

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-101641; File No. SR-NYSEARCA-2024-27)

November 15, 2024

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Amendment No. 4 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 4, to List and Trade Shares of the 7RCC Spot Bitcoin and Carbon Credit Futures ETF Under NYSE Arca Rule 8.500-E (Trust Units)

I. Introduction

On March 13, 2024, NYSE Arca, Inc. (“NYSE Arca” 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 list and trade shares of the 7RCC Spot Bitcoin and Carbon Credit Futures ETF under NYSE Arca Rule 8.500-E (Trust Units). The proposed rule change was published for comment in the Federal Register on March 26, 2024.³

On May 2, 2024, pursuant to Section 19(b)(2) of the Act,⁴ 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.⁵ On June 20, 2024, the Commission instituted proceedings pursuant to Section 19(b)(2)(B) of the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 99801 (Mar. 20, 2024), 89 FR 21104. The Commission received only one comment on the proposed rule change, which is available at: <https://www.sec.gov/comments/sr-nysearca-2024-27/srnysearca202427.htm>. The comment letter was not germane to the proposed rule change and instead concerned voluntary carbon markets more broadly. See Letter from James D. Milas (Mar. 27, 2024). As stated below, the Exchange represents that the Fund will not provide exposure to voluntary carbon markets.

⁴ 15 U.S.C. 78s(b)(2).

⁵ See Securities Exchange Act Release No. 100050, 89 FR 38932 (May 8, 2024).

Act⁶ to determine whether to approve or disapprove the proposed rule change.⁷ On September 3, 2024, pursuant to Section 19(b)(2) of the Act,⁸ the Commission designated a longer period for Commission action on the proposed rule change.⁹

On September 30, 2024, the Exchange filed Amendment No. 1 to the proposed rule change, which amended and replaced the proposed rule change in its entirety as originally filed.¹⁰ On October 3, 2024, the Exchange filed Partial Amendment No. 2, which amended the proposed rule change, as modified by Amendment No. 1.¹¹ On October 18, 2024, the Exchange filed Amendment No. 3 to the proposed rule change, which amended and replaced the proposed rule change in its entirety, as modified by Amendment No. 1 and Partial Amendment No. 2.¹² On October 24, 2024, the Exchange filed Amendment No. 4 to the proposed rule change, which amended and replaced the proposed rule change in its entirety, as modified by Amendment No. 3.¹³

The Commission is publishing this notice to solicit comments on Amendment No. 4 to the proposed rule change from interested persons, and is approving the proposed rule change, as modified by Amendment No. 4, on an accelerated basis.

⁶ 15 U.S.C. 78s(b)(2)(B).

⁷ See Securities Exchange Act Release No. 100390, 89 FR 53466 (June 26, 2024).

⁸ 15 U.S.C. 78s(b)(2).

⁹ See Securities Exchange Act Release No. 100896, 89 FR 73135 (Sept. 9, 2024). The Commission, pursuant to Section 19(b)(2) of the Act, designated Nov. 21, 2024 as the date by which the Commission shall either approve or disapprove the proposed rule change.

¹⁰ Amendment No. 1 is available on the Commission's website at: <https://www.sec.gov/comments/sr-nysearca-2024-27/srnysearca202427-527675-1515762.pdf>.

¹¹ Partial Amendment No. 2 is available on the Commission's website at: <https://www.sec.gov/comments/sr-nysearca-2024-27/srnysearca202427-527695-1515782.pdf>.

¹² Amendment No. 3 is available on the Commission's website at: <https://www.sec.gov/comments/sr-nysearca-2024-27/srnysearca202427-530955-1525482.pdf>.

¹³ Amendment No. 4 is available on the Commission's website at: <https://www.sec.gov/comments/sr-nysearca-2024-27/srnysearca202427-534335-1532242.pdf>.

II. The Exchange’s Description of the Proposal, as Modified by Amendment No. 4

In its filing with the Commission, the self-regulatory organization 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 those 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 parts of such statements.

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

1. Purpose

The Exchange proposes to list and trade shares (“Shares”) of the 7RCC Spot Bitcoin and Carbon Credit Futures ETF (the “Fund”) under NYSE Arca Rule 8.500-E.¹⁴

The Fund is a series of the Tidal Commodities Trust I (the “Trust”), a Delaware statutory trust organized on February 10, 2023.¹⁵ The Trust has no fixed termination date. The Trust will not be registered as an investment company under the Investment Company Act of 1940, as amended,¹⁶ and is not required to register under such act.

The sponsor of the Trust is Tidal Investments LLC (the “Sponsor”). The Sponsor is registered as a commodity pool operator and a commodity trading adviser with the Commodity

¹⁴ NYSE Arca Rule 8.500-E governs the listing and trading of Trust Units, which are securities issued by a trust or other similar entity that is constituted as a commodity pool that holds investments comprising or otherwise based on any combination of futures contracts, options on futures contracts, forward contracts, swap contracts, commodities, and/or securities.

¹⁵ On December 18, 2023, the Trust filed with the Commission a registration statement on Form S-1 (File No. 333-276125) (the “Registration Statement”) under the Securities Act of 1933 (15 U.S.C. 77a) (the “Securities Act”). On October 7, 2024, the Trust filed Amendment No. 1 to the Registration Statement. The description of the operation of the Fund herein is based, in part, on the Registration Statement. The Registration Statement is not yet effective and the Shares will not trade on the Exchange until such time that the Registration Statement is effective.

¹⁶ 15 U.S.C. 80a-1.

Futures Trading Commission (the “CFTC”) and is a member of the National Futures Association.

The administrator of the Fund is Tidal ETF Services (the “Administrator”). The custodian of the Fund’s bitcoin holdings is Gemini Trust Company, LLC (the “Bitcoin Custodian”). The Sponsor will appoint a non-digital custodian (the “Non-Digital Custodian” and, together with the Bitcoin Custodian, the “Custodians”), who will serve as the Fund’s custodian with respect to its cash and cash equivalents,¹⁷ as well as any investments in connection with its exposure to Carbon Credit Futures, as defined below.

The Fund’s Investment Objective and Strategy

According to the Registration Statement, the Fund’s investment objective is to reflect the daily changes of the price of bitcoin and the value of carbon credit futures contracts (“Carbon Credit Futures”), as represented by the Vinter Bitcoin Carbon Credits Index (the “Index”), less expenses from the Fund’s operations.

The Fund will pursue its investment objective by investing 80% of its assets in bitcoin and the remaining 20% of its assets in Carbon Credit Futures that provide exposure to Carbon Credit Futures represented by the Index. The Index seeks to provide exposure to both bitcoin and Carbon Credit Futures and is designed to track the performance of investing in a portfolio comprised of 80% of bitcoin and 20% Carbon Credit Futures. The Index’s Carbon Credit Futures are linked to the value of emissions allowances issued under the following “cap-and-trade”

¹⁷ “Cash Equivalents” shall mean such investments that, in the view of the Sponsor, are of high credit quality and liquidity and can be converted to cash quickly. Such investments shall include: (a) cash; (b) debt securities issued or directly or indirectly fully guaranteed or insured by the United States or any agency or instrumentality thereof (such as U.S. Treasury Bills); (c) commercial paper or finance company paper of sufficient credit quality in the view of the Sponsor; or (d) money market mutual funds. Additionally, the Fund will implement foreign exchange dollarization using spot market or foreign exchange forwards and customary foreign exchange hedging instruments.

regimes: the European Union Emissions Trading System (“EU ETS”), the California Carbon Allowance (“CCA”), and the Regional Greenhouse Gas Initiative (“RGGI”). The Fund will gain exposure to these Carbon Credit Futures only by investing directly in only such futures contracts. The Fund does not intend to invest in Carbon Credit Futures specifically linked to bitcoin mining or other related processes. As further discussed below, the Fund will not provide exposure to voluntary carbon markets.

Carbon Credit Futures

According to the Registration Statement, Carbon Credit Futures are futures contracts on emissions allowances issued by various “cap-and-trade” regulatory regimes that seek to reduce greenhouse gases over time. A cap-and-trade regime typically involves a regulator setting a limit on the total amount of specific greenhouse gases (“GHG”) (such as carbon dioxide (“CO₂”)) that can be emitted by regulated entities. Capping and reducing the cap on GHGs is viewed as a key policy tool in reaching climate change objectives. The regime is designed to promote sustainable development by putting a price on carbon emissions. The regulator will then issue or sell “emissions allowances” to regulated entities, which in turn may buy or sell the emissions allowances to the open market. To the extent that the regulator may then reduce the cap on emission allowances, regulated entities are incentivized to reduce their emissions; otherwise, they must purchase additional emission allowances on the open market, where the price of such allowances will likely be increasing as a result of demand, and regulated entities that reduce their emissions will be able to sell unneeded emission allowances for profit. An emission allowance or carbon credit is a unit of emissions (typically one ton of CO₂) that the owner of the allowance or credit is permitted to emit. Futures contracts linked to the value of emission allowances are known as carbon credit futures.

Overview of the Bitcoin Industry and Market

Bitcoin

According to the Registration Statement, bitcoin is the digital asset that is native to, and created and transmitted through the operations of, the peer-to-peer “Bitcoin Network,” a decentralized network of computers that operates on cryptographic protocols. No single entity owns or operates the Bitcoin Network, the infrastructure of which is collectively maintained by a decentralized user base. The Bitcoin Network allows people to exchange tokens of value, called bitcoin, which are recorded on a public transaction ledger known as the Blockchain. Bitcoin can be used to pay for goods and services, or it can be converted to fiat currencies, such as the U.S. dollar, at rates determined on digital asset trading platforms or in individual end-user-to-end-user transactions under a barter system. Although nascent in use, bitcoin may be used as a medium of exchange, unit of account or store of value.

The Bitcoin Network is decentralized and does not require governmental authorities or financial institution intermediaries to create, transmit, or determine the value of bitcoin. In addition, no party may easily censor transactions on the Bitcoin Network. As a result, the Bitcoin Network is often referred to as decentralized and censorship resistant.

The value of bitcoin is determined by the supply of and demand for bitcoin. New bitcoin are created and rewarded to the parties providing the Bitcoin Network’s infrastructure (“miners”) in exchange for their expending computational power to verifying transactions and add them to the “Blockchain.” The Blockchain is effectively a decentralized database that includes all blocks that have been solved by miners and it is updated to include new blocks as they are solved. Each bitcoin transaction is broadcast to the Bitcoin Network and, when included in a block, recorded in the Blockchain. As each new block records outstanding bitcoin transactions, and outstanding

transactions are settled and validated through such recording, the Blockchain represents a complete, transparent, and unbroken history of all transactions of the Bitcoin Network.

Bitcoin Network

Bitcoin was first described in a white paper released in 2008 and published under the pseudonym “Satoshi Nakamoto.” The protocol underlying Bitcoin was subsequently released in 2009 as open-source software and currently operates on a worldwide network of computers. The Bitcoin Network and its software have been under active development since that time by a group of computer engineers known as “core developers,” each of whom operates under a volunteer basis and without strict hierarchical administration.

The Bitcoin Network utilizes a digital asset known as “bitcoin,” which can be transferred among parties via the Internet. Unlike other means of electronic payments such as credit card transactions, one of the advantages of bitcoin is that it can be transferred without the use of a central administrator or clearing agency. As a central party is not necessary to administer bitcoin transactions or maintain the bitcoin ledger, the term decentralized is often used in descriptions of bitcoin. Unless it is using a third-party service provider, a party transacting in bitcoin is generally not afforded some of the protections that may be offered by intermediaries.

The first step in directly using the Bitcoin Network for transactions is to download specialized software referred to as a “bitcoin wallet.” A user’s bitcoin wallet can run on a computer or smartphone and can be used both to send and to receive bitcoin. Within a bitcoin wallet, a user can generate one or more unique “bitcoin addresses,” which are conceptually similar to bank account numbers. After establishing a bitcoin address, a user can send or receive bitcoin from his or her bitcoin address to or from another user’s bitcoin address. Sending bitcoin from one bitcoin address to another is similar in concept to sending a bank wire from one

person's bank account to another person's bank account; however, such transactions are not managed by an intermediary and erroneous transactions generally may not be reversed or remedied once sent.

The amount of bitcoin associated with each bitcoin address, as well as each bitcoin transaction to or from such bitcoin address, is transparently reflected in the Blockchain and can be viewed by websites that operate as "blockchain explorers." Copies of the Blockchain exist on thousands of computers on the Bitcoin Network throughout the Internet. A user's bitcoin wallet will either contain a copy of the blockchain or be able to connect with another computer that holds a copy of the blockchain. The innovative design of the Bitcoin Network protocol allows each Bitcoin user to trust that their copy of the Blockchain will generally be updated consistent with each other user's copy.

When a Bitcoin user wishes to transfer bitcoin to another user, the sender must first request a Bitcoin address from the recipient. The sender then uses his or her Bitcoin wallet software to create a proposed transaction that is confirmed and settled when included in the Blockchain. The transaction would reduce the amount of bitcoin allocated to the sender's bitcoin address and increase the amount allocated to the recipient's bitcoin address, in each case by the amount of bitcoin desired to be transferred. The transaction is completely digital in nature, similar to a file on a computer, and it can be sent to other computers participating in the Bitcoin Network; however, the use of cryptographic verification is believed to prevent the ability to duplicate or counterfeit bitcoin.

Bitcoin Protocol

The Bitcoin protocol is built using open-source software, meaning any developer can review the underlying code and suggest changes. There is no official company or group that is

responsible for making modifications to Bitcoin. There are, however, a number of individual developers that regularly contribute to a specific distribution of Bitcoin software known as the “Bitcoin Core,” which is maintained in an open-source repository on the website Github. There are many other compatible versions of Bitcoin software, but Bitcoin Core provides the de-facto standard for the Bitcoin protocol, also known as the “reference software.” The core developers for Bitcoin Core operate under a volunteer basis and without strict hierarchical administration.

Significant changes to the Bitcoin protocol are typically accomplished through a so-called “Bitcoin Improvement Proposal” or “BIP.” Such proposals are generally posted on websites, and the proposals explain technical requirements for the protocol change as well as reasons why the change should be accepted. Upon its inclusion in the most recent version of Bitcoin Core, a new BIP becomes part of the reference software’s Bitcoin protocol. Several BIPs have been implemented since 2011 and have provided various new features and scaling improvements.

Because Bitcoin has no central authority, updating the reference software’s Bitcoin protocol will not immediately change the Bitcoin Network’s operations. Instead, the implementation of a change is achieved by users and transaction validators (known as miners) downloading and running updated versions of Bitcoin Core or other Bitcoin software that abides by the new Bitcoin protocol. Users and miners must accept any changes made to the Bitcoin source code by downloading a version of their Bitcoin software that incorporates the proposed modification of the Bitcoin Network’s source code. A modification of the Bitcoin Network’s source code is only effective with respect to those Bitcoin users and miners who download it. If an incompatible modification is accepted by a less than overwhelming percentage of users and miners, a division in the Bitcoin Network will occur such that one network will run the pre-

modification source code and the other network will run the modified source code. Such a division is known as a “fork” in the Bitcoin Network.

Such a fork in the Bitcoin Network occurred on August 1, 2017, when a group of developers and miners accepted certain changes to the Bitcoin Network software intended to increase transaction capacity. Blocks mined on this network now diverge from blocks mined on the Bitcoin Network, which has resulted in the creation of a new blockchain whose digital asset is referred to as “bitcoin cash.” Bitcoin and bitcoin cash now operate as separate, independent networks, and have distinct related assets (bitcoin and bitcoin cash). Additional forks have followed the bitcoin cash fork, and it is possible that additional “forks” will occur in the future.¹⁸

Bitcoin Transactions

A bitcoin transaction is similar in concept to an irreversible digital check. The transaction contains the sender’s bitcoin address, the recipient’s bitcoin address, the amount of bitcoin to be sent, a transaction fee and the sender’s digital signature. Bitcoin transactions are secured by cryptography known as public-private key cryptography, represented by the bitcoin addresses and digital signature in a transaction’s data file. Each Bitcoin Network address, or “wallet,” is associated with a unique “public key” and “private key” pair, both of which are lengthy alphanumeric codes, derived together and possessing a unique relationship.

¹⁸ The Fund may from time to time come into possession of Incidental Rights and/or IR Virtual Currency by virtue of its ownership of bitcoin, generally through a fork in the Blockchain, an airdrop offered to holders of bitcoin or other similar event. “Incidental Rights” are rights to acquire, or otherwise establish dominion and control over, any virtual currency or other asset or right, which rights are incident to the Fund’s ownership of bitcoin and arise without any action of the Fund, or of the Sponsor on behalf of the Fund. “IR Virtual Currency” is any virtual currency tokens, or other asset or right, acquired by the Fund through the exercise of any Incidental Right. Although the Fund may be permitted to take certain actions with respect to Incidental Rights and IR Virtual Currency, at this time the Fund will prospectively irrevocably abandon any Incidental Rights and IR Virtual Currency. In the event the Fund seeks to change this position, the Exchange would file a subsequent proposed rule change with the Commission.

The use of key pairs is a cornerstone of the Bitcoin Network technology. This is because the use of a private key is the only mechanism by which a bitcoin transaction can be signed. If a private key is lost, the corresponding bitcoin is thereafter permanently non-transferable. Moreover, the theft of a private key provides the thief immediate and unfettered access to the corresponding bitcoin. Bitcoin users must therefore understand that in this regard, bitcoin is similar to cash: that is, the person or entity in control of the private key corresponding to a particular quantity of bitcoin has de facto control of the bitcoin. For large quantities of bitcoin, holders often embrace sophisticated security measures.

The public key is visible to the public and analogous to the Bitcoin Network address. The private key is a secret and is used to digitally sign a transaction in a way that proves the transaction has been signed by the holder of the public-private key pair, without having to reveal the private key. A user's private key must be kept safe in accordance with appropriate controls and procedures to ensure it is used only for legitimate and intended transactions. If an unauthorized third person learns of a user's private key, that third person could apply the user's digital signature without authorization and send the user's bitcoin to their or another bitcoin address, thereby stealing the user's bitcoin. Similarly, if a user loses his private key and cannot restore such access (*e.g.*, through a backup), the user may permanently lose access to the bitcoin associated with that private key and bitcoin address.

To prevent the possibility of double-spending bitcoin, each validated transaction is recorded, time stamped and publicly displayed in a "block" in the Blockchain, which is publicly available. Thus, the Bitcoin Network provides confirmation against double-spending by memorializing every transaction in the Blockchain, which is publicly accessible and downloaded in part or in whole by all users of the Bitcoin Network software program. Any user may validate,

through their Bitcoin wallet or a blockchain explorer, that each transaction in the Bitcoin Network was authorized by the holder of the applicable private key, and Bitcoin Network mining software consistent with reference software requirements validates each such transaction before including it in the Blockchain. This cryptographic security ensures that bitcoin transactions may not generally be counterfeited, although it does not protect against the “real world” theft or coercion of use of a Bitcoin user’s private key, including the hacking of a Bitcoin user’s computer or a service provider’s systems.

A Bitcoin transaction between two parties is recorded if such transaction is included in a valid block added to the Blockchain. A block is accepted as valid through consensus formation among Bitcoin Network participants. Validation of a block is achieved by confirming the cryptographic hash value included in the block’s data and by the block’s addition to the longest confirmed blockchain on the Bitcoin Network. For a transaction, inclusion in a block on the Blockchain constitutes a “confirmation” of validity. As each block contains a reference to the immediately preceding block, additional blocks appended to and incorporated into the Blockchain constitute additional confirmations of the transactions in such prior blocks, and a transaction included in a block for the first time is confirmed once against double-spending. This layered confirmation process makes changing historical blocks (and reversing transactions) exponentially more difficult the further back one goes in the Blockchain.

Bitcoin Mining – Creation of New Bitcoins

The process by which bitcoin are created and bitcoin transactions are verified is called “mining.” To begin mining, a user, or miner, can download and run a mining “client,” which, like regular Bitcoin Network software programs, turns the user’s computer into a “node” on the

Bitcoin Network that validates blocks, and, in this case, gives such user the ability to validate transactions and add new blocks of transactions to the Blockchain.

Miners, through the use of the bitcoin software program, engage in a set of prescribed complex mathematical calculations in order to verify transactions and compete for the right to add a block of verified transactions to the Blockchain and thereby confirm bitcoin transactions included in that block's data. The miner who successfully "solves" the complex mathematical calculations has the right to add a block of transactions to the Blockchain and is then rewarded with new bitcoin, the amount of which is determined by the Bitcoin protocol, plus any transaction fees paid for the transactions included in such block.

Confirmed and validated bitcoin transactions are recorded in blocks added to the Blockchain. Each block contains the details of some or all of the most recent transactions that are not memorialized in prior blocks, as well as a record of the award of bitcoin to the miner who added the new block. Each unique block can only be solved and added to the Blockchain by one miner; therefore, all individual miners and mining pools on the Bitcoin Network are engaged in a competitive process of constantly increasing their computing power to improve their likelihood of solving for new blocks. As more miners join the Bitcoin Network and its processing power increases, the Bitcoin Network adjusts the complexity of the block-solving equation to maintain a predetermined pace of adding a new block to the Blockchain approximately every ten minutes.

Mathematically Controlled Supply

The method for creating new bitcoin is mathematically controlled in a manner so that the supply of bitcoin grows at a limited rate pursuant to a pre-set schedule. The number of bitcoin awarded for solving a new block is automatically halved every 210,000 blocks. Thus, the current fixed reward for solving a new block is 6.25 bitcoin per block; the reward decreased from 25

bitcoin in July 2016 and 12.5 in May 2020. It is estimated to halve again in April or May of 2024. This deliberately controlled rate of bitcoin creation means that the number of bitcoin in existence will never exceed 21 million and that bitcoin cannot be devalued through excessive production unless the Bitcoin Network's source code (and the underlying protocol for bitcoin issuance) is altered. As of November 2023, approximately 19.5 million bitcoin are outstanding. The date when the 21 million bitcoin limitation will be reached is estimated to be the year 2140.

Bitcoin Market and Bitcoin Trading Platforms

In addition to using bitcoin to engage in transactions, investors may purchase and sell bitcoin to speculate as to the value of bitcoin in the bitcoin market, or as a long-term investment to diversify their portfolio. The value of bitcoin within the market is determined, in part, by: (i) the supply of and demand for bitcoin in the bitcoin market; (ii) market expectations for the expansion of investor interest in bitcoin and the adoption of bitcoin by individuals; (iii), the number of merchants that accept bitcoin as a form of payment; and (iv) the volume of private end-user-to-end-user transactions.

Although the value of bitcoin is determined by the value that two transacting market participants place on bitcoin through their transaction, the most common means of determining a reference value is by surveying one or more trading platforms where secondary markets for bitcoin exist. The most prominent digital asset trading platforms neither report trade information nor are they regulated in the same way as a national securities exchange. As such, there is some difference in the form, transparency, and reliability of trading data from digital asset trading platforms. Generally speaking, bitcoin data is available from these trading platforms with publicly disclosed valuations for each executed trade, measured by one or more fiat currencies

such as the U.S. dollar or Euro or another digital asset such as ether. OTC dealers or market makers do not typically disclose their trade data.

Currently, there are many digital asset trading platforms operating worldwide and trading platforms represent a substantial percentage of bitcoin buying and selling activity and, therefore, provide large data sets for market valuation of bitcoin. A digital asset trading platform provides investors with a way to purchase and sell bitcoin, similar to stock exchanges like the New York Stock Exchange or Nasdaq, which provide ways for investors to buy stocks and bonds in the “secondary market.” Unlike stock exchanges, which are regulated to monitor securities trading activity, digital asset trading platforms are largely regulated as money services businesses (or a foreign regulatory equivalent) and are required to monitor for and detect money-laundering and other illicit financing activities that may take place on the platform. Digital asset trading platforms operate websites designed to permit investors to open accounts with the trading platform and then purchase and sell bitcoin.

As with conventional stock exchanges, an investor opening a trading account and wishing to transact at a digital asset trading platform must deposit an accepted government-issued currency into their account, or a previously acquired digital asset. The process of establishing an account with a digital asset trading platform and trading bitcoin is different from, and should not be confused with, the process of users sending bitcoin from one bitcoin address to another bitcoin address, such as to pay for goods and services. This latter process is an activity that occurs wholly within the confines of the Bitcoin network, while the former is an activity that occurs largely on private websites and databases owned by the digital asset trading platform.

Overview of Commodity Futures Markets and Carbon Markets

Futures Markets

According to the Registration Statement, the Fund will invest in Carbon Credit Futures.

A futures contract is a standardized contract traded on, or subject to the rules of, an exchange that calls for the future delivery of a specified quantity and type of a particular underlying asset at a specified time and place or alternatively may call for cash settlement. Futures contracts are traded on a wide variety of underlying assets, including bonds, interest rates, agricultural products, stock indexes, currencies, energy, metals, economic indicators and statistical measures. The notional size and calendar term futures contracts on a particular underlying asset are identical and are not subject to any negotiation, other than with respect to price and the number of contracts traded between the buyer and seller.

Certain futures contracts settle in cash. The cash settlement amount reflects the difference between the contract purchase/sale price and the contract settlement price. The cash settlement mechanism avoids the potential for either side to have to deliver the underlying asset. For other futures contracts, the contractual obligations of a buyer or seller may generally be satisfied by taking or making physical delivery of the underlying asset or by making an offsetting sale or purchase of an identical futures contract on the same or linked exchange before the designated date of delivery. The difference between the price at which the futures contract is purchased or sold and the price paid for the offsetting sale or purchase, after allowance for brokerage commissions and exchange fees, constitutes the profit or loss to the trader.

Futures contracts involve, to varying degrees, elements of market risk. Additional risks associated with the use of futures contracts are imperfect correlation between movements in the price of the futures contracts and the level of the underlying benchmark and the possibility of an

illiquid market for a futures contract. With futures contracts, there is minimal but some counterparty risk to a fund since futures contracts are exchange traded and the exchange's clearing house, as counterparty to all exchange-traded futures contracts, effectively guarantees futures contracts against default. Many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit or trading may be suspended for specified times during the trading day.¹⁹ Futures contracts prices could move to the limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions.

Carbon Markets

Carbon markets are designed to reduce GHG emissions and promote sustainable development by putting a price on carbon. Carbon markets are markets where GHG emissions are commodified as a tradable unit either as an emission allowance in government compliance markets or as a verified emission reduction/removal credit in voluntary markets. There are two types of instruments that are traded in carbon markets: carbon credits (sometimes called "allowances") and carbon offsets. The two main types of carbon markets are compliance carbon markets ("CCMs") and voluntary carbon markets ("VCMs"). Carbon Credit Futures are an expansion of the carbon market. Carbon Credit Futures are credit instruments where the buyer seeks to have exposure to CCMs or VCM carbon offset projects, but without directly buying or selling allowances or investing in any projects.²⁰

¹⁹ The calculation of the Index will be based on the last traded price for each of the Carbon Credit Futures components, regardless of whether trading has been limited or suspended during a trading day.

²⁰ The Fund will not provide any exposure to VCMs.

CCMs are established by governments and operate under a cap-and-trade system. Cap-and-trade regimes set emission limits (*i.e.*, the right to emit a certain quantity of GHG emissions), which can be allocated or auctioned to the parties in the mechanism up to the total emissions cap. In these types of markets, a regulator will define an allowed maximum level of GHG emissions (the “Cap”) for a certain group of entities (e.g., countries, companies, or facilities). The Cap is then subdivided into distinct emission allowances, which are distributed by regulated entities. To stay in compliance with the regulator, the covered entities need to submit one allowance for each ton of carbon dioxide equivalent emitted during a compliance period (usually a year). The initial allocation of allowances to covered entities can be free of charge, partially free, and/or sold at auction by the regulator.

The Index

The Index is designed to track the performance of investing in a portfolio comprised of 80% bitcoin and 20% Carbon Credit Futures, which are linked to the value of emissions allowances issued under the following cap-and-trade regimes: the European Union Emissions Trading System, the California Carbon Allowance, and Regional Greenhouse Gas Initiative. The purpose of the Index is to obtain exposure to both bitcoin and Carbon Credit Futures. Because the Fund’s investment objective is to track the daily changes of the price of bitcoin and Carbon Credit Futures, changes in the price of the Shares will vary from changes in the spot price of bitcoin, carbon credits, and Carbon Credit Futures individually.

Invierno AB (“Vinter”) administers and calculates the bitcoin portion of the Index. According to the Sponsor, Vinter is a trusted index provider with experience constructing and maintaining indexes relied upon by banks and exchange-traded products. Vinter is a registered benchmark administrator governed by the European Benchmarks Regulation (2016/1011)

(“BMR”) and included in the European Securities and Markets Authority’s register over benchmark administrators.

To calculate the value of bitcoin, Vinter selects bitcoin trading platforms based on the criteria described below in “Valuation of Bitcoin” and takes the last price on each trading platform. Vinter then takes the median price across these trading platforms and calculates the time-weighted average price between 3:00 p.m. to 4:00 p.m. Eastern Time (“E.T.”) to determine the value of bitcoin at 4:00 p.m. E.T.

The Carbon Credit Futures component of the Index is calculated by Solactive and built with a combination of three Carbon Credit Futures indices, each of which is calculated and administered by a third party: (i) Solactive Carbon European Union Allowance Futures ER Index (SOCARBN), which tracks EU ETS futures; (ii) Solactive California Carbon Rolling Futures ER Index (SOCCAER), which tracks CCA futures; and (iii) Solactive Futures Series Regional Greenhouse Gas Rolling Futures Index, which tracks RGGI futures. The weights of the components are adjusted once per year (in November) and the weights are proportional to the trading volume over the last six months. As of the last quarterly rebalancing date, September 10, 2024, the weighting of Carbon Credit Futures in the Index was, and the weighting of Carbon Credit Futures in the Fund would have been, 18% EU ETS futures; 2% CCA futures; and 0% RGGI futures. The combination of exposure to the three underlying indices provides the Index with returns tied to futures contracts on carbon credits connected to EU ETS, CCA, and RGGI. The value of the Carbon Credit Futures that comprise the Index will be based on market prices. The Index includes only Carbon Credit Futures that mature in December of the next one to two

years.²¹ Although the Carbon Credit Futures in the Index are physically settled futures contracts, the Sponsor does not anticipate that the Fund will hold Carbon Futures until expiry or take or make delivery of any physical commodities. Instead, the Sponsor expects to roll Carbon Credit Futures in the Fund's portfolio approximately two weeks prior to expiry. Thus, the Sponsor expects to sell near to expiry Carbon Credit Futures and reinvest the proceeds in new Carbon Credit Futures to achieve the Fund's investment objective.

Vinter is the benchmark administrator for the bitcoin portion of the Index. As benchmark administrator for the bitcoin portion of the Index, Vinter is the central recipient of input data and evaluates the integrity and accuracy of input data on a consistent basis. Solactive is the benchmark administrator for the Carbon Credit Futures portion of the Index. Solactive calculates the value of the Carbon Credit Futures portion of the Index and the value of the overall Index.

The Index is rebalanced quarterly, starting at the end of January. After a rebalance, the portfolio is updated so that its current weights per asset equal the rebalancing weights per asset.

Valuation of Bitcoin

The Fund uses the same methodology that the Index does to determine the value of bitcoin for purposes of calculating the NAV of the Fund. The Index requires each digital asset trading platform used to calculate the price of bitcoin to meet each of the following criteria:

- Has had operating history as a digital asset trading platform for a minimum of two years;
- Implemented trading, deposits, and withdrawal fees for a minimum of one month without interruption;

²¹ The Index includes front-month futures contracts that are rolled each month. The Index rolls over five business days into the new contract, with an expiration of December of the next calendar year.

- Met a minimum monthly volume threshold of \$30 million with respect to total trading volume;
- Provided reliable, continuous, and valid market data for a minimum of one month;
- Offered the possibility to withdraw and deposit for a minimum of one month, settling in two to seven business days;
- Chosen a jurisdiction of incorporation that offers sufficient investor protection, such as Financial Action Task Force (“FATF”), FATF-style regional bodies (“FSRBs”), or Moneyval member states;
- Complied with relevant anti-money laundering and know-your-customer regulations;
- Cooperated with requests from Vinter and relevant regulatory bodies;
- Has not been domiciled in a jurisdiction subject to EU restrictive measures (sanctions);
- Provided information concerning ownership and corporate structure; and
- Has not been declared unlawful by any governmental authority or agency with jurisdiction over the exchange.

Digital asset trading platforms meeting these criteria are used to calculate the price of the bitcoin portion of the Index (the “Index Pricing Sources”). Vinter reviews the eligibility of digital asset trading platforms for inclusion in the Index twice a year, and such platforms must meet Vinter’s criteria at the time of such review.²² The selection of Index Pricing Sources may evolve from time to time, and Vinter may make changes to the eligibility requirements.²³ As of

²² According to the Sponsor, Vinter does not require a minimum number of Index Pricing Sources comprising the Index.

²³ According to the Sponsor, Vinter may, as permitted under BMR Article 12, change the eligibility requirements for Index Pricing Sources if, for example, market conditions evolved in such a way that the requirements no longer reflected the intended economic reality. Any material change to the eligibility requirements would be subject to the notification and consultation provisions detailed in Vinter’s Benchmark Statement.

the date of this filing, the following digital asset trading platforms are used to calculate the Index price: Kraken, Coinbase, Bitstamp, Itbit, Gemini, Gate.io, and Crypto.com.

Custody of the Fund's Assets

The Bitcoin Custodian will establish accounts that hold the bitcoins deposited with the Bitcoin Custodian on behalf of the Fund, pursuant to the agreement between the Trust, on behalf of the Fund, and the Bitcoin Custodian (the "Bitcoin Custody Agreement"). The Non-Digital Custodian will custody the Fund's investments in cash and cash equivalents in connection with its exposure to the returns of the Carbon Credit Futures portion of the Index.

With respect to the settlement of Shares in response to the placement of creation orders and redemption orders from Authorized Purchasers (as defined below), the Sponsor will retain discretion to determine which Custodians, to the extent there are multiple custodians for Bitcoin or multiple custodians for cash and cash equivalents in connection with Carbon Credit Futures, are selected to facilitate the respective order.

The Fund will maintain ownership and control of bitcoin in a manner consistent with good delivery requirements for spot commodity transactions.

Custody of Bitcoin

The Fund is responsible for acquiring bitcoin from a "Bitcoin Trading Counterparty."²⁴ Once the bitcoin has been transferred to the Bitcoin Custodian, it will be stored pursuant to the terms of the Bitcoin Custody Agreement.

²⁴ Each Bitcoin Trading Counterparty must be approved by the Sponsor on behalf of the Fund before the Fund may engage in transactions with the entity. The Sponsor continuously reviews all approved Bitcoin Trading Counterparties and will reject the approval of any previously approved Bitcoin Trading Counterparty if new information arises regarding the entity that puts the appropriateness of that entity as an approved Bitcoin Trading Counterparty in doubt. The Bitcoin Trading Counterparties with which the Sponsor will engage in bitcoin transactions are unaffiliated third parties of the Trust and Sponsor and are not acting as agents of the Trust, the Sponsor, or any Authorized Purchaser (as defined below), and all transactions will

Bitcoin private keys are stored in two different forms: “hot” storage, whereby the private keys are stored on secure, internet-connected devices, and “cold” storage, where digital currency private keys are stored completely offline. The Bitcoin Custody Agreement requires the Bitcoin Custodian to hold the Fund’s bitcoin in cold storage, unless required to facilitate withdrawals as a temporary measure. The Bitcoin Custodian will use segregated cold storage bitcoin addresses for the Fund which are separate from the bitcoin addresses that the Bitcoin Custodian uses for its other customers and which are directly verifiable via the Bitcoin Blockchain. The Bitcoin Custodian will at all times record and identify in its books and records that such bitcoins constitute the property of the Fund. The Bitcoin Custodian will not withdraw the Fund’s bitcoin from the Fund’s account with the Bitcoin Custodian, or loan, hypothecate, pledge or otherwise encumber the Fund’s bitcoin, without the Fund’s instruction.

The Sponsor has evaluated the Bitcoin Custodian’s policies, procedures, and controls for safekeeping, exclusively possessing, and controlling the Fund’s bitcoin holdings and believes these are designed consistent with accepted industry practices to protect against theft, loss, and unauthorized and accidental use of the private keys.

Net Asset Value (“NAV”)

According to the Registration Statement, the Fund’s NAV per Share is calculated by taking the current market value of its total assets, subtracting any liabilities, and dividing that total by the total number of outstanding Shares.

be done on an arms-length basis. There will be no contractual relationship between each Bitcoin Trading Counterparty and the Trust, the Sponsor, or any Authorized Purchaser. When seeking to purchase bitcoin on behalf of the Fund, the Sponsor will seek to purchase bitcoin at commercially reasonable prices and terms from any of the approved Bitcoin Trading Counterparties. Once agreed upon, the transaction will generally occur on an “over-the-counter” basis.

The Administrator will calculate the NAV of the Fund once each trading day as of the earlier of the close of trading on the Exchange or 4:00 p.m. E.T. The NAV for a normal trading day will be released after 4:00 p.m. E.T.

In determining the NAV of the Fund, the Administrator ordinarily values the bitcoin held by the Fund based on the methodology used by the Index. If the Index is not available or the Sponsor in its sole discretion determines that the price of bitcoin determined by the Index should not be used, the Fund's holdings may be fair valued in accordance with the policy approved by the Sponsor.²⁵ For purposes of determining the NAV of the Fund, Carbon Credit Futures held by the Fund will be valued based on market price as of the time the NAV is calculated on each trading day.

Intraday Indicative Value

According to the Registration Statement, in order to provide updated information relating to the Fund for use by shareholders and market professionals, an updated intraday indicative value ("IIV") will be calculated and disseminated throughout the core trading session on each trading day. The IIV will be calculated by using the prior day's closing NAV per Share of the Fund as a base and updating that value throughout the trading day to reflect changes in the most recently reported price level of the Fund's assets.

The IIV disseminated during the Exchange's core trading session should not be viewed as an actual real time update of the NAV, because NAV per Share is calculated only once at the end of each trading day based upon the relevant end of day values of the Fund's investments. The IIV

²⁵ The Sponsor does not anticipate that the need to "fair value" bitcoin will be a common occurrence. If the Sponsor determines in good faith that the Index does not reflect an accurate bitcoin price, then the Fund will cause to be employed an alternative method to determine the fair value of the Fund's assets as reviewed and approved by the Sponsor's valuation committee. If the Sponsor determines to use any alternative method other than on an ad hoc or temporary basis, such change to the calculation of the NAV would be subject to a proposed rule change under Section 19(b) filed with the Commission.

will be disseminated on a per Share basis every 15 seconds during the Exchange's Core Trading Session and be widely disseminated by one or more major market data vendors during the Exchange's Core Trading Session.²⁶

Creation and Redemption of Shares

According to the Registration Statement, when the Fund creates or redeems its Shares, it will do so only in "Baskets" (blocks of 10,000 Shares) based on the NAV per Share. The allocation between Bitcoin and Carbon Credit Futures is fixed at 80% and 20%, respectively, for all creations and redemptions of Shares. "Authorized Purchasers" are the only persons that may place orders to create and redeem Baskets. Authorized Purchasers must be (1) registered broker-dealers or other securities market participants, such as banks and other financial institutions, that are not required to register as broker-dealers to engage in securities transactions described below, and (2) Depository Trust Company ("DTC") participants.

To become an Authorized Purchaser, a person must enter into an Authorized Purchaser Agreement. The Authorized Purchaser Agreement provides the procedures for the creation and redemption of Baskets and for the delivery of the cash or Shares required for such creation and redemptions.

The "Basket Price" for the creation or redemption of Baskets is the NAV per Share (net of accrued but unpaid expenses and liabilities) multiplied by the number of Shares comprising a Basket. The Basket Price required to create each Basket changes from day to day. On each day that the Exchange is open for regular trading, the Administrator adjusts the Basket Price as appropriate to reflect accrued expenses and any loss in value of the assets that may occur. The

²⁶ Several major market data vendors display and/or make widely available IIVs taken from the Consolidated Tape Association ("CTA") or other data feeds.

computation is made by the Administrator each business day, prior to the commencement of trading on the Exchange. The Basket Price so determined is communicated to all Authorized Purchasers and made available on the Fund's website for the Shares.

The Authorized Purchasers will deliver only cash to create Shares and will receive only cash when redeeming Shares. Authorized Purchasers will deliver cash to the Non-Digital Custodian pursuant to Purchase Orders (as defined below) for Shares, and the Non-Digital Custodian will hold such cash until such time as it can be converted to bitcoin or Carbon Credit Futures. With respect to bitcoin transactions, the Non-Digital Custodian will transfer the cash received from the Authorized Purchaser to the Bitcoin Trading Counterparty upon the Bitcoin Custodian's receipt of bitcoin from the Bitcoin Trading Counterparty. The Fund will acquire bitcoin from a Bitcoin Trading Counterparty and will purchase Carbon Credit Futures via a Futures Commission Merchant ("FCM") to facilitate Purchase Orders. The Fund will sell bitcoin and Carbon Credit Futures in exchange for cash pursuant to Redemption Orders (as defined below) of its Shares, and the Non-Digital Custodian will hold such cash until it can be distributed to the redeeming Authorized Purchaser. In connection with such sales, the Non-Digital Custodian will receive cash from an approved Bitcoin Trading Counterparty for the sale of the Fund's bitcoin and from an FCM for the sale of the Fund's Carbon Credit Futures. With respect to bitcoin transactions, the Bitcoin Custodian will transfer the bitcoin to the Bitcoin Trading Counterparty upon the Non-Digital Custodian's receipt of cash from the Bitcoin Trading Counterparty.

Authorized Purchasers will not directly or indirectly purchase, hold, deliver, or receive bitcoin as part of the creation or redemption process or otherwise direct the Fund or a third party with respect to purchasing, holding, delivering, or receiving bitcoin as part of the creation or

redemption process. The Fund will create shares by receiving bitcoin from a third party that is not the Authorized Purchaser and is not affiliated with the Sponsor or the Fund, and the Fund—not the Authorized Purchaser—is responsible for selecting the third party to deliver the bitcoin. Further, the third party will not be acting as an agent of the Authorized Purchaser with respect to the delivery of the bitcoin to the Fund or acting at the direction of the Authorized Purchaser with respect to the delivery of the bitcoin to the Fund. The Fund will redeem shares by delivering bitcoin to a third party that is not the Authorized Purchaser and is not affiliated with the Sponsor or the Fund, and the Fund—not the Authorized Purchaser—is responsible for selecting the third party to receive the bitcoin. Further, the third party will not be acting as an agent of the Authorized Purchaser with respect to the receipt of the bitcoin from the Fund or acting at the direction of the Authorized Purchaser with respect to the receipt of the bitcoin from the Fund.

Creation Procedures

According to the Registration Statement, on any Business Day,²⁷ an Authorized Purchaser may create Shares by placing an order to purchase one or more Baskets with the transfer agent (“Transfer Agent”) through the marketing agent (“Marketing Agent”) in exchange for cash (a “Purchase Order”). Purchase Orders must be placed by 2:00 p.m. E.T., or the close of regular trading on the Exchange, whichever is earlier, or an earlier time as determined and communicated by the Sponsor and its agent. The day on which a Purchase Order is accepted by the Transfer Agent is considered the “Purchase Order Date.”

By placing a Purchase Order, an Authorized Purchaser agrees to deposit cash as determined by the Sponsor with the Fund’s Non-Digital Custodian. The total deposit required to

²⁷ For purposes of processing creation and redemption orders, a “Business Day” means any day other than a day when the Exchange is closed for regular trading.

create each basket will be an amount of cash that is in the same proportion to the total assets of the Fund (net of estimated accrued but unpaid fees, expenses and other liabilities) on the date the Purchase Order is properly received as the number of Shares to be created under the Purchase Order is in proportion to the total number of Shares outstanding on the date the Purchase Order is received. The Sponsor, through the Transfer Agent, shall notify the Authorized Purchaser of the amount of cash to be included in deposits to create Baskets by e-mail or telephone correspondence and such amount will be available via the Fund's website.

An Authorized Purchaser who places a Purchase Order is responsible for transferring to the Fund's account with the Non-Digital Custodian the required amount of cash by the end of the next Business Day following the Purchase Order Date or as agreed to by the Authorized Purchaser, Sponsor, Marketing Agent, and Transfer Agent in advance of when the Purchase Order is placed. Upon receipt of the deposit amount, the Administrator will cause DTC to credit the number of Baskets ordered to the Authorized Purchaser's DTC account.

Redemption Procedures

On any business day, an Authorized Purchaser may place an order with the Transfer Agent to redeem one or more Baskets (a "Redemption Order"). Redemption Orders must be placed by 2:00 p.m. E.T., or the close of regular trading on the Exchange, whichever is earlier. A Redemption Order will be effective on the date it is accepted by the Transfer Agent ("Redemption Order Date").

By placing a Redemption Order, an Authorized Purchaser agrees to deliver the Redemption Basket to be redeemed through DTC's book-entry system to the Fund's account with the Non-Digital Custodian not later than the end of the next Business Day following the effective date of the Redemption Order ("Redemption Distribution Date") or the end of such

later Business Day as agreed to by the Authorized Purchaser and the Transfer Agent in advance of when the Redemption Order is placed. Failure to consummate such delivery shall result in the cancellation of the order.

The redemption distribution due from the Fund is delivered to the Authorized Purchaser on the Redemption Distribution Date if the Fund's DTC account has been credited with the Baskets to be redeemed pursuant to the terms of the Authorized Purchaser Agreement.

Standard for Approval

On January 10, 2024, the Commission approved the listing and trading of shares of Grayscale Bitcoin Trust (BTC) and Bitwise Bitcoin ETF under NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares); the Hashdex Bitcoin ETF under NYSE Arca Rule 8.500-E (Trust Units); the iShares Bitcoin Trust and Valkyrie Bitcoin Fund under Nasdaq Rule 5711(d) (Commodity-Based Trust Shares); and the ARK 21Shares Bitcoin ETF, Invesco Galaxy Bitcoin ETF, VanEck Bitcoin Trust, the WisdomTree Bitcoin Fund, Fidelity Wise Origin Bitcoin Fund, and Franklin Bitcoin ETF under BZX Rule 14.11(e)(4) (Commodity-Based Trust Shares) (collectively, the "Bitcoin ETPs").²⁸ In the Bitcoin ETP Approval Order, the Commission found that the proposed rule changes to list the Bitcoin ETPs demonstrated that there were "sufficient 'other means' of preventing fraud and manipulation," including that:

[B]ased on the record before the Commission and the improved quality of the correlation analysis in the record, including the Commission's own analysis, the Commission is able to conclude that fraud or manipulation that impacts prices in

²⁸ Securities Exchange Act Release No. 34-99306 (January 10, 2024), 89 FR 3008 (January 17, 2024) (SR-NYSEARCA-2021-90; SR-NYSEARCA-2023-44; SRNYSEARCA-2023-58; SR-NASDAQ-2023-016; SR-NASDAQ-2023-019; SR-CboeBZX-2023028; SR-CboeBZX-2023-038; SR-CboeBZX-2023-040; SR-CboeBZX-2023-042; SRCboeBZX-2023-044; SR-CboeBZX-2023-072) (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) (the "Bitcoin ETP Approval Order").

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 Exchanges’ comprehensive surveillance-sharing agreement with the CME—a U.S. regulated market whose bitcoin futures market is consistently highly correlated to spot bitcoin, albeit not of “significant size” related to spot bitcoin—can be reasonably expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the [Bitcoin ETPs].²⁹

The Fund is structured and will operate in a manner materially the same as the Bitcoin ETPs. With respect to the Fund’s bitcoin holdings, the Sponsor believes that the Exchange’s ability to obtain information regarding trading in bitcoin futures from the CME, which, like the Exchange, is a member of the Intermarket Surveillance Group (“ISG”), would assist the Exchange in detecting potential fraud or manipulation with respect to trading in the Shares. In addition, with respect to the Fund’s Carbon Credit Futures holdings, the Sponsor believes that the Exchange would be able to obtain information regarding trading in Carbon Credit Futures that would similarly assist in surveilling for potential fraud or manipulation. As stated above, the Fund will hold only: (i) EU ETS futures which trade only on ICE Endex Markets B.V. (“ICE Endex”),³⁰ with which the Exchange has entered into a comprehensive surveillance sharing

²⁹ Bitcoin ETP Approval Order, 89 FR at 3009-11.

³⁰ ICE Endex is regulated in the Netherlands by the Dutch Authority for the Financial Markets (“AFM”) as a RM, as defined in MIFID II, which is implemented in Dutch Act on Financial Supervision (“DFSA”). The license as a RM is obtained under Section 5:26(1) of the DFSA, resulting in an authorization by the Minister of Dutch Ministry of Finance to operate a RM and supervised by the AFM. In the UK, ICE Endex is a Recognized Overseas Investment Exchange by the Financial Conduct Authority. See <https://www.ice.com/endex/regulation#:~:text=The%20Dutch%20Authority%20for%20Consumers,energy%20industry%20and%20wholesale%20trading>. ICE Endex is also recognized by the CFTC as an authorized Foreign Board of Trade. See

agreement (“CSSA”); and (ii) CCA futures and RGGI futures which are traded only on ICE Futures U.S.,³¹ which, like the Exchange, is a member of the ISG. Accordingly, the Sponsor believes that the Exchange’s ability to share information with ICE Endex and ICE Futures U.S., pursuant to a CSSA or common ISG membership, would assist in surveilling for fraudulent and manipulative acts and practices. The Sponsor thus believes that, for reasons similar to those set forth in the Bitcoin ETP Approval Order, listing and trading Shares of the Fund would be consistent with the requirements of the Act.

Availability of Information

The NAV per Share will be disseminated daily to all market participants at the same time. Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the CTA. The IIV will be calculated every 15 seconds throughout the core trading session each trading day.

Quotation and last sale information for bitcoin will be widely disseminated through a variety of major market data vendors, including Bloomberg and Reuters. In addition, real-time price (and volume) data for bitcoin is available by subscription from Reuters and Bloomberg. The spot price of bitcoin is available on a 24-hour basis from major market data vendors, including Bloomberg and Reuters. The real-time version of the value of the Index will be disseminated once every 15 seconds during the Core Trading Session. Information relating to trading, including price and volume information, in bitcoin will be available from major market data vendors and from the trading platforms on which bitcoin is traded.

<https://www.cftc.gov/sites/default/files/idc/groups/public/@otherif/documents/ifdocs/orgicceeregorder170110.pdf>.

³¹ ICE Futures U.S. is a registered Designated Contract Market regulated by the CFTC and subject to the requirements of the Commodity Exchange Act (“CEA”), as amended, and the regulations issued by the CFTC pursuant to the CEA. See <https://www.ice.com/futures-us>.

The intraday, closing prices, and settlement prices of the Carbon Credit Futures will be readily available from automated quotation systems, published or other public sources, or major market data vendors, such as ICE Data Services. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers.

Real-time data for Carbon Credit Futures will be available by subscription through on-line information services. Delayed futures and options on futures information on current and past trading sessions and market news will also be available. The specific contract specifications for Carbon Credit Futures will also be available on such websites, as well as other financial informational sources.

On each business day, the Sponsor will publish the value of the Index, the Fund's NAV, and the NAV per Share on the Fund's website as soon as practicable after its determination. If the NAV and NAV per Share have been calculated using a price per bitcoin other than the price of bitcoin determined by the Index, the publication on the Fund's website will note the valuation methodology used and the price per bitcoin resulting from such calculation.

The Fund will provide website disclosure of its NAV and NAV per Share daily. The website disclosure of the Fund's NAV and NAV per Share will occur at the same time as the disclosure by the Sponsor of the NAV and NAV per Share to Authorized Purchasers so that all market participants are provided such portfolio information at the same time. Therefore, the same portfolio information will be provided on the public website as well as in electronic files provided to Authorized Purchasers. Accordingly, each investor will have access to the current

NAV and NAV per Share of the Fund through the Fund's website, as well as from one or more major market data vendors.

The value of the Index, as well as additional information regarding the Index, will be available on a continuous basis on the Fund's website.

Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services.

Information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers.

The Sponsor will cause information about the Shares to be posted to the Fund's website: (1) the NAV and NAV per Share for each Exchange trading day, posted at end of day; (2) the daily holdings of the Fund, before 9:30 a.m. E.T. on each Exchange trading day; (3) the Fund's effective prospectus, in a form available for download; and (4) the Shares' ticker and CUSIP information, along with additional quantitative information updated on a daily basis for the Fund. The Fund's website will include (1) the prior Business Day's trading volume, the prior Business Day's reported NAV and closing price, and a calculation of the premium and discount of the closing price or mid-point of the bid/ask spread at the time of NAV calculation ("Bid/Ask Price") against the NAV; and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily closing price or Bid/Ask Price against the NAV, within appropriate ranges, for at least each of the four previous calendar quarters. The website disclosure of portfolio holdings will be made daily and will include (i) the name, quantity, price, and market value of the Fund's holdings and (ii) the total cash and cash equivalents held in the Fund's portfolio, if applicable.

The Fund's website will be publicly available prior to the public offering of Shares and accessible at no charge.

Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund.³² Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Rule 7.12-E have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable.

The Exchange may halt trading during the day in which an interruption to the dissemination of the IIV or the value of the Index occurs. The real-time version of the value of the Index will be disseminated once every 15 seconds during the Core Trading Session. If the interruption to the dissemination of the IIV or to the value of the Index persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. In addition, if the Exchange becomes aware that the NAV with respect to the Shares is not disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants.

Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m. E.T. in accordance with NYSE Arca Rule 7.34-E (Early, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided

³² See NYSE Arca Rule 7.12-E.

in NYSE Arca Rule 7.6-E, the minimum price variation (“MPV”) for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

The Shares will conform to the initial and continued listing criteria under NYSE Arca Rule 8.500-E. The trading of the Shares will be subject to NYSE Arca Rule 8.500-E(f), which sets forth certain restrictions on Equity Trading Permit Holders (“ETP Holders”) acting as registered market makers in Trust Units to facilitate surveillance. Pursuant to NYSE Arca Rule 8.500-E(f), an ETP Holder acting as a registered market maker in Trust Units must file with the Exchange in a manner prescribed by the Exchange and keep current a list identifying all accounts for trading in an underlying commodity, related commodity futures or options on commodity futures, or any other related commodity derivatives, which the market maker may have or over which it may exercise investment discretion. No market maker shall trade in an underlying commodity, related commodity futures or options on commodity futures, or any other related commodity derivatives, in an account in which a market maker, directly or indirectly, controls trading activities, or has a direct interest in the profits or losses thereof, which has not been reported to the Exchange as required by this Rule. In addition to the existing obligations under Exchange rules regarding the production of books and records, the ETP Holder acting as a market maker in Trust Units shall make available to the Exchange such books, records or other information pertaining to transactions by such entity or registered or non-registered employee affiliated with such entity for its or their own accounts for trading the underlying physical commodity, related commodity futures or options on commodity futures, or any other related commodity derivatives, as may be requested by the Exchange.

For initial and continued listing as proposed herein, the Fund will be in compliance with Rule 10A-3 under the Act, and the Trust will rely on the exception contained in Rule 10A-3(c)(7).³³ A minimum of 50,000 Shares of the Fund will be outstanding at the commencement of trading on the Exchange.

Surveillance

The Exchange represents that trading in the Shares of the Fund will be subject to the existing trading surveillances administered by the Exchange, as well as cross-market surveillances administered by FINRA on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.³⁴ The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares and the Fund's holdings with other markets and other entities that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or

³³ See Rule 10A-3(c)(7), 17 CFR 240.10A-3(c)(7) (stating that a listed issuer is not subject to the requirements of Rule 10A-3 if the issuer is organized as an unincorporated association that does not have a board of directors and the activities of the issuer are limited to passively owning or holding securities or other assets on behalf of or for the benefit of the holders of the listed securities).

³⁴ FINRA conducts cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA's performance under this regulatory services agreement.

both, may obtain trading information regarding trading in the Shares and the Fund's holdings from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and the Fund's holdings from markets and other entities that are members of ISG³⁵ or with which the Exchange has in place a CSSA. Specifically, the Exchange or FINRA, on behalf of the Exchange, may communicate as needed and may obtain information regarding trading in bitcoin futures from the CME, which is a member of the ISG. Also, the Exchange may communicate as needed and may obtain information regarding trading in Carbon Credit Futures from ICE Endex, with which the Exchange has in place a CSSA, and ICE Futures U.S., which is a member of the ISG.

The Exchange believes that ICE Endex and ICE Futures U.S. are regulated³⁶ markets of significant size related to the Carbon Credit Futures held by the Fund and that it is reasonably likely that any bad actor trying to manipulate the price of the Fund would have to trade on those markets. As noted above, the EU ETS futures held by the Fund trade only on ICE Endex, and CCA futures and RGGI futures held by the Fund are traded only on ICE Futures U.S. Therefore, ICE Endex and ICE Futures U.S. are appropriate markets to surveil in order to detect and deter fraud and manipulation.

The Exchange is also able to obtain information regarding trading in the Shares, the underlying bitcoin, Carbon Credit Futures, bitcoin futures contracts, options on bitcoin futures, or any other bitcoin derivative through ETP Holders, in connection with such ETP Holders' proprietary or customer trades which they effect through ETP Holders on any relevant market.

³⁵ For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all components of the Fund may trade on markets that are members of ISG or with which the Exchange has in place a CSSA.

³⁶ See notes 29 & 30, *supra*.

The Exchange can obtain market surveillance information, including customer identity information, with respect to transactions (including transactions in futures contracts) occurring on US futures exchanges, which are members of the ISG. In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

Under NYSE Arca Rule 8.500-E(f), an ETP Holder acting as a registered market maker in the Shares is required to provide the Exchange with information relating to its accounts for trading in the underlying physical commodity, related commodity futures or options on commodity futures, or any other related commodity derivatives, and must provide any information concerning trading in those accounts that the Exchange may request. Commentary .04 of NYSE Arca Rule 11.3-E requires an ETP Holder acting as a registered market maker, and its affiliates, in the Shares to establish, maintain and enforce written policies and procedures reasonably designed to prevent the misuse of any material nonpublic information with respect to such products, any components of the related products, any physical asset or commodity underlying the product, applicable currencies, underlying indexes, related futures or options on futures, and any related derivative instruments (including the Shares). As a general matter, the Exchange has regulatory jurisdiction over its ETP Holders and their associated persons, which include any person or entity controlling an ETP Holder. To the extent the Exchange may be found to lack jurisdiction over a subsidiary or affiliate of an ETP Holder that does business only in commodities or futures contracts, the Exchange could obtain information regarding the activities of such subsidiary or affiliate through surveillance sharing agreements with regulatory organizations to the extent the Exchange has such an agreement with an organization of which the subsidiary or affiliate is a member.

All statements and representations made in this filing regarding (a) the description of the portfolio or reference asset, (b) limitations on portfolio holdings or reference assets, or (c) the applicability of Exchange listing rules specified in this rule filing shall constitute continued listing requirements for listing the Shares on the Exchange.

The issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under NYSE Arca Rule 5.5-E(m).

Information Bulletin

Prior to the commencement of trading of the Shares, the Exchange will inform its ETP Holders in an information bulletin (“Information Bulletin”) of the special characteristics and risks associated with trading the Shares. Specifically, the Information Bulletin will discuss the following: (1) the risks involved in trading the Shares during the Early and Late Trading Sessions when an updated IIV will not be calculated or publicly disseminated; (2) the procedures for purchases and redemptions of Shares in Creation Baskets and Redemption Baskets (and that Shares are not individually redeemable); (3) NYSE Arca Rule 9.2-E(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (4) how information regarding the IIV is disseminated; (5) how information regarding portfolio holdings is disseminated; (6) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (7) trading information.

In addition, the Information Bulletin will advise ETP Holders, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Fund. The Exchange notes that investors purchasing Shares directly from the Fund will receive a prospectus. ETP Holders purchasing Shares from the Fund for resale to investors will deliver a prospectus to such investors. The Information Bulletin will also discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act. In addition, the Information Bulletin will reference that the Fund is subject to various fees and expenses described in the Registration Statement.

The Information Bulletin will also reference the fact that there is no regulated source of last sale information regarding bitcoin, that the Commission has no jurisdiction over the trading of Bitcoin as a commodity, and that the CFTC has regulatory jurisdiction over the trading of bitcoin futures contracts and options on bitcoin futures contracts.

The Information Bulletin will also disclose the trading hours of the Shares and that the NAV for the Shares will be calculated after 4:00 p.m. E.T. each trading day. The Information Bulletin will disclose that information about the Shares will be publicly available on the Fund's website.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)³⁷ that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

³⁷ 15 U.S.C. 78f(b)(5).

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Rule 8.500-E. The proposed rule change is also designed to prevent fraudulent and manipulative acts and practices because the Fund is structured similarly to and will operate in materially the same manner as the Bitcoin ETPs previously approved by the Commission. The Exchange further believes that the proposed rule change is designed to prevent fraudulent and manipulate acts and practices because, as noted by the Commission in the Bitcoin ETP Approval Order, the Exchange's ability to obtain information regarding trading in the Shares and futures from markets and other entities that are members of the ISG (including the CME and ICE Futures U.S.) or with which the Exchange has in place a CSSA would assist the Exchange in detecting and deterring misconduct.

The Exchange has in place surveillance procedures that are adequate to properly monitor Exchange trading in the Shares in all trading sessions and to deter and detect attempted manipulation of the Shares or other violations of Exchange rules and applicable federal securities laws. The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares with other markets and other entities that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares from markets and other entities that are members of ISG or with which the Exchange has in place a CSSA. The Exchange is also able to obtain information regarding trading in the Shares and bitcoin futures or the underlying

bitcoin through ETP Holders, in connection with such ETP Holders' proprietary or customer trades which they effect through ETP Holders on any relevant market.

Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the CTA. The Fund's website will also include a form of the prospectus for the Fund that may be downloaded. The website will include the Shares' ticker and CUSIP information, along with additional quantitative information updated on a daily basis for the Fund. The Fund's website will include (1) daily trading volume, the prior Business Day's reported NAV and closing price, and a calculation of the premium and discount of the closing price or mid-point of the Bid/Ask Price against the NAV; and (ii) data in chart format displaying the frequency distribution of discounts and premiums of the daily closing price or Bid/Ask Price against the NAV, within appropriate ranges, for at least each of the four previous calendar quarters. The Fund's website will be publicly available prior to the public offering of Shares and accessible at no charge.

Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Rule 7.12-E have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of a new type of exchange-traded product based on the price of bitcoin that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

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 purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of the Shares, which are Trust Units based on bitcoin and Carbon Credit Futures and that will enhance competition among market participants, to the benefit of investors and the marketplace.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 4, is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.³⁸ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Exchange Act,³⁹ which requires, among other things, that the Exchange’s rules be designed to “prevent fraudulent and manipulative acts and practices” and, “in general, to protect investors and the public interest”; and with Section 11A(a)(1)(C)(iii) of the Exchange Act,⁴⁰ which sets forth Congress’ finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations for and transactions in securities.

³⁸ 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).

³⁹ 15 U.S.C. 78f(b)(5).

⁴⁰ 15 U.S.C. 78k-1(a)(1)(C)(iii).

A. Exchange Act Section 6(b)(5)

In approving the listing and trading of shares of exchange-traded products (“ETPs”) that hold bitcoin, the Commission explained that one way an exchange that lists such ETPs can meet the obligation under Exchange Act Section 6(b)(5) that its rules be designed to prevent fraudulent and manipulative acts and practices is by demonstrating that the exchange has a comprehensive surveillance-sharing agreement with a regulated market of significant size related to the underlying or reference assets.⁴¹ Such an agreement would assist in detecting and deterring fraud and manipulation related to that underlying asset.

The Commission also recognized, however, that this is not the *exclusive* means by which an ETP listing exchange can meet this statutory obligation.⁴² A listing exchange could, alternatively, demonstrate that “other means to prevent fraudulent and manipulative acts and practices will be sufficient” to justify dispensing with a surveillance-sharing agreement with a regulated market of significant size.⁴³ In the Spot Bitcoin ETP Approval Orders, the Commission determined that having a comprehensive surveillance-sharing agreement with a U.S.-regulated market that, based on evidence from robust correlation analysis, is consistently highly correlated

⁴¹ See Order Granting Approval of a Proposed Rule Change, as Modified by Amendment No. 1, to List and Trade Shares of the Grayscale Bitcoin Mini Trust and Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, to List and Trade Shares of the Pando Asset Spot Bitcoin Trust, Securities Exchange Act Release No. 100610 (July 26, 2024), 89 FR 62821 (Aug. 1, 2024) (SR-NYSEARCA-2024-45; SR-CboeBZX-2023-101) (“July 2024 Spot Bitcoin ETP Approval Order”); 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, Securities Exchange Act Release No. 99306 (Jan. 10, 2024), 89 FR 3008 (Jan. 17, 2024) (SR-NYSEARCA-2021-90; SR-NYSEARCA-2023-44; SR-NYSEARCA-2023-58; SR-NASDAQ-2023-016; SR-NASDAQ-2023-019; SR-CboeBZX-2023-028; SR-CboeBZX-2023-038; SR-CboeBZX-2023-040; SR-CboeBZX-2023-042; SR-CboeBZX-2023-044; SR-CboeBZX-2023-072) (“January 2024 Spot Bitcoin ETP Approval Order”) (collectively, “Spot Bitcoin ETP Approval Orders”).

⁴² See July 2024 Spot Bitcoin ETP Approval Order at 62822; January 2024 Spot Bitcoin ETP Approval Order at 3009.

⁴³ See July 2024 Spot Bitcoin ETP Approval Order at 62822; January 2024 Spot Bitcoin ETP Approval Order at 3009.

with the ETPs’ underlying assets (spot bitcoin) constituted “other means” sufficient to satisfy the Exchange Act Section 6(b)(5) standard.⁴⁴ 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 robust⁴⁵ 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 relevant 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 proposals considered in the Spot Bitcoin ETP Approval Orders.

With respect to the bitcoin holdings of the Fund,⁴⁶ the structure of the Fund, the terms of its operation and the trading of the Shares, and the representations in the proposed rule change, as modified by Amendment No. 4, are substantially similar to those of the proposals considered in the Spot Bitcoin ETP Approval Orders.⁴⁷ In addition, the Commission finds that the spot bitcoin market continues to be consistently highly correlated with the CME bitcoin futures

⁴⁴ See July 2024 Spot Bitcoin ETP Approval Order at 62822; January 2024 Spot Bitcoin ETP Approval Order at 3009-11.

⁴⁵ The Commission stated that the “robustness” of its correlation analysis rested on the pre-requisites of (1) the correlations being calculated with respect to bitcoin futures that trade on the CME, a U.S. market regulated by the CFTC, (2) the lengthy sample period of price returns for both the CME bitcoin futures market and the spot bitcoin market, (3) the frequent intra-day trading data in both the CME bitcoin futures market and the spot bitcoin market over that lengthy sample period, and (4) the consistency of the correlation results throughout the lengthy sample period. See July 2024 Spot Bitcoin ETP Approval Order at 62822 n.17; January 2024 Spot Bitcoin ETP Approval Order at 3010 n.38.

⁴⁶ While the Fund uses “ETF” in its name, it is not registered under the Investment Company Act of 1940.

⁴⁷ See also *infra* Section III.B.

market.⁴⁸ In the proposal, as modified by Amendment No. 4, the Exchange represents that the Exchange or FINRA, on behalf of the Exchange, may communicate as needed and may obtain information regarding trading in CME bitcoin futures from the CME, which is a member of the ISG. As such, based on the record before the Commission, including the Commission’s correlation analysis, the Commission is able to conclude that the Exchange’s comprehensive surveillance-sharing agreement with the CME can be reasonably expected to assist in surveilling for fraudulent and manipulative acts and practices with respect to the spot bitcoin proposed to be held by the Fund.

With respect to the Carbon Credit Futures proposed to be held by the Fund, the Commission is able to conclude that the Exchange has CSSAs or shares ISG membership with significant, regulated markets related to such holdings, and, thus, that such CSSAs and ISG membership can be reasonably expected to assist in surveilling for fraudulent and manipulative acts and practices with respect to such holdings.⁴⁹ The Exchange represents that the Fund will

⁴⁸ The Commission examined correlation between the CME bitcoin futures market and the Coinbase and Kraken spot bitcoin trading platforms at hourly, five-minute, and one-minute intervals, using the same data sources and methodology as in the Spot Bitcoin ETP Approval Orders (see July 2024 Spot Bitcoin ETP Approval Order at 62822 n.19; January 2024 Spot Bitcoin ETP Approval Order at 3010 n.35), for the period from March 1, 2021, to August 22, 2024. The correlation between the CME bitcoin futures market and this subset of spot bitcoin platforms for the full sample period is no less than 98.9 percent using data at an hourly interval, 93.9 percent using data at a five-minute interval, and 83.1 percent using data at a one-minute interval. The rolling three-month correlation results range between 94.0 and 99.5 percent using data at an hourly interval, 79.9 and 96.2 percent using data at a five-minute interval, and 73.7 and 88.5 percent using data at a one-minute interval.

⁴⁹ As the Commission has explained (see Order Setting Aside Action by Delegated Authority and Disapproving a Proposed Rule Change, as Modified by Amendments No. 1 and 2, To List and Trade Shares of the Winklevoss Bitcoin Trust, Securities Exchange Act Release No. 83723 (July 26, 2018), 83 FR 37579 (Aug. 1, 2018) (SR-BatsBZX-2016-30) (“Winklevoss Order”)), an exchange that lists commodity-based ETPs can meet its obligations under Exchange Act Section 6(b)(5) by demonstrating that the exchange has a CSSA with a regulated market of significant size related to the underlying or reference assets. The Winklevoss Order applied this standard to a commodity-trust ETP based on spot bitcoin, and the Commission has found that this standard is also appropriate for, and has applied the standard to, proposed ETPs based on bitcoin futures. See, e.g., Order Granting Approval of a Proposed Rule Change, as Modified by Amendment No. 2, To List and Trade Shares of the Teucrium Bitcoin Futures Fund Under NYSE Arca Rule 8.200-E, Commentary .02 (Trust Issued Receipts), Securities Exchange Act Release No. 94620 (Apr. 6, 2022), 87 FR 21676 (Apr. 12, 2022) (SR-NYSEArca-2021-053) (“Teucrium Order”).

hold only: (i) EU ETS futures which trade only on ICE Endex, with which the Exchange has entered into a CSSA; and (ii) CCA futures and RGGI futures which are traded only on ICE Futures U.S., which, like the Exchange, is a member of the ISG. Further, each of ICE Endex and ICE Futures U.S. is “regulated” because ICE Endex is regulated in the Netherlands by the Dutch Authority for the Financial Markets and is registered with the CFTC as an authorized Foreign Board of Trade,⁵⁰ and ICE Futures U.S. is a registered Designated Contract Market regulated by the CFTC.⁵¹

Moreover, each of ICE Endex and ICE Futures U.S. is a “significant market”⁵² in relation to the respective Carbon Credit Futures that trade thereon. Specifically, with respect to the first prong of the “significant market” analysis, as the Commission has previously recognized,⁵³ because the Carbon Credit Futures that would be held by the Fund (*i.e.*, EU ETS futures, CCA futures, and RGGI futures) are only traded on markets which are members of the ISG or with which the Exchange holds a CSSA, the ISG membership and CSSA can reasonably be relied upon to assist in detecting and deterring fraudulent or manipulative misconduct that affects those assets.

⁵⁰ See *supra* note 30. See also CFTC Order of Registration for ICE Endex at [orgicceeregorder170110.pdf](https://www.cftc.gov/PressRoom/PressReleases/170110).

⁵¹ See *supra* note 31.

⁵² In the Winklevoss Order, the Commission stated that the term “significant market” or “market of significant size” includes a market (or group of markets) as to which (1) there is a reasonable likelihood that a person attempting to manipulate the ETP would also have to trade on that market to successfully manipulate the ETP, so that a surveillance-sharing agreement would assist in detecting and deterring misconduct, and (2) it is unlikely that trading in the ETP would be the predominant influence on prices in that market. See Winklevoss Order, 83 FR at 37594. The Commission explained that this definition is illustrative and not exclusive, and that there could be other types of “significant markets” and “markets of significant size. See *id.*

⁵³ See Teucrium Order, 87 FR at 21679; Order Granting Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To List and Trade Shares of the Valkyrie XBTO Bitcoin Futures Fund Under Nasdaq Rule 5711(g), Securities Exchange Act Release No. 94853 (May 5, 2022), 87 FR 28848 (May 11, 2022) (SR-NASDAQ-2021-066), at 28852.

With respect to the second prong of the “significant market” analysis, evidence supports the Commission’s conclusion that it is unlikely that trading in the Fund’s Shares would be the predominant influence on prices in the EU ETS futures market of ICE Endex, or the CCA or RGGI futures markets of ICE Futures U.S. ICE Endex and ICE Futures U.S., on which the Fund’s investments in Carbon Credit Futures exclusively trade, are currently the largest and most liquid carbon credit futures markets for these instruments.⁵⁴ In addition, since the launch of the KFA Global Carbon ETF under the Investment Company Act of 1940,⁵⁵ which holds CCA and RGGI futures traded on ICE Futures U.S., and EU ETS futures traded on ICE Endex, the Commission has neither observed any disruption to the ICE Futures U.S. or ICE Endex futures markets, nor any evidence that this ETF has exerted a dominant influence on CCA, RGGI, and/or EU ETS futures’ prices. For example, based on ICE Futures U.S. and ICE Endex data,⁵⁶ the Commission has not observed any disruption to, or dominant influence from this ETF on, settlement prices, spreads, or roll costs of the EU ETS, RGGI, or CCA futures contracts. For

⁵⁴ For example, ICE Futures U.S. open interest in RGGI Futures were 77 million allowances in June 2024. The next largest RGGI Futures exchange, Nodal, had only 15.6 million allowances open interest at that time. Report on the Secondary Market for RGGI CO2 Allowances: Second Quarter 2024, Prepared for RGGI, Inc. by Potomac Economics (Aug. 2024), available at https://www.rggi.org/sites/default/files/Uploads/Market-Monitor/Quarterly-Reports/MM_Secondary_Market_Report_2024_Q2.pdf. Similarly, ICE Endex’s EU ETS futures reached record participation throughout 2023 and during the first quarter of 2024. See Press Release, Intercontinental Exchange, ICE Environmental Contracts Traded the Equivalent of \$1 Trillion in Notional Value for the Third Consecutive Year (Apr. 22, 2024) available at https://s2.q4cdn.com/154085107/files/doc_news/ICE-Environmental-Contracts-Traded-the-Equivalent-of-1-Trillion-in-Notional-Value-for-the-Third-Consecutive-Year-2024.pdf.

⁵⁵ See Securities Exchange Act Release No. 88255 (Feb. 20, 2020), 85 FR 11146, 11156 (Feb. 26, 2020) (SR-NYSEArca-2019-60) (Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 4, To List and Trade Shares of the KFA Global Carbon ETF under NYSE Arca Rule 8.600-E) (approving the listing and trading of an exchange-traded fund (“ETF”), registered under the Investment Company Act of 1940, holding carbon credit futures). In 2021, EU ETS futures were transitioned from ICE Futures Europe to ICE Endex. See press release at [Intercontinental Exchange - ICE to transition European Union Emission Allowance Contracts to ICE Endex in the Netherlands during the Second Quarter of 2021](#).

⁵⁶ The Commission examined futures volume, open interest, price, and spread data provided by Bloomberg.

these reasons, the Commission is able to conclude that the Exchange's ISG membership and comprehensive surveillance-sharing agreement with ICE Endex can be reasonably expected to assist in surveilling for fraudulent and manipulative acts and practices with respect to the Carbon Credit Futures proposed to be held by the Fund.

B. Exchange Act Section 11A(a)(1)(C)(iii)

The proposed rule change, as modified by Amendment No. 4, sets forth aspects of the Fund, including the availability of pricing information, transparency of portfolio holdings, and types of surveillance procedures, that are consistent with other ETPs that the Commission has approved.⁵⁷ This includes commitments regarding: the availability via the Consolidated Tape Association of quotation and last-sale information for the Shares; the availability on the Fund's website of certain information related to the Fund, including net asset value; the dissemination of the intra-day indicative value by one or more major market data vendors, updated every 15 seconds throughout the Exchange's regular trading hours; the Exchange's surveillance procedures and ability to obtain information regarding trading in the Shares of the Fund; the conditions under which the Exchange would implement trading halts and suspensions; and the requirements of registered market makers in the Shares of the Fund. In addition, the Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to that Exchange's

⁵⁷ See, e.g., July 2024 Spot Bitcoin ETP Approval Order at 62822; January 2024 Spot Bitcoin ETP Approval Order at 3011; Securities Exchange Act Release No. 61220 (Dec. 22, 2009), 74 FR 68895 (Dec. 29, 2009) (SR-NYSEARCA-2009-94) (Order Granting Approval of Proposed Rule Change Relating To Listing and Trading Shares of the ETFs Palladium Trust); Securities Exchange Act Release No. 94518 (Mar. 25, 2022), 87 FR 18837 (Mar. 31, 2022) (SR-NYSEARCA-2021-65) (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, To List and Trade Shares of the Sprott ESG Gold ETF Under NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares); Securities Exchange Act Release No. 100224 (May 23, 2024), 89 FR 46937 (May 30, 2024) (SR-NYSEARCA-2023-70; SR-NYSEARCA-2024-31; SR-NASDAQ-2023-045; SR-CboeBZX-2023-069; SR-CboeBZX-2023-070; SR-CboeBZX-2023-087; SR-CboeBZX-2023-095; SR-CboeBZX-2024-018) (Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, To List and Trade Shares of Ether-Based Exchange-Traded Products).

rules governing the trading of equity securities. Further, the applicable listing rule of the Exchange requires that all statements and representations made in its filing regarding, among others, the description of the Fund's holdings, limitations on such holdings, and the applicability of the Exchange's listing rules specified in the filing, will constitute continued listing requirements.⁵⁸ Moreover, the proposed rule change states that the Sponsor has represented to the Exchange that it will advise that Exchange of any failure to comply with the applicable continued listing requirements; pursuant to obligations under Section 19(g)(1) of the Exchange Act, the Exchange will monitor for compliance with the continued listing requirements; and if the Fund is not in compliance with the applicable listing requirements, that Exchange will commence delisting procedures.

The Commission therefore finds that the proposed rule change, as modified by Amendment No. 4, is reasonably designed to promote fair disclosure of information that may be necessary to price the Shares appropriately, to prevent trading when a reasonable degree of transparency cannot be assured, to safeguard material non-public information relating to the Fund's portfolio, and to ensure fair and orderly markets for the Shares of the Fund.

IV. Solicitation of Comments on Amendment No. 4 to the Proposed Rule Change

Interested persons are invited to submit written data, views and arguments concerning whether Amendment No. 4 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

⁵⁸ See NYSE Arca Rule 8.500-E(d)(2).

- Send an email to rule-comments@sec.gov. Please include file number SR-NYSEARCA-2024-27 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-NYSEARCA-2024-27. 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-NYSEARCA-2024-27 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 4

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 4, prior to the thirtieth day after the date of publication of notice of the filing of Amendment No. 4 in the Federal Register. Amendment No. 4 to the proposed rule change clarified the creation and redemptions procedures for the Shares and provided additional clarification relating to statements concerning the holdings of the Fund and the custody of cash and cash equivalents. The changes and additional information in Amendment No. 4 assist the Commission in evaluating the Exchange's proposal and in determining that it is consistent with the Act. The amended filing is now substantially similar to other spot bitcoin ETPs that the Commission has approved with respect to the Fund's spot bitcoin holdings, and as discussed above in Section III.A, the spot bitcoin market and the CME bitcoin futures market remain consistently highly correlated. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,⁵⁹ to approve the proposed rule change, as modified by Amendment No. 4, on an accelerated basis.

VI. Conclusion

This approval order is based on all of the Exchange's representations, including those set forth above and in Amendment No. 4. For the foregoing reasons, the Commission finds that the proposed rule change, as modified by Amendment No. 4, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and in particular, Section 6(b)(5) and Section 11A(a)(1)(C)(iii) of the Act.⁶⁰

⁵⁹ 15 U.S.C. 78s(b)(2).

⁶⁰ 15 U.S.C. 78f(b)(5); 15 U.S.C. 78k-1(a)(1)(C)(iii).

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁶¹ that the proposed rule change (SR-NYSEARCA-2024-27), as modified by Amendment No. 4, be, and it hereby is, approved on an accelerated basis.

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

Stephanie J. Fouse,

Assistant Secretary.

⁶¹ 15 U.S.C. 78s(b)(2).

⁶² 17 CFR 200.30-3(a)(12).