

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104884; File No. SR-ISE-2025-26]

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing of Amendment No. 5 and Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 5, to Amend the Position and Exercise Limits for IBIT Options

February 24, 2026.

I. Introduction

On November 13, 2025, Nasdaq ISE, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)¹ and Rule 19b–4 thereunder,² a proposed rule change to increase the position and exercise limits for options on the iShares Bitcoin Trust ETF (“IBIT”) to 1,000,000 contracts and to amend the position and exercise limits for flexible exchange (“FLEX”) IBIT options. The proposed rule change was published for comment in the Federal Register on November 26, 2025.³ The Commission received no comments regarding the proposed rule change. On November 24, 2025, the Exchange filed Amendment No. 1 to the proposed rule change. On January 5, 2026, pursuant to Section 19(b)(2) of the Exchange Act,⁴ the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 104235 (Nov. 21, 2025), 90 FR 54414.

⁴ 15 U.S.C. 78s(b)(2).

to determine whether to disapprove the proposed rule change.⁵ On January 26, 2026, the Exchange filed Amendment No. 2 to the proposed rule change. On January 27, 2026, the Exchange filed Amendment No. 3 to the proposed rule change, withdrew Amendment Nos. 2 and 3, and filed Amendment No. 4 to the proposed rule change. On February 20, 2026, the Exchange filed Amendment No. 5 to the proposal, which supersedes and replaces the original proposal, as modified by Amendment Nos. 1 and 4, in their entirety.⁶ The Commission is publishing this notice to solicit comment on Amendment No. 5 in Sections II and III below, which sections are being published verbatim as filed by the Exchange, and is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act⁷ to determine whether to approve or disapprove the proposed rule change, as modified by Amendment No. 5.

II. Self-Regulatory Organization’s Description of the Proposed Rule Change, as Modified by Amendment No. 5

The Exchange proposes to amend Options 9, Sections 13 and 15 to increase the position and exercise limits for options on iShares Bitcoin Trust ETF (“IBIT”). This Amendment No. 5 replaces and supersedes the original filing as modified by Amendment Nos. 1 and 4 in their entirety and proposes to update the data in this proposal.

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.

⁵ See Securities Exchange Act Release No. 104542 (Jan. 5, 2026), 91 FR 750 (Jan. 8, 2026). The Commission designated February 24, 2026, as the date by which the Commission shall approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

⁶ Amendment No. 5 revises the proposal to provide updated information regarding IBIT’s trading volume, market capitalization, and other metrics discussed in the proposal; eliminate the proposed changes related to the position and exercise limits for FLEX IBIT options; remove statements indicating that the proposed position and exercise limits would be reviewed on a six-month basis pursuant to Options 9, Section 13(d); and eliminate references to reports provided in connection with the Penny Program.

⁷ 15 U.S.C. 78s(b)(2)(B).

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

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

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

1. Purpose

The Exchange proposes to amend Options 9, Section 13, Position Limits, and Options 9, Section 15, Exercise Limits, to increase the position and exercise limits for options on IBIT.

IBIT is an Exchange-Traded Fund (“ETF”) that holds Bitcoin and is listed on The Nasdaq Stock Market LLC.⁸ On September 20, 2024, ISE received approval to list options on IBIT.⁹

The position and exercise limits for IBIT options are currently set as stated in Options 9, Sections 13 and 15.¹⁰

Position limits, and exercise limits, are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with

⁸ Nasdaq received approval to list and trade Bitcoin-Based Commodity-Based Trust Shares in IBIT pursuant to Rule 5711(d) of Nasdaq. See Securities Exchange Act Release No. 99306 (January 10, 2024), 89 FR 3008 (January 17, 2024) (SR-NASDAQ-2023-016) (Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, To List and Trade Bitcoin-Based Commodity-Based Trust Shares and Trust Units). IBIT started trading on January 11, 2024.

⁹ See Securities Exchange Act Release No. 101128 (September 20, 2024), 89 FR 78942 (September 26, 2024) (SR-ISE-2024-03) (Notice of Filing of Amendment Nos. 4 and 5 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1, 4, and 5, To Permit the Listing and Trading of Options on the iShares Bitcoin Trust) (“IBIT Approval Order”). ISE began trading IBIT options on November 19, 2024.

¹⁰ IBIT currently has a position limit of 250,000 contracts.

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

To achieve this balance, ISE proposes to increase the position limits and exercise limits for options on IBIT to 1,000,000 contracts by noting the proposed position limit in Supplementary Material .01 to Options 9, Section 13 and noting the proposed exercise limits in Supplementary Material .01 to Options 9, Section 15. The position limit for options on IBIT is currently set pursuant to ISE Options 9, Section 13(d) where the largest in capitalization and the most frequently traded stocks and ETFs have an option position limit of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; and smaller capitalization stocks and ETFs have position limits of 200,000, 75,000, 50,000 or 25,000 contracts (with adjustments for splits, recapitalizations, etc.) on the same side of the market. The Exchange notes that the proposed position limits and exercise limits for options on IBIT are consistent with existing position limits and exercise limits for options on iShares MSCI Emerging Markets, iShares China Large-Cap ETF and iShares MSCI EAFE ETF.

Composition and Growth Analysis for Underlying ETFs

As stated above, position (and exercise) limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate the underlying market so as to benefit options positions. The Commission has recognized that these limits are designed to minimize the potential for mini-manipulations and for corners or squeezes of the

underlying market, as well as serve to reduce the possibility for disruption of the options market itself, especially in illiquid classes.¹¹

Per the Commission, “rules regarding position and exercise limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options positions.”¹² For this reason, the Commission requires that “position and exercise limits must be sufficient to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security.”¹³ The Exchange has observed an ongoing increase in demand in options on IBIT in 2025.¹⁴ The Exchange believes the current position limit and exercise limit of 250,000 contracts (the highest position limit available pursuant to Options 9, Section 13 and exercise limit pursuant to Options 9, Section 15) will impede trading activity and strategies of investors, such as use of effective hedging vehicles or income generating strategies (e.g., buy-write or put-write), and the ability of Market Makers to make liquid markets with tighter spreads in IBIT options.

The Exchange believes that increasing the position limit (and exercise limit) for options on IBIT to 1,000,000 contracts would enable liquidity providers to provide additional liquidity to

¹¹ See Securities Exchange Act Release No. 67672 (August 15, 2012), 77 FR 50750 (August 22, 2012) (SR-NYSEAmex-2012-29).

¹² See supra note 4, IBIT Approval Order, 89 FR 78946.

¹³ See id.

¹⁴ In 2024, the Exchange filed a rule proposal, which was later approved in 2025, to eliminate the 25,000 contract position and exercise limits for IBIT options and apply the position and exercise limits in ISE Options 9, Sections 13 and 15 to IBIT options utilizing November 25, 2024 data. See Securities Exchange Act Release No. 103564 (July 29, 2025), 90 FR 36229 (August 1, 2025) (SR-ISE-2024-62) (Order Approving a Proposed Rule Change, as Modified by Amendment Nos. 2 and 3, Regarding Position and Exercise Limits for Options on the iShares Bitcoin Trust ETF) (“SR-ISE-2024-62”).

the Exchange, as well as other options exchange on which they participate. As described in further detail below, the Exchange believes that the continuously increasing market capitalization of IBIT options, as well as the highly liquid markets for those securities, reduces the concerns for potential market manipulation and/or disruption in the underlying markets upon increasing position limits, while the rising demand for trading options on IBIT for legitimate economic purposes compels an increase in position limits (and corresponding exercise limits).

IBIT currently qualifies for a 250,000 contract position limit pursuant to the criteria in Options 9, Section 13(d), which requires that, for the most recent six-month period, trading volume for the underlying security be at least 100 million shares.¹⁵ As of February 11, 2026, the market capitalization for IBIT was 52,661,063,818¹⁶ with an average daily volume (“ADV”), for the preceding 6 months prior to February 11, 2026 of 61,803,035 shares. By comparison on the same day, the iShares MSCI Emerging Markets (“EEM”) has an ADV of 29,459,889 shares and an AUM of 27,761,941,292 the iShares China Large-Cap ETF (“FXI”) has an ADV 31,656,532 and an AUM of 6,594,337,253, and the iShares MSCI EAFE ETF (“EFA”) has an ADV of 17,215,037 shares and an AUM of 76,788,457,200.¹⁷

In addition to IBIT’s Options 9, Section 13(d) eligibility for 1,000,000 contracts, the Exchange performed additional analysis with respect to IBIT. First, ISE considered IBIT’s market capitalization and ADV, and prospective position limit in relation to other securities. In

¹⁵ Options 9, Section 13(d), Equity Option Position Limits, provides at subparagraph (5) that to be eligible for the 250,000 contract limit, either the most recent six (6) month trading volume of the underlying security must have totalled at least 100 million shares or the most recent six-month trading volume of the underlying security must have totalled at least seventy-five (75) million shares and the underlying security must have at least 300 million shares currently outstanding.

¹⁶ The market capitalization was determined by multiplying a Net Asset Value [sic] of \$38.29 by the number of shares outstanding 1,337,920,000 This figure was acquired as of February 11, 2026. See <https://www.ishares.com/us/products/333011/ishares-Bitcoin-trust-etf>.

¹⁷ These figures are from February 11, 2026.

measuring IBIT against other securities, ISE aggregated market capitalization and volume data for securities that have defined position limits utilizing data from The Options Clearing Corporations (“OCC”).¹⁸ This pool of data took into consideration 3,797 options on single stock securities, excluding broad based ETFs.¹⁹ Next, the data was aggregated based on market capitalization and ADV and grouped by option symbol and position limit utilizing statistical thresholds for ADV, based on 180 days, and market capitalization that were one standard deviation²⁰ above the mean for each position limit category (i.e. 25,000, 50,000 to 52,000, 75,000, 200,000, 250,000 to 375,000, 450,000 to 650,000, 750,000 to 1,250,000 and, and greater than or equal to 2,000,000).²¹ This exercise was performed to demonstrate IBIT’s position limit relative to other options symbols in terms of market capitalization and ADV. For reference, the market capitalization for IBIT was \$52,661,063,818²² with an ADV, for the preceding 180 days prior to February 11, 2026, of 61,803,035 shares.

¹⁸ The computations are based on OCC data from February 11, 2026. Data displaying zero values in market capitalization or ADV were removed.

¹⁹ IBIT has one asset and therefore is not comparable to a broad-based ETF where there are typically multiple components.

²⁰ The standard deviation added limited utility to the analysis given the heavily skewed distribution of market capitalizations in the single stock securities.

²¹ These buckets are based on OCC’s current positions limits. See <https://www.theocc.com/market-data/market-data-reports/series-and-trading-data/position-limits>. ISE Options 9, Section 13(d) sets out position limits for various contracts. For example, a 25,000 contract limit applies to those options having an underlying security that does not meet the requirements for a higher options contract limit. The Exchange notes that position limits may also be higher due to corporate actions in the underlying equities, such as a stock split.

²² Net Asset Value of \$38.29 by the number of shares outstanding 1,337,920,000 This figure was acquired as of February 11, 2026. See <https://www.ishares.com/us/products/333011/ishares-Bitcoin-trust-etf>.

ADV data	25k	50k-52K	75k	200K	250k – 375K	450K-650K	750K-1.25mm	>2mm
# of observations	392	401	547	232	2154	27	8	9
average	91157.18	218871.78	445897.84	664343.12	4749775.74	5176137.15	6008710.88	47286595.89
median	83656	206731	426420	679891.5	2015092	4027803	5637387.5	27354715.0
min	9725	51064	27845	28156	22931	931337	4628363	11811713
max	499461	1211984	3658653	3138784	170721127	19492918	8116652	182173328
standard deviation	57591.57	86620.569	224453.69	242713.70	9812734.84	4852687.63	1079816.30	54318913.92
IBIT rank	1	1	1	1	15	1	1	3
IBIT % rank	99.75%	99.75%	99.82%	99.57%	99.30%	96.43%	88.89%	70.00%

Market Cap Statistics	25k	50k- 52K	75k	200K	250k – 375K	450K-650K	750K-1.25mm	>2mm
# of observations	392	401	547	232	2154	27	8	9
average	1,057M	2,401M	4,105M	5,417M	28,792M	65,956M	70,543M	776,666M
median	364M	737M	1,375M	1,551M	3,769M	14,822M	56,721M	49,215M
min	7.697M	16.1M	2.164M	3.030M	0.470M	1,440M	11.43M	371M
max	62.137M	139,006M	102,316M	125,661M	M	4,070,890	656,022M	177,131M
Standard deviation	4,002M	8,164M	8,576M	12,956M	150,096M	142,724M	58,978M	M
IBIT rank	2	3	5	5	221	7	5	5
IBIT % rank	99.49%	99.25%	99.09%	97.85%	89.74%	75.00%	44.44%	50.00%

Based on the above table, if IBIT were compared to the 10 stocks that have position limits of 750,000 contracts to 1.25 million contracts it would rank in the 45th percentile for market capitalization and the 89th percentile for ADV.

The Exchange also analyzed the position limits for IBIT by regressing the median elements from each bucket of market capitalization and 180-day ADV of all non-ETF equities, against their respective position limit figures. From this regression, the Exchange was able to determine the implied coefficients to create a formulaic method for determining an appropriate position limit.²³ The Exchange utilized a linear model approach which incorporated the median metric from each bucket given the data at both the lower end of each position limit bucket and

²³ The Exchange utilized Excel's Data Analysis Package to model the position limit.

the higher end of each position limit bucket could be considered significant outliers, thereby skewing the results. Below are various linear models utilizing market capitalization and ADV as well as a two-factor model to determine the appropriate coefficients when both metrics are incorporated into the same model.²⁴

Figure 1

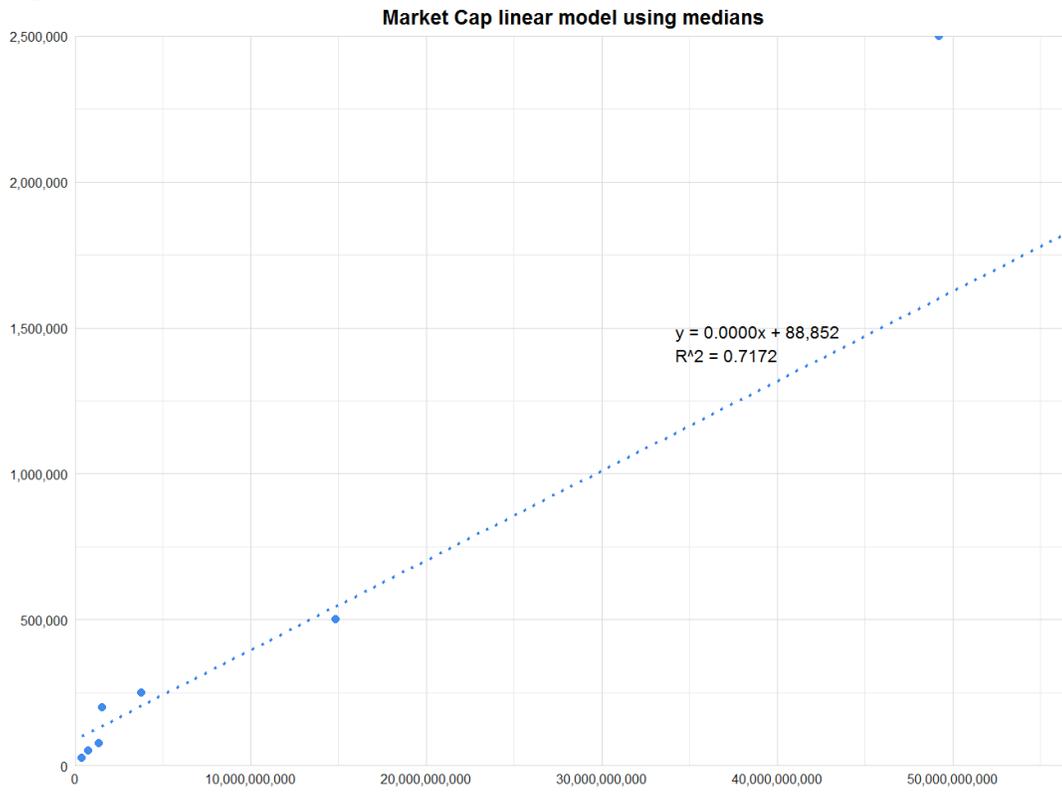


Figure 1 utilizes IBIT’s market capitalization of 52,661,063,818 to arrive at a modeled position limit of 1,707,654.

²⁴ See [id.](#)

Figure 2

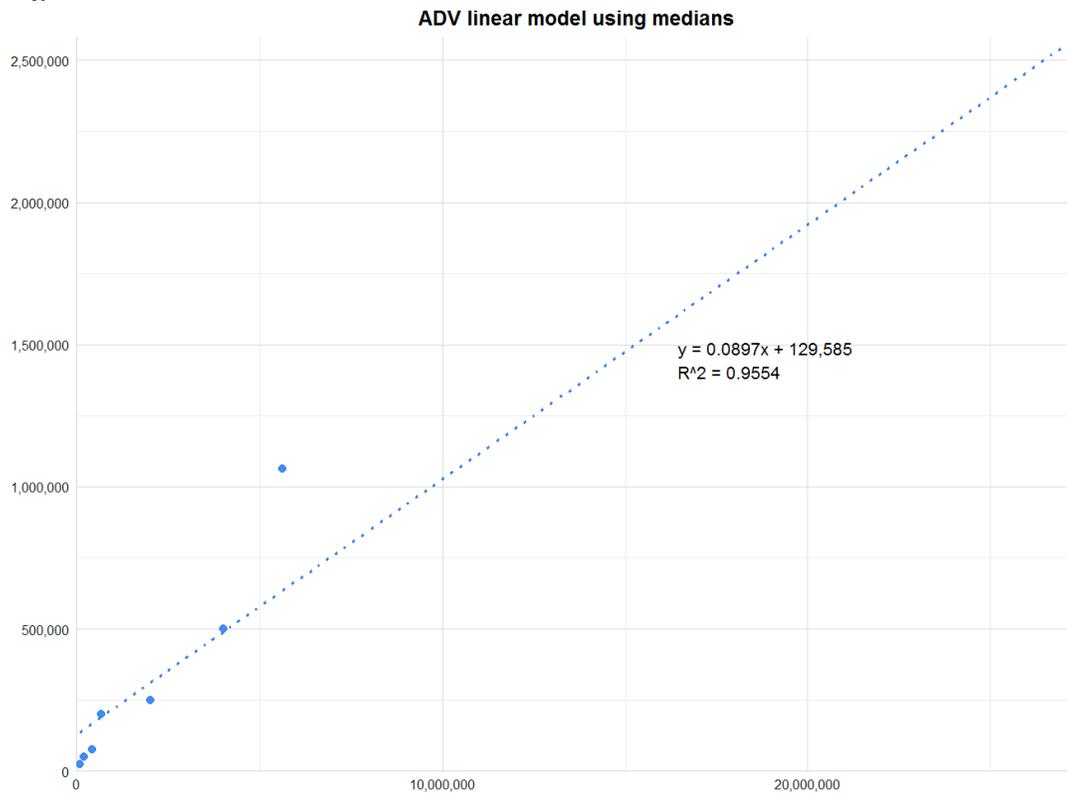


Figure 2 utilizes IBIT's ADV of 61,803,035 to arrive at a modeled position limit of 5,672,081. Based on the aforementioned analysis, the Exchange believes that the proposed 1,000,000 contracts position and exercise limit is appropriate.

Figure 3
Two Factor Model
SUMMARY
OUTPUT

<i>Regression Statistics</i>					
Multiple R	0.99904				
R Square	0.99808				
Adjusted R Square	0.99731				
Standard Error	43896.7				
Observations	8				

<i>ANOVA</i>					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	501315836775	2506579183878	1300.82	0.000000161147
Residual	5	9634600995	1926920199		
Total	7	502279296875			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	55312.4	19311	2.86430	0.0352287	5672	104953
ADV median of bucket	0.0000108019	0.010239	10.5498	0.000132176	0.00000816993	0.0000134340
market cap median of bucket	0.0700282	0.00258812	27.0575	0.00000128981	0.0633752	0.0766812

Figure 3 shows the results when constructing a two-factor model employing both metrics (180-day ADV and market capitalization). The result is a modeled position limit of 4,952,107.²⁵

²⁵ See *id.*

Second, ISE reviewed IBIT’s data relative to the market capitalization of the entire Bitcoin market in terms of exercise risk and availability of deliverables. Also, as of February 11, 2026, there were approximately 20.5 million Bitcoins in circulation.²⁶ At a price of \$66,938,²⁷ that equates to a market capitalization of greater than \$1.374 trillion US. If a position limit of 1,000,000 contracts were considered, the exercisable risk would represent 7.474%²⁸ of the outstanding shares outstanding of IBIT. Since IBIT has a creation and redemption process managed through the issuer, the position limit can be compared to the total market capitalization of the entire Bitcoin market and in that case, the exercisable risk for options on IBIT would represent 0.278% of all Bitcoin outstanding.²⁹ Assuming a scenario where all options on IBIT shares were exercised given the proposed 1,000,000-contract position limit (and exercise limit), this would have a virtually unnoticed impact on the entire Bitcoin market. This analysis demonstrates that the proposed 1,000,000 per same side position and exercise limit is appropriate for options on IBIT given its liquidity.

Third, ISE reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the Commodity Futures Trading Commission (“CFTC”). While the CFTC, through the relevant Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), ISE examined equivalent bitcoin futures position limits. In particular, ISE looked to the CME bitcoin futures contract³⁰

²⁶ See <https://www.coingecko.com/en/coins/Bitcoin>.

²⁷ This is the approximate price of Bitcoin from February 11, 2026.

²⁸ This percentage is arrived at with this equation: $(1,000,000 \text{ contract limit} * 100 \text{ share per option} / 1,337,920,000 \text{ shares outstanding})$.

²⁹ This number was arrived at with this calculation: $(1,000,000 \text{ limit} * 100 \text{ shares per option} * \$38.29 \text{ IBIT NAV}) / (20,528,687 \text{ BTC outstanding} * \$66,938 \text{ BTC price})$.

³⁰ CME Bitcoin Futures are described in Chapter 350 of CME’s Rulebook.

that has a position limit of 2,000 futures.³¹ On February 11, 2026, CME bitcoin futures settled at \$67,71570,406.33.[sic]³² On February 11, 2026, IBIT settled at \$38.29, which would equate to greater than 17,684,774 shares of IBIT if the CME notional position limit was utilized. Since substantial portions of any distributed options portfolio is likely to be out of the money on expiration, an options position limit equivalent to the CME position limit for bitcoin futures (considering that all options deltas are ≤ 1.00) should be a bit higher than the CME implied 176,848 limit. Of note, unlike options contracts, CME position limits are calculated on a net futures-equivalent basis by contract and include contracts that aggregate into one or more base contracts according to an aggregation ratio(s).³³ 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.³⁴ If a position exceeds position limits because of an option assignment, CME permits market participants to liquidate the excess position within one business day without being considered in violation of its rules. Additionally, if at the close of trading, a position that includes options exceeds position limits for futures contracts, when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation. Based on the aforementioned

³¹ See the Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5 of CME's Rulebook.

³² 2,000 futures at a 5 bitcoin multiplier (per the contract specifications) equates to \$677,150,000 (2,000 contracts * 5 BTC per contract * \$67,715 price of February BTC future) of notional value.

³³ See <https://www.cmegroup.com/education/courses/market-regulation/position-limits/position-limits-aggregation-of-contracts-and-table.htm>.

³⁴ Id.

analysis, the Exchange believes that the proposed 1,000,000 contracts position and exercise limit is appropriate.

Fourth, ISE analyzed a position limit and exercise limit of 1,000,000 for IBIT options against other options on ETFs with an underlying commodity, namely SPDR Gold Shares (“GLD”), iShares Silver Trust (“SLV”), and ProShares Bitcoin ETF (“BITO”).³⁵ GLD has a float of 377 million shares³⁶ and a position limit of 250,000 contract. SLV has a float of 552 million shares,³⁷ and a position limit of 250,000 contracts. Finally, BITO has 200.89 million shares outstanding³⁸ and a position limit of 250,000 contracts. As previously noted, position limits and exercise limits are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or indirectly, may control. A position limit exercise in GLD would represent 6.63% of the float of GLD; a position limit exercise in SLV would represent 4.53% of the float of SLV, and a position limit exercise of BITO would represent 12.44% of the float of BITO. In comparison, a 1,000,000-contract position limit in IBIT options would represent 7.474%³⁹ of the float of IBIT. Consequently, the 1,000,000 proposed IBIT options position and exercise limit is more conservative than the standard applied to GLD, SLV and BITO, and appropriate.

Fifth, ISE notes that IBIT began trading in penny increments as of January 2, 2025 pursuant to the Penny Interval Program.⁴⁰ The Commission noted that evidence and analysis

³⁵ GLD, SLV and BITO each hold one asset in trust similar to IBIT.

³⁶ See <https://www.ssga.com/us/en/intermediary/etfs/spdr-gold-shares-gld>.

³⁷ See <https://www.ishares.com/us/products/239855/ishares-silver-trust-fund>.

³⁸ See <https://www.marketwatch.com/investing/fund/bit0>.

³⁹ This percentage is arrived at with this equation: (1,000,000 contract limit * 100 share per option / 1,337,920,000 shares outstanding). This information was captured on February 11, 2026.

⁴⁰ The Exchange may add to the Penny Program a newly listed option class provided that (i) it is among the 300 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in

provided in connection with the Penny Pilot demonstrated that the Pilot benefitted investors and other market participants in the form of narrower spreads.⁴¹ The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests). As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class experienced a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.⁴² IBIT options is among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments. Failing to increase position and exercise limits for IBIT options, now that it is trading in finer increments, may artificially inhibit liquidity and create price inefficiency. The Exchange notes that options on iShares MSCI Emerging Markets, iShares China Large-Cap ETF and iShares MSCI EAFE ETF also trade in penny increments based on their liquidity.

The Exchange believes that IBIT options have more than sufficient liquidity to garner an increased position and exercise limit of 1,000,000 contracts. The Exchange believes that any

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

⁴¹ See Securities Exchange Act Release No. 88532 (April 1, 2020), 85 FR 19545, 19548 (April 7, 2020) (File No. 4-443) (Joint Industry Plan; Order Approving Amendment No. 5 to the Plan for the Purpose of Developing and Implementing Procedures Designed To Facilitate the Listing and Trading of Standardized Options To Adopt a Penny Interval Program) (“Penny Approval Order”).

⁴² Id. at 19548.

concerns related to manipulation and protection of investors are mollified by the significant liquidity provision in IBIT. The Exchange states that, as a general principle, increases in active trading volume and deep liquidity of the underlying securities do not lead to manipulation and/or disruption.

The Exchange believes that increasing the position (and exercise) limits for IBIT options would lead to a more liquid and competitive market environment for IBIT options, which will benefit customers that trade these options. Further, the reporting requirement for such options would remain unchanged. Thus, the Exchange will still require that each Member that maintains positions in impacted options on the same side of the market, for its own account or for the account of a customer, report certain information to the Exchange. This information includes, but would not be limited to, the options' positions, whether such positions are hedged and, if so, a description of the hedge(s). Market Makers would continue to be exempt from this reporting requirement, however, the Exchange may access Market Maker position information.⁴³ 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 and will continue to serve as an important part of the Exchange's surveillance efforts.⁴⁴

The Exchange also has no reason to believe that the growth in trading volume in IBIT will not continue. Rather, the Exchange expects continued options volume growth in IBIT as opportunities for investors to participate in the options markets increase and evolve. The

⁴³ 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 Financial Industry Regulatory Authority, Inc. ("FINRA"), acting as its agent pursuant to a regulatory services agreement ("RSA").

⁴⁴ See Options 9, Section 16.

Exchange believes that the current position and exercise limits in IBIT options are restrictive and will hamper the listed options markets from being able to compete fairly and effectively with the over-the-counter (“OTC”) markets. OTC transactions occur through bilateral agreements, the terms of which are not publicly disclosed to the marketplace. As such, OTC transactions do not contribute to the price discovery process on a public exchange or other lit markets. The Exchange believes that without the proposed changes to position and exercise limits for IBIT options, market participants will find the 250,000-contract position limit an impediment to their business and investment objectives as well as an impediment to efficient pricing. As such, market participants may find the less transparent OTC markets a more attractive alternative to achieve their investment and hedging objectives, leading to a retreat from the listed options markets, where trades are subject to reporting requirements and daily surveillance.

The Exchange believes that the existing surveillance procedures and reporting requirements at the Exchange are capable of properly identifying disruptive and/or manipulative trading activity. The Exchange also represents that it has adequate surveillances in place to detect potential manipulation, as well as reviews in place to identify continued compliance with the Exchange’s listing standards. These procedures monitor market activity via automated surveillance techniques to identify unusual activity in both options and the underlyings, as applicable. The Exchange also notes that large stock holdings must be disclosed to the Commission by way of Schedules 13D or 13G,⁴⁵ which are used to report ownership of stock which exceeds 5% of a company's total stock issue and may assist in providing information in monitoring for any potential manipulative schemes. Further, the Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately

⁴⁵ 17 CFR 240.13d-1.

address concerns regarding potentially large, unhedged positions in equity options. Current margin and risk-based haircut methodologies serve to limit the size of positions maintained by any one account by increasing the margin and/or capital that a Member must maintain for a large position held by itself or by its customer.⁴⁶ In addition, Rule 15c3-1⁴⁷ imposes a capital charge on Members to the extent of any margin deficiency resulting from the higher margin requirement.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁴⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁴⁹ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁵⁰ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that increasing the position limit and exercise limit for options on IBIT to 1,000,000 contracts is consistent with the Act. This proposal will remove impediments

⁴⁶ See Options 9, Section 3 regarding margin requirements.

⁴⁷ 17 CFR 240.15c3-1.

⁴⁸ 15 U.S.C. 78f(b).

⁴⁹ 15 U.S.C. 78f(b)(5).

⁵⁰ 15 U.S.C. 78(f)(b)(5).

to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it will provide market participants with the ability to more effectively execute their trading and hedging activities. Also, based on current trading volume, the resulting increase in the position (and exercise) limits for IBIT options may allow Market Makers to maintain their liquidity in these options in amounts commensurate with the continued high consumer demand in IBIT options. The increased position and exercise limits may also encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. Further, this amendment would allow institutional investors to utilize IBIT options for prudent risk management purposes.

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

Comparing IBIT's data relative to the market capitalization of the entire Bitcoin market in terms of exercise risk and availability of deliverables, the Exchange was able to conclude that if a position limit of 1,000,000 contracts were considered, the exercisable risk would represent 7.474%⁵¹ of the shares outstanding of IBIT. Since IBIT has a creation and redemption process managed through the issuer (whereby Bitcoin is used to create IBIT shares), the position limit can be compared to the total market capitalization of the entire Bitcoin market and in that case,

⁵¹ This percentage is arrived at with this equation: $(1,000,000 \text{ contract limit} * 100 \text{ share per option} / 1,337,920,000 \text{ shares outstanding})$. This information was captured on February 11, 2026.

the exercisable risk for options on IBIT would represent less than 0.278% of all Bitcoin outstanding.⁵² This analysis demonstrated that a 1,000,000 contracts position and exercise limits would be appropriate.

Comparing a position limit of 1,000,000 for IBIT options against other options on ETFs with an underlying commodity, namely GLD, SLV and BITO, a position limit exercise in GLD represents 6.63% of the float of GLD, a position limit exercise in SLV represents 4.53% of the float of SLV, and a position limit exercise of BITO represents 12.44% of the float of BITO. In comparison, a 1,000,000-contract position limit in IBIT options would represent 7.474%⁵³ of the float of IBIT. Consequently, a 1,000,000 IBIT options position limit is generally aligned with the standards applied to GLD, SLV and BITO, and appropriate.

ISE notes that IBIT began trading in penny increments on January 2, 2025 pursuant to the Penny Interval Program.⁵⁴ The Commission noted that evidence and analysis provided in

⁵² This number was arrived at with this calculation: $(1,000,000 \text{ limit} * 100 \text{ shares per option} * \$38.29 \text{ IBIT NAV}) / (20,528,687 \text{ BTC outstanding} * \$66,938 \text{ BTC price})$.

⁵³ This percentage is arrived at with this equation: $(1,000,000 \text{ contract limit} * 100 \text{ share per option} / 1,337,920,000 \text{ shares outstanding})$. This information was captured on February 11, 2026.

⁵⁴ The Exchange may add to the Penny Program a newly listed option class provided that (i) it is among the 300 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in its first full calendar month of trading and (ii) the underlying security is priced below \$200 or the underlying index is at an index level below \$200. Any option class added under this provision will be added on the first trading day of the month after it qualifies and will remain in the Penny Program for one full calendar year, after which it will be subject to the Annual Review described in Supplementary Material .01(b) to Options 3, Section 3. The Exchange may add any option class to the Penny Program, provided that (i) it is among the 75 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in the past six full calendar months of trading and (ii) the underlying security is priced below \$200 or the underlying index is at an index level below \$200. Any option class added under this provision will be added on the first trading day of the second full month after it qualifies and will remain in the Penny Program for the rest of the calendar year, after which it will be subject to the Annual Review as described in Supplementary

connection with the Penny Pilot demonstrated that the Pilot benefitted investors and other market participants in the form of narrower spreads.⁵⁵ The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests).⁵⁶ As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class that experience a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.⁵⁷ IBIT options are among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments pursuant to the Penny Interval Program. Failing to permit IBIT options to potentially increase position and exercise limits given the trading in finer increments, may artificially inhibit liquidity and create price inefficiency for IBIT options.

Finally, as discussed above, the Exchange’s surveillance and reporting safeguards continue to be designed to deter and detect possible manipulative behavior that might arise from increasing or eliminating position and exercise limits in certain classes. The Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged positions in the options on the

Material .01(b) to Options 3, Section 3. See Supplementary Material .01 to ISE Options 3, Section 3.

⁵⁵ See Securities Exchange Act Release No. 88532 (April 1, 2020), 85 FR 19545, 19548 (April 7, 2020) (File No. 4-443) (Joint Industry Plan; Order Approving Amendment No. 5 to the Plan for the Purpose of Developing and Implementing Procedures Designed To Facilitate the Listing and Trading of Standardized Options To Adopt a Penny Interval Program) (“Penny Approval Order”).

⁵⁶ Options on iShares MSCI Emerging Markets, iShares China Large-Cap ETF and iShares MSCI EAFE ETF also trade in penny increments based on their liquidity.

⁵⁷ Id. at 19548.

underlying securities, further promoting just and equitable principles of trading, the maintenance of a fair and orderly market, and the protection of investors.

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

The Exchange’s proposal does not burden intra-market competition because all Members would be subject to the position limits in Options 9, Sections 13 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.

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.

IV. Proceedings to Determine Whether to Approve or Disapprove SR-ISE-2025-26, as Modified by Amendment No. 5, and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act⁵⁸ to determine whether the proposed rule change, as modified by Amendment No. 5, should be

⁵⁸ 15 U.S.C. 78s(b)(2)(B).

approved or disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide comments on the proposed rule change.

Pursuant to Section 19(b)(2)(B) of the Act,⁵⁹ the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of the proposed rule change's consistency with the Act and, in particular, with Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and to protect investors and the public interest.⁶⁰

The Commission asks that commenters address the sufficiency of the Exchange's statements in support of the proposal, in addition to any other comments they may wish to submit about the proposed rule change. In particular, the Commission seeks comment on whether the data and analysis provided by the Exchange support a conclusion that the proposed position and exercise limits for IBIT options are consistent with the requirements of Section 6(b)(5) of the Act, including the requirements that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest.

V. Procedure: Request for Written Comments

⁵⁹ Id.

⁶⁰ 15 U.S.C. 78f(b)(5).

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues identified above, as well as any other concerns they may have with the proposal, as modified by Amendment No. 5. In particular, the Commission invites the written views of interested persons concerning whether the proposal is consistent with Section 6(b)(5) or any other provision of the Act, and the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4, any request for an opportunity to make an oral presentation.⁶¹

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change should be approved or disapproved by [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-ISE-2025-26 on the subject line.

⁶¹ Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Pub. L. 94-29 (June 4, 1975), grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

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-2025-26. 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-2025-26 and should be submitted

on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Rebuttal comments should be submitted by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶²

Sherry R. Haywood,
Assistant Secretary.

⁶² 17 CFR 200.30-3(a)(12), (57).