

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103566; File No. SR-NYSEAMER-2024-78]

Self-Regulatory Organizations; NYSE American LLC; Order Approving a Proposed Rule Change, as Modified by Amendment No. 1, to Permit the Trading of FLEX Options on Shares of the Grayscale Bitcoin Trust, the Grayscale Bitcoin Mini Trust ETF, and the Bitwise Bitcoin ETF

July 29, 2025.

I. Introduction

On December 13, 2024, NYSE American LLC (“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 amend Exchange Rule 903G(a)(1) to permit Flexible Exchange (“FLEX”) options on shares of the Grayscale Bitcoin Trust (BTC) (“GBTC”). The proposed rule change was published for comment in the Federal Register on December 27, 2024.³ On February 7, 2025, pursuant to Section 19(b)(2) of the Act,⁴ the Commission designated a longer period within which to approve the proposal, disapprove the proposal, or institute proceedings to determine whether to disapprove the proposal.⁵ On March 14, 2025, the Commission instituted proceedings under Section 19(b)(2)(B) of the Act⁶ to

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 102014 (Dec. 20, 2024), 89 FR 105669.

⁴ 15 U.S.C. 78s(b)(2).

⁵ See Securities Exchange Act Release No. 102376 (Feb. 7, 2025), 90 FR 9570 (Feb. 13, 2025). The Commission designated March 27, 2025, as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

⁶ 15 U.S.C. 78s(b)(2)(B).

determine whether to approve or disapprove the proposal.⁷ On April 25, 2025, the Exchange filed Amendment No. 1 to the proposal, which replaces and supersedes the original filing in its entirety.⁸ The proposed rule change, as modified by Amendment No. 1, was published for comment in the Federal Register on May 9, 2025.⁹ The Commission received no comments regarding the proposed rule change, as modified by Amendment No. 1. This order approves the proposed rule change, as modified by Amendment No. 1.

II. Description of the Proposed Rule Change, as Modified by Amendment No. 1

As described more fully in the Notice, the Exchange states that FLEX options are customized equity or index contracts that allow investors to tailor contract terms for exchange-listed equity and index options.¹⁰ Except for enumerated exceptions, FLEX options are not subject to position limits.¹¹ The Exchange states that the Commission recently approved the trading of options on GBTC, BTC, and BITB, all exchange-traded products (“ETPs”) that hold spot bitcoin and are listed on NYSE Arca, Inc., the Exchange’s affiliated equities exchange.¹² The Exchange further states that GBTC, BTC, and BITB options currently are not approved for FLEX trading, and that the current position and exercise limit for options applicable to each

⁷ See Securities Exchange Act Release No. 102675 (Mar. 14, 2025), 90 FR 13229.

⁸ Among other things, Amendment No. 1 expands the scope of the proposal to permit FLEX options on the Grayscale Bitcoin Mini Trust ETF (“BTC”), and the Bitwise Bitcoin ETF (“BITB”), as well as GBTC (each a “Fund” and, collectively, the “Funds”). Amendment No. 1 also makes technical corrections to Exchange Rule 904, Commentary. 07(f), to update the name of the Grayscale Bitcoin Mini Trust (BTC) to the Grayscale Bitcoin Mini Trust ETF and correct the symbol associated with the Fidelity Ethereum Fund from “ETH” to “FETH.”

⁹ See Securities Exchange Act Release No. 102996 (May 5, 2025), 90 FR 19756 (“Notice”).

¹⁰ See id. at 19756, n.6.

¹¹ See id. at 19756-57.

¹² See id. 90 FR at 19757. See also Securities Exchange Act Release No. 101386 (Oct. 18, 2024), 89 FR 84960 (Oct. 24, 2024) (File No. SR-NYSEAMER-2024-49) (order approving the listing and trading of options on GBTC, BTC, and BITB) (“Bitcoin ETP Options Order”).

Fund is 25,000 contracts.¹³ The Exchange proposes to amend its rules to permit FLEX equity options on GBTC (“FLEX GBTC”), BTC (“FLEX BTC”), and BITB (“FLEX BITB”) (collectively, “FLEX Fund Options”) and to apply the 25,000-contract position and exercise limits for GBTC options, BTC options, and BITB options to FLEX GBTC, FLEX BTC, and FLEX BITB, respectively.¹⁴ The Exchange will aggregate position (and exercise) limits for all GBTC, BTC, and BITB FLEX and non-FLEX options in the same underlying Fund, thus limiting positions for GBTC, BTC, and BITB options—FLEX and non-FLEX—to 25,000 contracts for each Fund.¹⁵

The Exchange states that the Commission has stated 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 positions.”¹⁶ The Exchange states that, 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.”¹⁷ The Exchange further states that based on its review of the data and analysis provided by the Exchange, the Commission concluded that the 25,000-contract position limit for non-FLEX options on each Fund satisfied these objectives.¹⁸

¹³ See Notice, 90 FR at 19757.

¹⁴ See id.

¹⁵ See id. and proposed Exchange Rule 906G(b)(iv).

¹⁶ See Notice, 90 FR at 19757 (citing the Bitcoin ETP Options Order, 89 FR at 84971).

¹⁷ See Notice, 90 FR at 19757.

¹⁸ See id.

The Exchange states that the proposed aggregated limit effectively restricts a market participant from holding positions that could result in the receipt of more than 2,500,000 shares, aggregated for FLEX and non-FLEX options in the same underlying Fund (if that market participant exercised all its options).¹⁹ The Exchange states that capping the aggregated position limit at 25,000 contracts would be sufficient to address concerns related to manipulation and the protection of investors, and, further, that the proposed position and exercise limits are conservative given the liquidity of the Funds.²⁰ As described more fully in the Notice, the Exchange states that although it proposes an aggregated position limit of 25,000 contracts for all options for each Fund, there is evidence to support a higher position limit.²¹

The Exchange states that FLEX options on ETFs are currently traded in the over-the-counter (“OTC”) market by a variety of market participants, including hedge funds, proprietary trading firms, and pension funds.²² The Exchange states that an exchange-traded alternative may provide a useful risk management and trading vehicle for market participants and their customers.²³ The Exchange states that Exchange-traded FLEX Fund Options would have advantages over contracts traded in the OTC market, including the mitigation of counter-party credit risk because Exchange-traded options are issued and guaranteed by The Options Clearing Corporation (“OCC”) and the price discovery and dissemination provided by the Exchange and its members, which would lead to more transparent markets.²⁴

¹⁹ See Notice, 90 FR at 19757.

²⁰ See id.

²¹ See id.

²² See id.

²³ See id.

²⁴ See id.

The Exchange states that it and The Options Price Reporting Authority have the necessary systems capacity to handle the additional traffic associated with the listing of FLEX Fund Options.²⁵ The Exchange states that the same surveillance procedures applicable to the other options products listed and traded on the Exchange, including non-FLEX options in each Fund, will apply to FLEX Fund Options, and that it has the necessary systems capacity to support the options.²⁶ The Exchange states that FLEX options products (and their respective symbols) are integrated into the Exchange’s existing surveillance system architecture and are thus subject to the relevant surveillance processes.²⁷ The Exchange further states that its market surveillance staff (including staff of the Financial Industry Regulatory Authority (“FINRA”) who perform surveillance and investigative work on behalf of the Exchange pursuant to a regulatory services agreement) conducts surveillances with respect to GBTC, BTC, and BITB (i.e., the underlying ETFs) and, as appropriate, would review activity in the applicable ETF when conducting surveillances for market abuse or manipulation in the FLEX Fund Options.²⁸ The Exchange states that it does not believe that allowing FLEX Fund Options would render the marketplace for non-FLEX options in any of the Funds, or equity options in general, more susceptible to manipulative practices.²⁹ The Exchange states that its existing trading

²⁵ See Notice, 90 FR at 19758.

²⁶ See id.

²⁷ See id.

²⁸ See id. at 19758-59. The Exchange’s rules use the term “exchange-traded fund” to refer to several types of investment products. See Exchange Rule 915, Commentary .06. GBTC, BTC and BITB are not registered nor subject to regulation under the Investment Company Act of 1940. See Form 10-Q for GBTC, dated May 2, 2025, available at <https://www.sec.gov/Archives/edgar/data/1588489/000095017025062731/gbtc-20250331.htm>; Amendment No. 4 to Form S-1 for BTC, dated July 26, 2024, available at <https://www.sec.gov/Archives/edgar/data/2015034/000119312524186494/d785023ds1a.htm>; Pre-Effective Amendment No. 1 to Form S-3 for BITB, dated June 23, 2025, available at https://www.sec.gov/Archives/edgar/data/1763415/000121390025056635/ea0246384-s3a1_bitwise.htm.

²⁹ See Notice, 90 FR at at 19759.

surveillances are adequate to monitor the trading in GBTC, BTC, and BITB, and subsequent trading of FLEX Fund Options on the Exchange.³⁰ Additionally, the Exchange states that it is a member of the Intermarket Surveillance Group (“ISG”) under the Intermarket Surveillance Group Agreement, that ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets, and that it would therefore have access to information regarding trading activity in GBTC, BTC, and BITB and in other pertinent underlying securities on other exchanges through ISG.³¹ In addition, the Exchange states that it has a regulatory services agreement with FINRA, pursuant to which FINRA conducts certain surveillances on behalf of the Exchange.³² The Exchange further states that, pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillances.³³ The Exchange states that it will implement any additional surveillance procedures it deems necessary to effectively monitor the trading of FLEX Fund Options.³⁴

III. Discussion and Commission Findings

After careful consideration, the Commission finds that the proposed rule change, as

³⁰ See id.

³¹ See id.

³² See id.

³³ See id. The Exchange states that Section 19(g)(1) of the Act, among other things, requires every self-regulatory organization (“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. Specifically, Section 17(d)(1) allows the Commission to relieve an SRO of its responsibilities to: receive regulatory reports from such members; examine such members for compliance with the Act and the rules and regulations thereunder, and the rules of the SRO; or carry out other specified regulatory responsibilities with respect to such members. See Notice, 90 FR at 19759 at n.30.

³⁴ See Notice, 90 FR at 19759.

modified by Amendment No. 1, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange,³⁵ and, in particular, the requirements of Section 6 of the Act.³⁶ Specifically, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with Section 6(b)(5) of the Act,³⁷ which requires, among other things, that an exchange have rules designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest.

The proposed FLEX Fund Options would permit the creation of customized options on GBTC, BTC, and BITB, which could help market participants implement their hedging, risk management, and investment strategies. In addition, the proposal will extend to FLEX Fund Options the benefits of trading on the Exchange's options market, including a centralized market center, an auction market with posted transparent market quotations and transaction reporting, parameters and procedures for clearance and settlement, and the guarantee of OCC for all contracts traded on the Exchange.³⁸

The Exchange's rules currently provide position and exercise limits of 25,000 contracts on the same side of the market for GBTC, BTC, and BITB options.³⁹ Although the proposal provides for the trading of FLEX Fund Options, the proposal maintains the existing position and exercise limits for GBTC, BTC, and BITB options of 25,000 contracts on the same side of the market and thus does not raise new regulatory issues with respect to position and exercise

³⁵ In approving this proposed rule change, as modified by Amendment No. 1, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

³⁶ 15 U.S.C. 78f.

³⁷ 15 U.S.C. 78f(b)(5).

³⁸ See Securities Exchange Act Release No. 36841 (Feb. 14, 1996), 61 FR 6666, 6668 (Feb. 21, 1996) (File Nos. SR-Cboe-95-43 and PSE-95-24) (order approving listing of FLEX options on specified equity securities).

³⁹ See Exchange Rule 904, Commentary .07(f).

limits.⁴⁰ The Commission finds that the proposed aggregation of positions in FLEX and non-FLEX options when calculating position and exercise limits for each of the FLEX Fund Options is 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. 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.⁴¹ In addition, such limits serve to reduce the possibility of disruption in the options market itself, especially in illiquid classes.⁴²

When the Commission approved the Exchange's proposal to list options on GBTC, BTC, and BITB, the Commission concluded that the proposed position and exercise limits were designed 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, and to prevent the establishment of options positions that could be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position.⁴³ At the same time, the Commission has recognized

⁴⁰ See Bitcoin ETP Options Order, 89 FR at 84971 (discussing the Commission's approval of the 25,000-contract position and exercise limits for GBTC, BTC, and BITB options).

⁴¹ 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).

⁴² See id.

⁴³ See Bitcoin ETP Options Order, 89 FR at 84971. See also Securities Exchange Act Release Nos. 21907

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.⁴⁴ This analysis applies to the proposed position and exercise limits for the FLEX Fund Options as well. By applying the existing GBTC, BTC, and BITB option position and exercise limits to the FLEX Fund Options, and by requiring the aggregation of positions in FLEX and non-FLEX options on each of the funds for position and exercise limit purposes, the proposed position and exercise limits for the FLEX Fund Options are designed 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, and to prevent the establishment of options positions that could be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position.

The Commission previously considered the surveillance procedures that would apply to options on GBTC, BTC, and BITB when it approved the Exchange's proposal to list and trade options on GBTC, BTC, and BITB.⁴⁵ As described above, the same surveillance procedures applicable to other options products listed and traded on the Exchange, including non-FLEX options on the Funds, will apply to FLEX Fund Options.⁴⁶ The Exchange states that FLEX options products (and their respective symbols) are integrated into the Exchange's existing

(Mar. 29, 1985), 50 FR 13440, 13441 (Apr. 4, 1985).

⁴⁴ See id.

⁴⁵ See Bitcoin ETP Options Order, 89 FR at 84971 (discussing the surveillance procedures that will apply to options on GBTC, BTC, and BITB).

⁴⁶ See Notice, 90 FR at 19759.

surveillance system architecture and thus are subject to the relevant surveillance processes.⁴⁷ The Exchange further states that it will implement any additional surveillance procedures it deems necessary to effectively monitor the trading of FLEX Fund Options.⁴⁸ In addition, the Exchange states that its market surveillance staff (including staff of FINRA who perform surveillance and investigative work on behalf of the Exchange pursuant a regulatory services agreement) conducts surveillances with respect to GBTC, BTC, and BITB and, as appropriate, would review activity in GBTC, BTC, and BITB when conducting surveillances for market abuse or manipulation in the FLEX Fund Options.⁴⁹ The Exchange also states that it is a member of ISG, that ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets, and that it would therefore have access to information regarding trading activity in GBTC, BTC, and BITB and in other pertinent underlying securities on other exchanges through ISG.⁵⁰ Accordingly, the Exchange states that for surveillance purposes, it would therefore have access to information regarding trading activity in the pertinent underlying securities.⁵¹ Further, in approving proposals to list bitcoin-based ETPs, including GBTC, BTC, and BITB, the Commission found that there were sufficient means to prevent fraud and manipulation of bitcoin-based ETPs.⁵²

Together, these surveillance procedures should allow the Exchange to investigate suspected manipulations or other trading abuses in FLEX Fund Options. Accordingly, the

⁴⁷ See id.

⁴⁸ See id.

⁴⁹ See id.

⁵⁰ See id.

⁵¹ See id.

⁵² See Securities Exchange Act Release Nos. 99306 (Jan. 10, 2024), 89 FR 3008 (Jan. 17, 2024) and 100610 (Jul. 26, 2024), 89 FR 62821 (Aug. 1, 2024).

Commission finds that the Exchange’s surveillance procedures for the FLEX Fund Options are designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest.

The proposed changes to Exchange Rule 904, Commentary. 07(f) to update the name of the Grayscale Bitcoin Mini Trust (BTC) to the Grayscale Bitcoin Mini Trust ETF and to correct the symbol associated with the Fidelity Ethereum Fund should help to ensure the accuracy of the Exchange’s rules.

IV. Conclusion

For the reasons set forth above, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, the requirements of Section 6(b)(5) of the Act.⁵³

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁵⁴ that the proposed rule change, (SR-NYSEAMER-2024-78), as modified by Amendment No. 1, is approved.

By the Commission.

Sherry R. Haywood,

Assistant Secretary.

⁵³ 15 U.S.C. 78f(b)(5).

⁵⁴ 15 U.S.C. 78s(b)(2)