

# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105317; File No. SR-ISE-2025-26]

## Self-Regulatory Organizations; Nasdaq ISE, LLC; Order Approving a Proposed Rule Change, as Modified by Amendment No. 5, to Amend the Position and Exercise Limits for IBIT Options

April 27, 2026.

### I. Introduction

On November 13, 2025, Nasdaq ISE, LLC (“Exchange” or “ISE”) filed with the Securities and Exchange Commission (“Commission”), 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> a proposed rule change to increase the position and exercise limits for options on the iShares Bitcoin Trust ETF (“IBIT”) and to amend its rules regarding 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.<sup>3</sup> 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 Act,<sup>4</sup> the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.<sup>5</sup> 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

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

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

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

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> See Securities Exchange Act Release No. 104542, 90 FR 750 (Jan. 8, 2026). The Commission designated February 24, 2026, as the date by which the Commission shall either approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change.

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 proposed rule change, which supersedes and replaces the original proposal, as modified by Amendment Nos. 1 and 4, in its entirety.<sup>6</sup> On February 24, 2026, the Commission issued notice of filing of Amendment No. 5 and instituted proceedings under Section 19(b)(2)(B) of the Act<sup>7</sup> to determine whether to approve or disapprove the proposed rule change, as modified by Amendment No. 5.<sup>8</sup> The Commission received no comments regarding the proposal. This order approves the proposed rule change, as modified by Amendment No. 5.

## II. Description of the Proposed Rule Change, as Modified by Amendment No. 5

Under Exchange Options 9, Sections 13 and 15, IBIT options currently are subject to position and exercise limits of 250,000 contracts on the same side of the market.<sup>9</sup> As described more fully in the Order Instituting Proceedings,<sup>10</sup> the Exchange proposes to amend its rules to increase the position and exercise limits for IBIT options to 1,000,000 contracts on the same side of the market.<sup>11</sup> The Exchange states that the current position and exercise limits will impede the activities of investors using IBIT options in hedging or income-generating strategies.<sup>12</sup> The Exchange further states that the liquidity and market capitalization of IBIT reduce concerns

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<sup>6</sup> 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.

<sup>7</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>8</sup> See Securities Exchange Act Release No. 104884 (Feb. 24, 2026), 91 FR 9904 (Feb. 27, 2028) ("Order Instituting Proceedings").

<sup>9</sup> See Order Instituting Proceedings, 91 FR at 9905, footnote 10.

<sup>10</sup> See supra note 8.

<sup>11</sup> See proposed Exchange Options 9, Section 13, Supplementary Material .01, and Options 9, Section 15, Supplementary Material .01.

<sup>12</sup> See Order Instituting Proceedings, 91 FR at 9905.

regarding the potential for market manipulation or disruption of the underlying markets in connection with the proposed position and exercise limits.<sup>13</sup> In addition, the Exchange states that the proposed position limits and exercise limits for IBIT options are consistent with existing position and exercise limits for options on the iShares MSCI Emerging Markets ETF (“EEM”), the iShares China Large-Cap ETF (“FXI”), and the iShares MSCI EAFE ETF (“EFA”).<sup>14</sup>

The Exchange states that, as of February 11, 2026, the market capitalization of IBIT was \$52,661,063,818 and its average daily volume (“ADV”) for the preceding six months was 61,803,035 shares.<sup>15</sup> The Exchange states that, in comparison, EEM had ADV of 29,459,889 shares and assets under management (“AUM”) of \$27,761,941,292; FXI had ADV of 31,656,532 shares and AUM of \$6,594,337,253; and EFA had ADV of 17,215,037 shares and AUM of \$76,788,457,200.<sup>16</sup>

In addition, the Exchange reviewed IBIT’s data relative to the market capitalization of the entire bitcoin market.<sup>17</sup> The Exchange states that, as of February 11, 2026, the market capitalization of bitcoin was greater than \$1.374 trillion and that a position limit of 1,000,000 contracts would represent 7.474% of the outstanding shares of IBIT.<sup>18</sup> In addition, the Exchange states that because IBIT has a creation and redemption process managed through the issuer, the position limit can be compared to the total market capitalization of the bitcoin market. The

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<sup>13</sup> See id. at 9906.

<sup>14</sup> See id. at 9905. See also Exchange Options 9, Section 13, Supplementary Material .01, and Exchange Options 9, Section 15, Supplementary Material .01.

<sup>15</sup> See Order Instituting Proceedings, 91 FR at 9906.

<sup>16</sup> See id.

<sup>17</sup> See id. at 9909.

<sup>18</sup> See id. The Exchange states that options on the SPDR Gold Shares (“GLD”), the iShares Silver Trust (“SLV”), and the ProShares Bitcoin ETF (“BITO”) each have position and exercise limits of 250,000 contracts on the same side of the market, and that these limits represent 6.63% of the float of GLD, 4.53% of the float of SLV, and 12.44% of the float of BITO. See id. at 9910.

Exchange states that the exercisable risk for options on IBIT would represent 0.278% of all bitcoin outstanding.<sup>19</sup> The Exchange further states that, given the proposed 1,000,000-contract position and exercise limits, if all options on IBIT shares were exercised, it would have a virtually unnoticed impact on the entire bitcoin market.<sup>20</sup> The Exchange states that this analysis demonstrates that the proposed 1,000,000-contract per same side position and exercise limit is appropriate for options on IBIT given its liquidity.<sup>21</sup>

The Exchange states that IBIT options have more than sufficient liquidity to garner an increased position and exercise limit of 1,000,000 contracts and that any concerns related to manipulation and protection of investors are mollified by the significant liquidity provision in IBIT.<sup>22</sup> The Exchange states that the reporting requirements for IBIT options will remain unchanged and will continue to serve as an important part of the Exchange's surveillance efforts.<sup>23</sup> In addition, the Exchange states that its existing surveillance procedures and reporting requirements are capable of properly identifying disruptive and/or manipulative trading activity.<sup>24</sup>

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 5, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>25</sup> In particular, the Commission finds

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<sup>19</sup> See id. at 9909-10.

<sup>20</sup> See id. at 9910.

<sup>21</sup> See id.

<sup>22</sup> See id. at 9910-11.

<sup>23</sup> See id. at 9911. See also Options 9, Section 16.

<sup>24</sup> See Order Instituting Proceedings, 91 FR at 9911.

<sup>25</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

that the proposed rule change, as modified by Amendment No. 5, is consistent with Section 6(b)(5) of the Act,<sup>26</sup> which requires, among other things, that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest.

Position and exercise limits serve as a regulatory tool designed to deter manipulative schemes and adverse market impact surrounding the use of options. Since the inception of standardized options trading, the options exchanges have had rules limiting the aggregate number of options contracts that a member or customer may hold or exercise. Options 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 to benefit the options position.<sup>27</sup> In addition, such limits serve to reduce the possibility of disruption in the options market itself, especially in illiquid classes.<sup>28</sup> As the Commission has previously recognized, markets with active and deep trading interest, as well as with broad public ownership, are more difficult to manipulate or disrupt than less active and deep markets with smaller public floats.<sup>29</sup> The Commission also has recognized 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.<sup>30</sup> At the same time, the Commission has recognized

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<sup>26</sup> 15 U.S.C. 78f(b)(5).

<sup>27</sup> See Securities Exchange Act Release No. 39489 (Dec. 24, 1997), 63 FR 276, 279 (Jan. 5, 1998) (order approving File No. SR-Cboe-97-11).

<sup>28</sup> See id.

<sup>29</sup> See id.

<sup>30</sup> See, e.g., Securities Exchange Act Release Nos. 21907 (Mar. 29, 1985), 50 FR 13440, 13441 (Apr. 4, 1985) (order approving File Nos. SR-CBOE-84-21, SR-Amex-84-30, SR-Phlx-84-25, and SR-PSE-85-1); and 40875 (Dec. 31, 1998), 64 FR 1842, 1843 (Jan. 12, 1999) (order approving File Nos. SR-CBOE-98-25; Amex-98-22; PCX-98-33; and Phlx-98-36).

that limits must not be established at levels that are so low as to discourage participation in the options market by institutions and other investors with substantial hedging needs or to prevent specialists and market-makers from adequately meeting their obligations to maintain a fair and orderly market.<sup>31</sup>

Currently, the position and exercise limits in ISE Options 9, Sections 13 and 15, respectively, apply to IBIT options, and, under these rules, IBIT options have position and exercise limits of 250,000 contracts on the same side of the market.<sup>32</sup> ISE proposes to amend its rules to increase the position and exercise limits for IBIT options to 1,000,000 contracts on the same side of the market.<sup>33</sup>

The Exchange provided data and analysis supporting the proposed position and exercise limits. The Exchange states that, as of February 11, 2026, IBIT had 1,337,920,000 shares outstanding and market capitalization of \$52,661,063,818.<sup>34</sup> The Exchange states that a position limit of 1,000,000 contracts would represent 7.474% of the outstanding shares of IBIT.<sup>35</sup> The Exchange further states that any concerns that the proposed limits might raise with respect to market manipulation and investor protection “are mollified by the significant liquidity provision in IBIT.”<sup>36</sup>

The Exchange also compared the size of the proposed position and exercise limits to the market capitalization of the bitcoin market, which, according to the Exchange, was greater than

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<sup>31</sup> See id.

<sup>32</sup> See Order Instituting Proceedings, 91 FR at 9905, footnote 10.

<sup>33</sup> See proposed ISE Options 9, Section 13, Supplementary Material .01, and ISE Options 9, Section 15, Supplementary Material .01.

<sup>34</sup> See Order Instituting Proceedings, 91 FR at 9906.

<sup>35</sup> See id. at 9909.

<sup>36</sup> Id. at 9911.

\$1.374 trillion as of February 11, 2026.<sup>37</sup> The Exchange calculates that with a position limit of 1,000,000 contracts (which represents 100,000,000 shares of IBIT), the exercisable risk for options on IBIT would represent 0.278% of all bitcoin outstanding.<sup>38</sup> The Exchange states that, assuming a scenario where all options on IBIT shares were exercised given a 1,000,000-contract position and exercise limit, it “would have a virtually unnoticed impact on the entire Bitcoin market,” and, further, that the Exchange’s analysis “demonstrates that the proposed 1,000,000 per same side position and exercise limit is appropriate for options on IBIT given its liquidity.”<sup>39</sup>

The Commission finds that the proposed position and exercise limits are consistent with the Act, and in particular, with the requirements in Section 6(b)(5) 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. As discussed above, the Commission has recognized 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 option contracts disproportionate to the deliverable supply and average trading volume of the underlying security.<sup>40</sup> In addition, the Commission has stated previously that 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 position.<sup>41</sup> Based on its review of the data and analysis provided by the Exchange, the Commission concludes that the proposed position and exercise limits satisfy these objectives.

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<sup>37</sup> See id. at 9909.

<sup>38</sup> See id. at 9909-10.

<sup>39</sup> Id. at 9910.

<sup>40</sup> See supra note 30 and accompanying text.

<sup>41</sup> See supra note 27 and accompanying text.

Specifically, the Commission has considered and reviewed the Exchange's analysis that, based on data from February 11, 2026, a position limit of 1,000,000 contracts would represent 7.474% of the outstanding shares of IBIT.<sup>42</sup> The Commission also has considered and reviewed the Exchange's statements that, as of February 11, 2026, IBIT had 1,337,920,000 shares outstanding, market capitalization of \$52,661,063,818, and ADV of 61,803,035 shares for the preceding six months.<sup>43</sup>

Based on the Commission's review of this information and analysis, the Commission concludes that the proposed position and exercise limits are designed to prevent market participants from disrupting the market for the underlying securities by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security, and 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 position.

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<sup>42</sup> See Order Instituting Proceedings, 91 FR at 9910.

<sup>43</sup> See *id.* at 9906. In addition, the Commission has considered and reviewed the Exchange's statements that the position and exercise limits for options on GLD, SLV, and BITO would represent 6.63%, 4.53%, and 12.44%, respectively, of the outstanding shares of those exchange-traded products. See *id.* at 9910. Further, the Commission has considered and reviewed the Exchange's statements regarding the ADV and assets under management of EEM, FXI, and EFA, each of which underlies options that have position and exercise limits of 1,000,000 contracts. See ISE Options 9, Section 13, Supplementary Material .01.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>44</sup> that the proposed rule change (SR-ISE-2025-26), as modified by Amendment No. 5 be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>45</sup>

**Vanessa A. Countryman,**

*Secretary.*

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<sup>44</sup> 15 U.S.C. 78s(b)(2).

<sup>45</sup> 17 CFR 200.30-3(a)(12).