as a national securities exchange or national securities association to comply with the Act, the rules and regulations thereunder, and the SRO’s own rules, and, absent reasonable justification or excuse, enforce compliance by its members and persons associated with its members. See 15 U.S.C. 78q(d)(1) and 17 CFR 240.17d-2. Section 17(d)(1) of the Act allows the Commission to relieve an SRO of certain responsibilities with

deems necessary to effectively monitor the trading of BTC, BITB and GTBC options.

The proposed rule change is designed to allow investors seeking to trade options on BTC, BITB and GTBC to utilize FLEX Options. The Exchange believes that offering innovative products flows to the benefit of the investing public. A robust and competitive market requires that exchanges respond to member's evolving needs by constantly improving their offerings. Such efforts would be stymied if exchanges were prohibited from offering innovative products such as the proposed FLEX Options. The Exchange believes that introducing FLEX Options would further broaden the base of investors that use FLEX Options (and options on BTC, BITB and GTBC, in general) to manage their trading and investment risk, including investors that currently trade in the OTC market for customized options. The proposed rule change is also designed to encourage Market Makers to shift liquidity from the OTC market on the Exchange, which, it believes, will enhance the process of price discovery conducted on the Exchange through increased order flow.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>51</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>52</sup> 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

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respect to members of the SRO who are also members of another SRO. Specifically, Section 17(d)(1) allows the Commission to relieve an SRO of its responsibilities to: (i) receive regulatory reports from such members; (ii) examine such members for compliance with the Act and the rules and regulations thereunder, and the rules of the SRO; or (iii) carry out other specified regulatory responsibilities with respect to such members.

<sup>51</sup> 15 U.S.C. 78f(b).

<sup>52</sup> 15 U.S.C. 78f(b)(5).

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.

#### Position Limits

#### **BTC and BITB**

The Exchange believes the proposed rule change to remove the 25,000-contract position (and exercise) limit on BTC and BITB options thus allowing such options to qualify for higher aggregated limits 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 as it will provide market participants with the ability to more effectively execute their trading and hedging activities. In addition, this proposed change may allow Market Makers to maintain their liquidity in these options in amounts commensurate with the continued demand for BTC and BITB options. Further, an increased aggregated position (and exercise) limit on BTC and BITB options may 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. The Exchange notes that permitting a higher aggregated position (and exercise) limit on BTC and BITB options would further allow institutional investors to utilize such options for prudent risk management purposes.

As noted herein, Arca analyzed several data points that support the appropriateness of an aggregated position (and exercise) limit of 250,000 contracts for BTC and BITB options based on recent trading volume in each ETF. Specifically, Arca noted that a comparison of each ETF's market capitalization to the bitcoin market in terms of exercise risk and availability of deliverables revealed that the exercisable risk of an aggregated limit of 250,000 contracts represented 30.14% and 31.27% of BTC and BITB shares outstanding. Further, since each ETF

has a creation and redemption process managed through the issuer (whereby bitcoin is used to create BTC or BITB shares, as applicable), a 250,000-contract position (and exercise) limit as compared to the market capitalization of the bitcoin market indicated that the exercisable risk for options on each ETF represented less than 0.06 % (BTC) or 0.07% (BITB) of all bitcoin outstanding as noted by Arca. Moreover, a comparison of a 250,000-contract position limit for options on each ETF to the (actual) position limits for equivalent bitcoin futures revealed that a 250,000-contract limit for each ETF would be appropriate. Finally, Arca compared an aggregated position limit of 250,000 contracts for each ETF against GLD, another commodity-backed ETF. A position limit exercise in GLD represents 8.17% of the float of GLD. By comparison, Arca noted that a position limit exercise in each ETF (assuming a 250,000-contract limit would represent 30.14% (BTC) and 31.27% (BITB) of that ETF's float. Although a 250,000-contract position (and exercise) limit on BTC and BITB options would not be as conservative as the standard applied to GLD, it is comparable and therefore appropriate.

### **GBTC**

The Exchange believes the proposed rule change to remove the 25,000-contract position (and exercise) limit on GBTC options thus allowing such options to qualify for higher aggregated limits 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 as it will provide market participants with the ability to more effectively execute their trading and hedging activities. In addition, this proposed change may allow Market Makers to maintain their liquidity in these options in amounts commensurate with the continued demand for GBTC options. Further, an increased aggregated position (and exercise) limit on GBTC options may 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. The Exchange notes that permitting a higher aggregated position (and exercise) limit on GBTC options would further allow institutional investors to utilize such options for prudent risk management purposes.

As noted herein, Arca analyzed several data points that support the appropriateness of an aggregated position (and exercise) limit of 250,000 contracts for GBTC options based on recent trading volume in GBTC. Specifically, Arca noted that a comparison of GBTC's market capitalization to the bitcoin market in terms of exercise risk and availability of deliverables revealed that the exercisable risk of an aggregated limit of 250,000 contracts represented 9.13% of GBTC shares outstanding. Further, since GBTC has a creation and redemption process managed through the issuer (whereby bitcoin is used to create GBTC shares), a 250,000-contract position (and exercise) limit as compared to the market capitalization of the bitcoin market indicated that the exercisable risk for GBTC options represented less than 0.10% of all bitcoin outstanding as noted by Arca. Moreover, a comparison of a 250,000-contract position limit for GBTC options to the (actual) position limits for equivalent bitcoin futures revealed that a 250,000-contract limit would be appropriate. Finally, Arca compared an aggregated position limit of 250,000 contracts for GBTC options against GLD, another commodity backed ETF. Arca noted that a position limit exercise in GLD represents 8.17% of the float of GLD. By comparison, a position limit exercise in GBTC options (assuming a 250,000-contract limit) would represent 9.13% of the GBTC float. Although a 250,000-contract position (and exercise) limit on GBTC options would not be as conservative as the standard applied to GLD, it is comparable and therefore appropriate.

## FLEX

The Exchange believes that the proposal to permit FLEX Options and to require aggregation of any FLEX and non-FLEX positions in the same underlying ETF for BTC, BITB and GTBC for purposes of calculating position and exercise limits would remove impediments to and perfect the mechanism of a free and open market for several reasons. First, the Exchange believes that offering FLEX Options will benefit investors by providing them with an additional, relatively lower cost investing tool to gain exposure to the price of bitcoin and provide a hedging vehicle to meet their investment needs in connection with a bitcoin-related product. Moreover, the proposal would broaden the base of investors that use FLEX Options to manage their trading and investment risk, including investors that currently trade in the OTC market for customized options. By trading a product in an exchange-traded environment (that is currently being used in the OTC market), the Exchange would be able to compete more effectively with the OTC market. The Exchange believes the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that it would lead to the migration of options currently trading in the OTC market to trading to the Exchange. Also, any migration to the Exchange from the OTC market would result in increased market transparency and enhance the process of price discovery conducted on the Exchange through increased order flow. The Exchange also believes that offering FLEX Options may open up the market for options on BTC, BITB and GTBC to more retail investors.

Additionally, the Exchange believes the proposed rule change is designed to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest because FLEX Options are designed to create greater trading and hedging opportunities and flexibility. The proposed rule

change should also result in enhanced efficiency in initiating and closing out positions and heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of FLEX Options. Further, the proposed rule change would result in increased competition by permitting the Exchange to offer products that are currently used in the OTC market.

The Exchange believes that offering innovative products flows to the benefit of the investing public. A robust and competitive market requires that exchanges respond to members' evolving needs by constantly improving their offerings. Such efforts would be stymied if exchanges were prohibited from offering innovative products such as the proposed FLEX Options. The Exchange does not believe that allowing FLEX Options would render the marketplace for equity options more susceptible to manipulative practices.

Finally, the Exchange represents that it has an adequate surveillance program in place to detect manipulative trading in FLEX Options. Regarding the proposed FLEX Options, the Exchange would use the same surveillance procedures currently utilized for FLEX Options listed on the Exchange (as well as for non-FLEX Options). For surveillance purposes, the Exchange would have access to information regarding trading activity in BTC, BITB and GTBC (the underlying ETFs). In light of surveillance measures related to both options trading on BTC, BITB and GTBC and the underlying funds, the Exchange believes that existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed FLEX Options.

#### 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.

#### Position Limits

The Exchange's proposal does not burden intra-market competition because all ISE

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. 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.

#### FLEX

The Exchange believes that the proposal to permit FLEX Options will not impose any burden on intra-market competition as all market participants can opt to utilize this product or not. The proposed rule change is designed to allow investors seeking option exposure to bitcoin to trade FLEX Options. Moreover, the Exchange believes that the proposal to permit FLEX Options would broaden the base of investors that use FLEX Options to manage their trading and investment risk, including investors that currently trade in the OTC market for customized options. The Exchange believes that the proposed FLEX Options will not impose any burden on inter-market competition but will instead encourage competition by increasing the variety of options products available for trading on the Exchange, which products will provide a valuable tool for investors to manage risk. Should this proposal be approved, competing options exchanges will be free to offer products like the proposed FLEX Options.

#### 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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>53</sup> and Rule 19b-4(f)(6) thereunder.<sup>54</sup> Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>55</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>56</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>57</sup> under the Act does not normally become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>58</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission previously approved the removal of the 25,000 contract position and exercise limit for BTC, GBTC, and BITB, such that those funds will be subject to the position and exercise limits as determined for equity options for which no set limit has been otherwise established on that exchange.<sup>59</sup> The Exchange is proposing similarly to remove of the 25,000

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<sup>53</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>54</sup> 17 CFR 240.19b-4(f)(6).

<sup>55</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>56</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied the pre-filing requirement.

<sup>57</sup> 17 CFR 240.19b-4(f)(6).

<sup>58</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>59</sup> See supra notes 3 and 4.

contract position and exercise limit for BTC, GBTC, and BITB, such that those funds will be subject to the position and exercise limits as determined by the position limit rules at ISE Options 9, Section 13 and exercise limit rules at ISE Options 9, Section 15. In addition, the Exchange proposes to permit BTC, GBTC, and BITB to trade as FLEX Options and would require the aggregation of any FLEX and non-FLEX positions in the same underlying ETF for purposes of calculating position and exercise limits on such ETF, substantively identical to approval received by another exchange.<sup>60</sup> The Exchange has provided information regarding BTC, GBTC, and BITB, including, among other things, information regarding trading volume, and the market capitalization of BTC, GBTC, and BITB and surveillance procedures that will apply. The Commission notes that the proposal raises no new or novel legal issues and would simply provide an additional venue for trading BTC, GBTC, and BITB with position and exercise limits that may be higher than 25,000 contracts, as well as FLEX trading on BTC, GBTC, and BITB. Therefore, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposed rule change as operative upon filing.<sup>61</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be

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<sup>60</sup> Id.

<sup>61</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

approved or 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](mailto:rule-comments@sec.gov). Please include file number SR-ISE-2025-22 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-2025-22. 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 filing 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-2025-22 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.<sup>62</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

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<sup>62</sup> 17 CFR 200.30-3(a)(12), (59).