

## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-103144; File No. SR-ISE-2025-16]**

### **Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing of Proposed Rule**

#### **Change to List and Trade Options on the Hashdex Nasdaq Crypto Index US ETF**

May 29, 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 May 15, 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 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 4, Section 3, Criteria for Underlying Securities, to list and trade options on the Hashdex Nasdaq Crypto Index US ETF.

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

**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

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

<sup>2</sup> 17 CFR 240.19b-4.

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 4, Section 3, Criteria for Underlying Securities, to allow the Exchange to list and trade options on the Hashdex Nasdaq Crypto Index US ETF (the “Trust”)<sup>3</sup> as a Unit deemed appropriate for options trading on the Exchange. Hashdex Nasdaq Crypto Index US ETF trades under the symbol “NCIQ.”

Currently, Options 4, Section 3(h) provides that securities deemed appropriate for options trading shall include shares or other securities (“Exchange-Traded Fund Shares” or “ETFs”) that are traded on a national securities exchange and are defined as an “NMS” stock under Rule 600 of Regulation NMS, and that meet certain criteria specified in Options 4, Section 3(h), including that they:

- (i) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that hold portfolios of securities and/or financial instruments, including, but not limited to, stock index futures contracts, options on futures, options on securities and indices, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements (the “Financial Instruments”), and money market instruments, including, but not limited to, U.S. government securities and repurchase agreements (the “Money Market Instruments”) comprising or otherwise based on or representing investments in broad-based indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (or that hold

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<sup>3</sup> The Commission approved a rule change to list and trade shares of the Trust pursuant to Rule 5711(d) of The Nasdaq Stock Exchange LLC (“Commodity-Based Trust Shares”). See Securities Exchange Act Release No. 101998 (December 19, 2024), 89 FR 106707 (December 20, 2024) (SR-NASDAQ-2024-028) (hereinafter “SR-NASDAQ-2024-028”). Hashdex Nasdaq Crypto Index US ETF commenced trading on February 14, 2025. The Exchange represents it would not list options on the Trust unless it satisfied all applicable criteria in Options 4, Section 3.

securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments) or

(ii) represent interests in a trust or similar entity that holds a specified non-U.S. currency or currencies deposited with the trust when aggregated in some specified minimum number may be surrendered to the trust or similar entity by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust (“Currency Trust Shares”) or

(iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency (“Commodity Pool ETFs”) or

(iv) represent interests in the iShares Ethereum Trust, the SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, the Aberdeen Standard Physical Gold Trust, or the iShares Bitcoin Trust, or the Fidelity Wise Origin Bitcoin Fund, or the ARK21Shares Bitcoin ETF, or the Grayscale Bitcoin Trust (BTC), or the Grayscale Bitcoin Mini Trust BTC, or the Bitwise Bitcoin ETF or the Fidelity Ethereum Fund, the Bitwise Ethereum ETF, the Grayscale Ethereum Trust, and Grayscale Ethereum Mini Trust or

(v) represents an interest in a registered investment company (“Investment Company”) organized as an open-end management company or similar entity, that invests in a portfolio of securities selected by the Investment Company’s investment adviser consistent with the Investment Company’s investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value (“NAV”), and when aggregated in the same specified minimum number, may be redeemed at a holder’s request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined NAV (“Managed Fund Share”).

In addition to the aforementioned requirements, Options 4, Section 3(h)(1) and (2) must be met to list options on ETFs.<sup>4</sup>

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<sup>4</sup> Options 4, Section 3(h)(1) and (2) state that the Exchange-Traded Fund Shares either (i) meet the criteria and guidelines set forth in paragraphs (a) and (b) described herein; or (ii) the Exchange-Traded Fund

## **Proposal**

The Exchange proposes expanding the list of ETFs that are appropriate for options trading on the Exchange in Options 3, Section 4(h)(iv) to include the Trust.<sup>5</sup>

### **Description of the Trust<sup>6</sup>**

The Shares will be issued by the Trust, a Delaware statutory trust to be established by the Sponsor. The Trust will operate pursuant to the rules and guidelines set forth in the Trust agreement (“Trust Agreement”). The Trust will issue Shares representing fractional undivided beneficial interests in its net assets. The assets of the Trust will consist only of bitcoin and ether. Under limited circumstances, the Trust will hold cash and/or cash equivalents to pay its expenses. The Trust will not be an investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”), and will not be a commodity pool under the Commodity Exchange Act.

U.S. Bancorp Fund Services, LLC will be the administrator, and transfer agent for the Trust (“Administrator” or “Transfer Agent”). U.S. Bank, N.A. will hold the Trust’s cash and/or cash equivalents<sup>7</sup> (“Cash Custodian”). The Sponsor intends to enter into an agreement with

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Shares are available for creation or redemption each business day from or through the issuing trust, investment company, commodity pool or other entity in cash or in kind at a price related to net asset value, and the issuer is obligated to issue Exchange-Traded Fund Shares in a specified aggregate number even if some or all of the investment assets and/or cash required to be deposited have not been received by the issuer, subject to the condition that the person obligated to deposit the investment assets has undertaken to deliver them as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the issuer of the Exchange-Traded Fund Shares, all as described in the Exchange-Traded Fund Shares’ prospectus. Also, the Exchange-Traded Fund Shares based on international or global indexes, or portfolios that include non-U.S. securities, shall meet the criteria in Options 4, Section 3(h)(2)(A)-(F).

<sup>5</sup> Specifically, the Exchange proposes to amend Options 3, Section 4(h)(iv) to include the name of the Trust to enable options to be listed on the Trust on the Exchange.

<sup>6</sup> See SR-NASDAQ-2024-028 for a complete description of the Trust.

<sup>7</sup> “Cash equivalents” are limited to short-term treasury bills (90 days or less to maturity), money market funds, and demand deposit accounts.

Coinbase Custody Trust Company, LLC and BitGo Trust Company, Inc. (“Crypto Custodians”, and together with the Cash Custodian, the “Custodians”). The Crypto Custodians will keep custody of all the Trust’s bitcoin and ether.<sup>8</sup>

The investment objective of the Trust is to have the daily changes in the net asset value (“NAV”) of the Shares correspond to the daily changes in the price of the Nasdaq Crypto US Settlement Price Index,<sup>9</sup> NCIUSS (the “NCIUSS” or “Index”), less expenses and liabilities from the Trust’s operations, by investing in bitcoin and ether.

The Shares are designed to provide a straightforward means of obtaining investment exposure to bitcoin and ether through the public securities market, as opposed to direct acquisition, holding, and trading of spot bitcoin and spot ether on a peer-to-peer or other basis or via a crypto asset platform. The Shares have been designed to remove the obstacles represented by the complexities and operational burdens involved in a direct investment in bitcoin and ether, while at the same time having an intrinsic value that reflects, at any given time, the investment exposure to bitcoin and ether owned by the Trust at such time, less the Trust’s expenses and liabilities. The Shares provide investors with an alternative method of achieving exposure to bitcoin and ether through the public securities market, which may be more familiar to them.

The Trust will gain exposure to bitcoin and ether by buying spot bitcoin and spot ether. The Trust will maintain cash and/or cash equivalent balances to the extent it is necessary for currently due Trust-payable expenses.

The Index is designed to measure the performance of a portion of the overall crypto asset

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<sup>8</sup> The Trust may engage additional custodians for its bitcoin and ether, each of whom may be referred to as a Crypto Custodian. The Trust may also remove or change current Crypto Custodians, provided that there is at least one Crypto Custodian at all times. Any such changes to the Trust’s Crypto Custodians would require a rule filing under Rule 19b-4 of the Act.

<sup>9</sup> See [https://indexes.nasdaqomx.com/docs/Methodology\\_NCIUS.pdf](https://indexes.nasdaqomx.com/docs/Methodology_NCIUS.pdf).

market. The Index does not track the overall performance of all crypto assets generally, nor the performance of any specific crypto assets. The Index is owned and administered by Nasdaq, Inc. (“Index Provider”) and is calculated by CF Benchmarks Limited (“Calculation Agent”), which is experienced in calculating and administering crypto assets indices. The Calculation Agent publishes daily the Index Constituents, the Index Constituents’ weightings, the intraday value of the Index (under the ticker NCIUS), and the daily settlement value of the Index (under the ticker NCIUSS), which is effectively the Index’s closing value.<sup>10</sup>

*Custody of the Trust’s Bitcoin and Ether*

An investment in the Shares is backed by assets held by the Trust, including the bitcoin and ether held by the Crypto Custodians on behalf of the Trust. The Crypto Custodians must qualify as Core Custodians by the NCIOC and, thus satisfy at least the requirements set forth by the NCIOC in the NCIUSS methodology.<sup>11</sup> The Trust may engage additional custodians for its bitcoin and ether and may also remove or change current Crypto Custodians, provided that there is at least one Crypto Custodian who is also a Core Custodian at all times.<sup>12</sup>

The Trust’s Crypto Custodians will hold and be responsible for maintaining custody of the Trust’s bitcoin and ether. The Sponsor will cause the Trust to maintain ownership and control of the Trust’s bitcoin in a manner consistent with good delivery requirements for spot commodity transactions.

*Proposal*

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<sup>10</sup> The closing level of the Index is calculated once a day on business days at 4:05 p.m. New York Time. See [https://indexes.nasdaqomx.com/docs/Methodology\\_NCIUS.pdf](https://indexes.nasdaqomx.com/docs/Methodology_NCIUS.pdf) (under “Index Calculation and Dissemination”).

<sup>11</sup> See [https://indexes.nasdaqomx.com/docs/Methodology\\_NCIUS.pdf](https://indexes.nasdaqomx.com/docs/Methodology_NCIUS.pdf). As noted above, the Core Custodians as of May 27, 2024 are BitGo, Coinbase, Fidelity and Gemini, and the Trust’s Crypto Custodians are on this list.

<sup>12</sup> If the Trust determines to do so, the Exchange will submit a rule filing with the Commission under Rule 19b-4 of the Act

The Exchange believes that offering options on the Trust will benefit investors by providing them with an additional, relatively lower cost investing tool to gain exposure to spot bitcoin and spot ether as well as a hedging vehicle to meet their investment needs in connection with bitcoin and ether products and positions. Similar to other commodity ETFs in which options may be listed on ISE (e.g. iShares Ethereum Trust, the SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, the Aberdeen Standard Physical Gold Trust, or the iShares Bitcoin Trust, or the Fidelity Wise Origin Bitcoin Fund, or the ARK21Shares Bitcoin ETF, or the Grayscale Bitcoin Trust (BTC), or the Grayscale Bitcoin Mini Trust BTC, or the Bitwise Bitcoin ETF or the Fidelity Ethereum Fund, the Bitwise Ethereum ETF, the Grayscale Ethereum Trust, and Grayscale Ethereum Mini Trust),<sup>13</sup> the proposed ETF is a trust that essentially offers the same objectives and benefits to investors.

Options on the Trust will trade in the same manner as options on other ETFs on the Exchange. Exchange Rules that currently apply to the listing and trading of all options on ETFs on the Exchange, including, for example, Rules that govern listing criteria, expirations, exercise prices, minimum increments, margin requirements, customer accounts and trading halt procedures, will apply to the listing and trading of options on the Trust on the Exchange. Today, these rules apply to options on the various commodities ETFs deemed appropriate for options trading on the Exchange pursuant to Options 4, Section 3(h)(iv).

The Exchange's initial listing standards for ETFs on which options may be listed and traded on the Exchange will apply to the Trust. The initial listing standard as set forth in Options 4, Section 3(a) provides that:

Underlying securities with respect to which put or call options contracts are approved for listing and trading on the Exchange must meet the following criteria:

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<sup>13</sup> See ISE Options 4, Section 3(h)(iv).

(1) the security must be registered and be an “NMS stock” as defined in Rule 600 of Regulation NMS under the Exchange Act; and (2) the security shall be characterized by a substantial number of outstanding shares that are widely held and actively traded.

Pursuant to ISE Options 4, Section 3, ETFs on which options may be listed and traded must satisfy the listing standards set forth in Options 4, Section 3(h). Specifically, the Trust must meet either:

- (1) the criteria and guidelines for underlying securities set forth in Options 4, Section 3(h), or
- (2) it must be available for creation or redemption each business day from or through the issuing trust, investment company, commodity pool or other entity in cash or in kind at a price related to net asset value, and the issuer is obligated to issue Exchange-Traded Fund Shares in a specified aggregate number even if some or all of the investment assets and/or cash required to be deposited have not been received by the issuer, subject to the condition that the person obligated to deposit the investment assets has undertaken to deliver them as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the issuer of the Exchange-Traded Fund Shares, all as described in the Exchange-Traded Fund Shares’ prospectus, or the Exchange-Traded Fund Shares must be based on international or global indexes, or portfolios that include non-U.S. securities, and meet other criteria.

Options on the Trust will also be subject to the Exchange’s continued listing standards for options on ETFs set forth in Options 4, Section 4(g). Specifically, options approved for trading pursuant to Options 4, Section 3(h) will not be deemed to meet the requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such ETFs if the ETFs are delisted from trading as provided in subparagraph (b)(5) of Options 4, Section 4<sup>14</sup> or the ETFs are halted or suspended from trading on their

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<sup>14</sup> Options 4, Section 4(b)(5) provides, if an underlying security is approved for options listing and trading under the provisions of Options 4, Section 3(c), the trading volume of the Original Security (as therein defined) prior to but not after the commencement of trading in the Restructure Security (as therein defined), including ‘when-issued’ trading, may be taken into account in determining whether the trading volume requirement of (3) of this paragraph (b) is satisfied. Options 4, Section 4(b)(3) provides, “The trading

primary market.<sup>15</sup> In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering ETFs in any of the following circumstances:

- (1) in the case of options covering Exchange-Traded Fund Shares approved pursuant to Options 4, Section 3(h)(A)(i), in accordance with the terms of subparagraphs (b)(1), (2), (3) and (4) of Options 4, Section 4;<sup>16</sup>
- (2) in the case of options covering Fund Shares approved pursuant to Options 4, Section 3(h)(A)(ii),<sup>17</sup> following the initial twelve-month period beginning upon the commencement of trading in the Exchange-Traded Fund Shares on a national securities exchange and are defined as an “NMS stock” under Rule 600 of Regulation NMS, there were fewer than 50 record and/or beneficial holders of such Exchange-Traded Fund Shares for 30 or more consecutive trading days;
- (3) the value of the index or portfolio of securities or non-U.S. currency, portfolio of commodities including commodity futures contracts, options on commodity futures contracts, swaps, forward contracts, options on physical commodities and/or Financial Instruments and Money Market Instruments, on which the Exchange-Traded Fund Shares are based is no longer calculated or available; or
- (4) such other event occurs or condition exists that in the opinion of the Exchange makes further dealing in such options on the Exchange inadvisable.

Options on the Trust would be physically settled contracts with American-style exercise.<sup>18</sup> Consistent with current Options 4, Section 5, which governs the opening of options

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volume (in all markets in which the underlying security is traded) has been less than 1,800,000 shares in the preceding twelve (12) months.”

<sup>15</sup> See Options 4, Section 4(g).

<sup>16</sup> Options 4, Section 4(b)(5)(1) through (4) provides, if: (1) there are fewer than 6,300,000 shares of the underlying security held by persons other than those who are required to report their security holdings under Section 16(a) of the Act, (2) there are fewer than 1,600 holders of the underlying security, (3) the trading volume (in all markets in which the underlying security is traded) has been less than 1,800,000 shares in the preceding twelve (12) months, or (4) the underlying security ceases to be an ‘NMS stock’ as defined in Rule 600 of Regulation NMS under the Exchange Act.

<sup>17</sup> Options 4, Section 3(h)(ii) refers to Currency Trust Shares.

<sup>18</sup> See Options 4, Section 2, Rights and Obligations of Holders and Writers, which provides that the rights and obligations of holders and writers shall be as set forth in the Rules of the Clearing Corporation. See also OCC Rules, Chapter VIII, which governs exercise and assignment, and Chapter IX, which governs the discharge of delivery and payment obligations arising out of the exercise of physically settled stock option

series on a specific underlying security (including ETFs), the Exchange will open at least one expiration month<sup>19</sup> for options on the Trust and may also list series of options on the Trust for trading on a weekly<sup>20</sup> or quarterly<sup>21</sup> basis. The Exchange may also list long-term equity option series (“LEAPS”)<sup>22</sup> that expire from twelve to thirty-nine from the time they are listed.

Pursuant to Options 4, Section 5(d), which governs strike prices of series of options on ETFs, the interval between strike prices of series of options on ETFs approved for options trading pursuant to Section 3(h) of Options 4 will be \$1 or greater where the strike price is \$200 or less and \$5.00 or greater where the strike price is greater than \$200.<sup>23</sup> With respect to the Short Term Options Series or Weekly Program, during the month prior to expiration of an option class that is selected for the Short Term Option Series Program, the strike price intervals for the related non-Short Term Option (“Related non-Short Term Option”) shall be the same as the strike price intervals for the Short Term Option.<sup>24</sup> Specifically, the Exchange may open for trading Short Term Option Series at strike price intervals of (i) \$0.50 or greater where the strike price is less than \$100, and \$1 or greater where the strike price is between \$100 and \$150 for all

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contracts. OCC Rules can be located at: [https://www.theocc.com/getmedia/9d3854cd-b782-450f-bcf7-33169b0576ce/occ\\_rules.pdf](https://www.theocc.com/getmedia/9d3854cd-b782-450f-bcf7-33169b0576ce/occ_rules.pdf).

<sup>19</sup> See Options 4, Section 5(b).

<sup>20</sup> See Supplementary .03 to Options 4, Section 5.

<sup>21</sup> See Supplementary .04 to Options 4, Section 5.

<sup>22</sup> See Options 4, Section 8.

<sup>23</sup> See Options 5, Section 5(d). The interval between strike prices of series of options on Exchange-Traded Fund Shares approved for options trading pursuant to Section 3(h) of this Options 4 may also be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on the Exchange, or at such intervals as may have been established on another options exchange prior to the initiation of trading on the Exchange. See also Options 4, Section 5(h). The Exchange notes that for options listed pursuant to the Short Term Option Series Program, the Quarterly Options Series Program, and the Monthly Options Series Program, Supplementary Material .03, .04 and .08 to Options 4, Section 5 specifically sets forth intervals between strike prices on Short Term Option Series, Quarterly Options Series, and Monthly Options Series, respectively.

<sup>24</sup> See Supplementary Material .03(e) to Options 4, Section 5.

option classes that participate in the Short Term Options Series Program; (ii) \$0.50 for option classes that trade in one dollar increments and are in the Short Term Option Series Program; or (iii) \$2.50 or greater where the strike price is above \$150.<sup>25</sup> Additionally, the Exchange may list series of options pursuant to the \$1 Strike Price Interval Program,<sup>26</sup> the \$0.50 Strike Program,<sup>27</sup> the \$2.50 Strike Price Program,<sup>28</sup> and the \$5 Strike Program.<sup>29</sup> Options 3, Section 3 governs the minimum increment for bids and offers for both equity and index options. Pursuant to Options 3, Section 3, where the price of a series of options for the Trust is less than \$3.00 the minimum increment will be \$0.05, and where the price is \$3.00 or higher, the minimum increment will be \$0.10<sup>30</sup> consistent with the minimum increments for options on other ETFs listed on the Exchange. Any and all new series of Trust options that the Exchange lists will be consistent and comply with the expirations, strike prices, and minimum increments set forth in Options 4, Section 5 and Options 3, Section 3, as applicable.

Position and exercise limits for options on ETFs, including options on the Trust, are determined pursuant to Options 9, Sections 13 and 15, respectively. Position and exercise limits for ETFs options vary according to the number of outstanding shares and the trading volumes of the underlying ETF over the past six months, where the largest in capitalization and the most frequently traded ETFs have an option position and exercise limit of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; and smaller

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<sup>25</sup> Id.

<sup>26</sup> See Supplementary Material .01 to Options 4, Section 5.

<sup>27</sup> See Supplementary Material .05 to Options 4, Section 5.

<sup>28</sup> See Supplementary Material .02 to Options 4, Section 5.

<sup>29</sup> See Supplementary Material .06 to Options 4, Section 5.

<sup>30</sup> Options that are eligible to participate in the Penny Interval Program have a minimum increment of \$0.01 below \$3.00 and \$0.50 above \$3.00. See Supplementary Material .01 to Options 3, Section 3.

capitalization ETFs have position and exercise limits of 200,000, 75,000, 50,000 or 25,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market. Further, Options 6C, Section 3, which governs margin requirements applicable to the trading of all options on the Exchange including options on ETFs, will also apply to the trading of the Trust options.

Notwithstanding the position limits in Options 9, Section 13(d) and exercise limits in Options 9, Section 15(c), ISE proposes the position and exercise limits for the options on the Trust to be 25,000 contracts on the same side pursuant to proposed Supplementary Material .01 to Options 9, Section 13 and proposed Supplementary Material .01 to Options 9, Section 15. 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. 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 setting the Trust's position and exercise limits at 25,000 contracts. Capping the Trust's position and exercise limit at 25,000 contracts, the lowest limit available in options, would address concerns related to manipulation and protection of investors as this number is conservative. In considering the appropriate position limit for the Trust, ISE measured the Trust's market capitalization and Average Daily Volume ("ADV") against other industry data as explained further below and determined that 25,000 contracts is the appropriate position (and exercise) limit.

In considering position limits for Hashdex Nasdaq Crypto Index US ETF or “NCIQ” the Exchange aggregated Assets Under Management (“AUM”) and Average Daily Volume (“ADV”) data for ETFs that have defined position limits on The Options Clearing Corporations (“OCC”) web site on May 2, 2025.<sup>31</sup> The Exchange obtained values for 1,358 ETFs that comprised the 25,000, 50,000, and 75,000 position limit buckets (further date review of ETFs with higher position limits was unnecessary since the ADV of NCIQ was so low as to exclude the possibility of the security achieving a position limit of greater than 75,000).<sup>32</sup> Next, the data was aggregated based on market capitalization and ADV and grouped by options symbol by position limit utilizing statistical thresholds for ADV and market capitalization for each position limit category (i.e. 25,000, 50,000 and 75,000). 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. This exercise was performed to demonstrate the Trust’s position limit relative to other options symbols in terms of market capitalization and ADV. NCIQ had an AUM on May 2, 2025 of \$103,716,000<sup>33</sup> and an April ADV of 15,358 shares.<sup>34</sup> An examination of the median AUMs for each bucket of position limit contracts indicates that a position limit of 25,000 contracts is appropriate for NCIQ. The median AUM in the 25,000 contracts position limit bucket for an ETF is 100,096,000. If NCIQ were placed in the 25,000 contract position limit bucket, it would rank in the 50<sup>th</sup> percentile of AUM. The statistics indicate that NCIQ has an April ADV greater than the 34<sup>th</sup> percentile of the 25,000 contract position limit bucket. Consequently, NCIQ passes

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<sup>31</sup> Data with a zero value in AUM and volume were removed from the sample set.

<sup>32</sup> Single stocks were excluded since NCIQ holds two cryptocurrencies, bitcoin, and ether.

<sup>33</sup> See <https://hashdex-etfs.com/NCIQ>.

<sup>34</sup> The source of this number is securities information processor data and Yahoo Finance.

muster with respect to position limit bucketing in comparison to its peers in the market.<sup>35</sup> The data points are summarized in the chart below:

<b>Position Limit Bucket</b>	<b>AUM Data</b>		
	<b>25,000</b>	<b>50,000</b>	<b>75,000</b>
average mkt cap in bucket	429,719,975	2,250,652,578	5,098,488,634
median mkt cap in bucket	100,096,008	1,106,881,955	2,597,821,743
NQIC AUM on 05/01/25	103,716,000	103,716,000	103,716,000
rank in bucket	499	173	140
number of ETFs in bucket	1,012	196	150
percentile rank in bucket (100% = #1)	50.7%	11.7%	6.7%
<b>April ADV Data</b>			
<b>Position Limit Bucket</b>	<b>25,000</b>	<b>50,000</b>	<b>75,000</b>
	127,982	356,675	702,589
average April ADV in bucket	32,412	335,919	677,025
median April ADV in bucket	15,358	15,358	15,358
NQIC April ADV	669	195	150
rank in bucket	1,012	196	150
number of ETFs in bucket	34.0%	0.5%	0.0%
percentile rank in bucket (100% = #1)			

Another reference point in determining position limits is not only the AUM of NCIQ, but of the entire cryptocurrency universe that comprises the constituents of NCIQ. Since the creation of NCIQ is possible, the Exchange looked at the percentage of available constituents to create a position limit exercise. Since a 25,000 contract position limit would only require \$60,300,000 of cryptocurrencies, using the closing price of \$24.12 on May 2, 2025, the percentage of cryptocurrency necessary for a position limit creation varies between .00269% and .00285% (see chart below) of the available constituent cryptocurrencies.

<sup>35</sup> Of note, NCIQ has less than 100 shareholders.

Cryptocurrency	Symbol	Actual, not targeted, Weight (as reported on 05/02)	market capitalization on 05/03	value of constituent required to create a position limit	percentage of available constituent required for a position limit creation
Bitcoin	BTC	90.16%	1,909,708,673,172	54,366,480	0.00285%
Ethereum	ETH	9.85%	220,466,191,469	5,939,550	0.00269%

Consequently, a 25,000 contract position limit for NCIQ induces no stress on the market.

The proposed exercise limit would also be 25,000 contracts.

NCIQ price	24.12
25,000 contract position limit share equivalent	2,500,000
total crypto value needed for position limit	60,300,000

Today, the Exchange has an adequate surveillance program in place for options. ISE intends to apply those same program procedures to options on the Trust that it applies to the Exchange's other options products.<sup>36</sup> ISE's market surveillance staff would have access to the surveillances conducted by Nasdaq<sup>37</sup> with respect to the Trust and would review activity in the underlying Trust when conducting surveillances for market abuse or manipulation in the options on the Trust. Additionally, ISE is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures

<sup>36</sup> The surveillance program includes real-time patterns for price and volume movements and post-trade surveillance patterns (e.g., spoofing, marking the close, pinging, phishing).

<sup>37</sup> The Nasdaq Stock Market LLC is an affiliated market of ISE.

markets. In addition to obtaining information from Nasdaq, the Exchange would be able to obtain information regarding trading in shares of the Trust on other exchanges through ISG. In addition, ISE has a Regulatory Services Agreement with the Financial Industry Regulatory Authority (“FINRA”). Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillance that are common to rules of all options exchanges.<sup>38</sup>

The underlying shares of spot ethereum ETPs and spot bitcoin ETPs, including the Trust, are also subject to safeguards related to addressing market abuse and manipulation. As the Commission stated in its order approving the Hashdex Nasdaq Crypto Index US ETF (“Hashdex Approval Order”):<sup>39</sup>

Specifically, given the consistently high correlation between the bitcoin futures market of the Chicago Mercantile Exchange (“CME”) and a sample of spot bitcoin markets—confirmed by the Commission through robust correlation analysis using data at hourly, five-minute, and one-minute intervals—the Commission was able to conclude that fraud or manipulation that impacts prices in spot bitcoin markets would likely similarly impact CME bitcoin futures prices. And because the CME’s surveillance can assist in detecting those impacts on CME bitcoin futures prices, the Commission was able to conclude that the comprehensive surveillance-sharing agreement among the listing exchanges and the CME can be reasonably expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the spot bitcoin ETPs considered in the Spot Bitcoin ETP Approval Order.

The Commission reached similar conclusions in the Spot Ether ETP

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<sup>38</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 respect to members of the SRO who are also members of another SRO (“common members”). 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>39</sup> See Securities Exchange Act Release No. 101998 (December 19, 2024), 89 FR 106707 (December 20, 2024) (SR-NASDAQ-2024-028) (hereinafter “SR-NASDAQ-2024-028”).

Approval Order with respect to the spot ether ETPs considered in that order, having confirmed the consistently high correlation between the CME ether futures market and a sample of spot ether markets<sup>40</sup>

The Trusts in the present Proposals will hold both spot bitcoin and spot ether, and the proportion of bitcoin and ether to be held by each Trust will be based on free-float market capitalizations, as described by the Exchanges in their respective amended filings. Other than that the Trusts will hold both spot bitcoin and spot ether, the structure of the Trusts, the terms of their operation and the trading of their shares, and the representations in their respective amended filings are substantially similar to those of the spot bitcoin ETP and spot ether ETP proposals approved in prior Commission orders. In addition, the Commission finds that the spot bitcoin market continues to be consistently highly correlated with the CME bitcoin futures market, and that the spot ether market continues to be consistently highly correlated with the CME ether futures market. As such, based on the record before the Commission, including the Commission's correlation analyses, the Commission is able to conclude that the Exchanges' comprehensive surveillance-sharing agreements with the CME can be reasonably expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the Proposals.<sup>41</sup>

In light of surveillance measures related to both options and futures as well as the underlying Trust, 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 options on the Trust.

The Exchange has also analyzed its capacity and represents that it believes the Exchange and the Options Price Reporting Authority or "OPRA" have the necessary systems capacity to handle the additional traffic associated with the listing of new series that may result from the introduction of options on the Trust up to the number of expirations currently permissible under the Exchange Rules. Because the proposal is limited to one class, the Exchange believes any

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<sup>40</sup> [Id.](#) at 46941.

<sup>41</sup> [Id.](#) at 106708 and 106709.

additional traffic that may be generated from the introduction of the Trust options will be manageable.

### **FLEX Trading**

Further, Options 3A, Section 3(a) permits the Exchange to authorize trading a FLEX option class on any equity security if it may authorize for trading a non-FLEX option class on that equity security pursuant to Options 4, Section 3. At this time, the Exchange is not proposing to permit the Trust to trade as a FLEX Option. The Exchange therefore proposes to modify Options 3A, Section 3(a) to specify this exception, which will add clarity and transparency to the Exchange Rules.<sup>42</sup>

### **Technical Amendment**

Finally, the Exchange proposes a technical amendment to Options 4, Section 3(h)(iv) to remove certain extraneous rule text.<sup>43</sup>

#### **2. Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>44</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>45</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 securities, to remove impediments to and perfect the mechanism of a free and open market and a

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<sup>42</sup> The Exchange will continue ongoing discussions with the Commission regarding appropriate position limits for the Trust and plans to submit a separate rule filing that would permit the Exchange to authorize for trading FLEX options on the Trust (which filing may propose changes to existing FLEX option position limits for such options if appropriate).

<sup>43</sup> Specifically, the Exchange proposes to remove several “or” terms in Options 4, Section 3(h)(iv).

<sup>44</sup> 15 U.S.C. 78f(b).

<sup>45</sup> 15 U.S.C. 78f(b)(5).

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)<sup>46</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposal to list and trade options on the Trust will remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors because offering options on the Trust will provide investors with a greater opportunity to realize the benefits of utilizing options on an ETF based on spot bitcoin and spot ether, including cost efficiencies and increased hedging strategies. The Exchange believes that offering options on a competitively priced ETF based on spot bitcoin and spot ether will benefit investors by providing them with an additional, relatively lower cost risk management tool allowing them to manage, more easily, their positions, and associated risks, in their portfolios in connection with exposure to spot bitcoin and spot ether. Today, the Exchange lists options on other commodity ETFs structured as a trust, which essentially offer the same objectives and benefits to investors, and for which the Exchange has not identified any issues with the continued listing and trading of options on those ETFs.

The Exchange also believes the proposal to permit options on the Trust will remove impediments to and perfect the mechanism of a free and open market and a national market system, because options on the Trust will comply with current Exchange Rules. Options on the Trust must satisfy the initial listing standards and continued listing standards currently in the Exchange Rules, applicable to options on all ETFs, including options on other commodity ETFs already deemed appropriate for options trading on the Exchange pursuant to Options 4, Section

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

3(h)(iv). Further, Exchange Rules that currently govern the listing and trading of options on ETFs, including permissible expirations, strike prices, minimum increments, and margin requirements, will govern the listing and trading of options on the Trust. The proposed position and exercise limits for options on the Trust are 25,000 contracts. The proposed position and exercise limits are consistent with the Act as they address concerns related to manipulation and protection of investors, are the lowest position and exercise limits available in the options industry, and are conservative and appropriate given the Trust's market capitalization, average daily volume, and number of outstanding shares. The Exchange represents that it has the necessary systems capacity to support options on the Trust. The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading options on ETFs, including the Trust options.

Finally, the Commission has previously approved the listing and trading of options on other commodity ETFs structured as a trust, such as iShares Ethereum Trust, the SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, the Aberdeen Standard Physical Gold Trust, or the iShares Bitcoin Trust, or the Fidelity Wise Origin Bitcoin Fund, or the ARK21Shares Bitcoin ETF, or the Grayscale Bitcoin Trust (BTC), or the Grayscale Bitcoin Mini Trust BTC, or the Bitwise Bitcoin ETF or the Fidelity Ethereum Fund, the Bitwise Ethereum ETF, the Grayscale Ethereum Trust, and Grayscale Ethereum Mini Trust.

The Exchange also believes the proposed rule change to exclude the Trust from being eligible for trading as a FLEX Option is consistent with the Act, because it will permit the Exchange to continue to participate in ongoing discussions with the Commission regarding appropriate position and exercise limits for options on the Trust. The Exchange also believes the

proposed rule change to Options 3A, Section 3(a), to make clear that options on the Trust are not eligible for FLEX Trading, will remove impediments to and perfect the mechanism of a free and open market and a national market system because it adds clarity and transparency to Exchange Rules making them easier to navigate and understand to the benefit of investors and the public interest.

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 does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act as options on the Trust will be subject to initial listing standards and continued listing standards the same as other options on ETFs listed on the Exchange. Further, options on the Trust will be subject to Exchange Rules that currently govern the listing and trading of options on ETFs, including permissible expirations, strike prices, minimum increments, and margin requirements, will govern the listing and trading of options on the Trust. Options on the Trust will be equally available to all market participants who wish to trade such options. Also, and as stated above, the Exchange already lists options on other commodity ETFs structured as a trust.

The Exchange does not believe that the proposal to list and trade options on the Trust will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the extent that permitting options on the Trust to trade on the Exchange may make the Exchange a more attractive marketplace to market participants, such market participants are free to elect to become market participants on the Exchange. Additionally, other options exchanges are free to amend their listing rules, as applicable, to

permit them to list and trade options on the Trust. The Exchange believes that the proposed rule change may relieve any burden on, or otherwise promote, competition as it is designed to increase competition for order flow on the Exchange in a manner that is beneficial to investors by providing them with a lower-cost option to hedge their investment portfolios. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues that offer similar products. Ultimately, the Exchange believes that offering options on the Trust for trading on the Exchange will promote competition by providing investors with an additional, relatively low-cost means to hedge their portfolios and meet their investment needs in connection with spot bitcoin and spot ether prices and bitcoin and ether related products and positions.

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 up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the 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](mailto:rule-comments@sec.gov). Please include file number SR-ISE-2025-16 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-2025-16. 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-2025-16 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>47</sup>

**J. Matthew DeLesDernier,**

*Deputy Secretary.*

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17 CFR 200.30-3(a)(12).