

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–103572; File No. SR–NYSEARCA–2024–98]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Order Scheduling Filing of Statements on Review of an Order Approving a Proposed Rule Change, as Modified by Amendment No. 1 Thereto, To Amend NYSE Arca Rule 8.500–E (Trust Units) and To List and Trade Shares of the Bitwise 10 Crypto Index ETF Under Amended NYSE Arca Rule 8.500–E (Trust Units)

July 29, 2025.

On November 14, 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 (“Exchange Act”)<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> a proposed rule change to list and trade shares of the Bitwise 10 Crypto Index ETF under certain proposed listing rules. The proposed rule change was published for comment in the **Federal Register** on December 3, 2024.<sup>3</sup>

On January 14, 2025, pursuant to Section 19(b)(2) of the Exchange Act,<sup>4</sup> the Division of Trading and Markets (“Division”), pursuant to delegated authority, extended the time period for Commission action on the proposed rule change.<sup>5</sup> On March 3, 2025, the Division, pursuant to delegated authority, instituted proceedings pursuant to Section 19(b)(2)(B) of the Exchange Act<sup>6</sup> to determine whether to approve or disapprove the proposed rule change.<sup>7</sup> On May 28, 2025, the Division, pursuant to delegated authority, designated a longer period for Commission action on proceedings to determine whether to approve or disapprove the proposed rule change.<sup>8</sup>

On July 17, 2025, the Exchange filed Amendment No. 1 to the proposed rule

change, which replaced and superseded the proposed rule change in its entirety. The proposed rule change, as modified by Amendment No. 1, was published for comment in the **Federal Register** on July 23, 2025.<sup>9</sup>

On July 22, 2025, the Division, acting on behalf of the Commission by delegated authority,<sup>10</sup> approved the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.<sup>11</sup> On July 22, 2025, the Deputy Secretary of the Commission notified NYSE Arca that, pursuant to Commission Rule of Practice 431,<sup>12</sup> the Commission would review the Division’s action pursuant to delegated authority and that the Division’s action pursuant to delegated authority was stayed until the Commission orders otherwise.<sup>13</sup>

Accordingly, *it is ordered*, pursuant to Commission Rule of Practice 431, that by August 22, 2025, any party or other person may file a statement in support of, or in opposition to, the action made pursuant to delegated authority.

It is further *ordered* that the order approving proposed rule change SR–NYSEARCA–2024–98 shall remain stayed pending further order of the Commission.

By the Commission.

**Sherry R. Haywood,**  
Assistant Secretary.

[FR Doc. 2025–14548 Filed 7–31–25; 8:45 am]

BILLING CODE 8011–01–P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–103567; File No. SR–NYSEARCA–2025–07]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving a Proposed Rule Change, as Modified by Amendment No. 3, To Amend Rules Regarding Position and Exercise Limits for Options on the Grayscale Bitcoin Trust (“GBTC”) and To Permit Flexible Exchange Options on GBTC

July 29, 2025.

#### I. Introduction

On January 29, 2025, NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) filed

with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> a proposed rule change to amend the position and exercise limits for options on the Grayscale Bitcoin Trust ETF (“GBTC”) and to permit options on GBTC to trade as Flexible Exchange (“FLEX”) Equity Options (“FLEX GBTC options”).<sup>3</sup> On February 7, 2025, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>4</sup> The proposed rule change, as modified by Amendment No. 1, was published for comment in the **Federal Register** on February 18, 2025.<sup>5</sup> On March 12, 2025, pursuant to Section 19(b)(2) of the Act,<sup>6</sup> the Commission designated a longer period within which to approve the proposal, disapprove the proposal, or institute proceedings to determine whether to disapprove the proposal.<sup>7</sup> On April 28, 2025, the Exchange filed Amendment No. 2 to the proposal. On May 6, 2025, the Exchange withdrew Amendment No. 2 and filed Amendment No. 3, which supersedes and replaces the original filing in its entirety.<sup>8</sup> On May 23, 2025, the

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> The Exchange’s initial proposal refers to the “Grayscale Bitcoin Trust (BTC)” (“GBTC”).” Amendment No. 3 to the proposal, which supersedes and replaces the original filing in its entirety, refers to “the Grayscale Bitcoin Trust ETF (“GBTC”).” The Exchange’s rules use the term “exchange-traded fund” to refer to several types of investment products. See Exchange Rule 5.3–O(g). GBTC is not a registered investment company under the Investment Company Act of 1940. See Form 10–Q, dated May 2, 2025, available at <https://www.sec.gov/Archives/edgar/data/1588489/000095017025062731/gbtc-20250331.htm>.

<sup>4</sup> Amendment No. 1 revised the proposal to correct rule marking errors in Exhibit 5 of the proposal.

<sup>5</sup> See Securities Exchange Act Release No. 102402 (Feb. 11, 2025), 90 FR 9765 (Feb. 18, 2025).

<sup>6</sup> 15 U.S.C. 78s(b)(2).

<sup>7</sup> See Securities Exchange Act Release No. 102629 (Mar. 12, 2025), 90 FR 12630 (Mar. 18, 2025). The Commission designated May 19, 2025, as the date by which the Commission shall approve or disapprove, or institute proceedings to determine whether to approve or disapprove, the proposed rule change.

<sup>8</sup> Amendment No. 3 revises the proposal to: make clear that by removing the current 25,000 contract position limit for GBTC in Exchange Rule 6.8–O, Commentary .06(f), GBTC will be subject to the position limits in Exchange Rule 6.8–O, Commentary .06(a)–(e) that apply to other equity options; make clear that any FLEX and non-FLEX positions in the GBTC must be aggregated for purposes of calculating the position and exercise limits; indicate that, under Exchange Rule 6.9–O, exercise limits for options on an underlying security are the same as the position limits for options on that underlying; state that the Exchange would be able to obtain information regarding trading in shares of GBTC (rather than “trading activity in the pertinent underlying securities”) on other exchanges through the Intermarket

Continued

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> See Securities Exchange Act Release No. 101775 (Nov. 27, 2024), 89 FR 95853 (Dec. 3, 2024). Comments on the proposed rule change are available at: <https://www.sec.gov/comments/sr-nysearca-2024-98/srnysearca202498.htm>.

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

<sup>5</sup> See Securities Exchange Act Release No. 102186 (Jan. 14, 2025), 90 FR 7199 (Jan. 21, 2025) (designating March 3, 2025, as the date by which the Commission shall either approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change).

<sup>6</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>7</sup> See Securities Exchange Act Release No. 102514 (Mar. 3, 2025), 90 FR 11559 (Mar. 7, 2025).

<sup>8</sup> See Securities Exchange Act Release No. 103140 (May 28, 2025), 90 FR 23574 (June 3, 2025) (designating July 31, 2025, as the date by which the Commission shall either approve or disapprove the proposed rule change).

<sup>9</sup> See Securities Exchange Act Release No. 103499 (July 18, 2025), 90 FR 34681 (July 23, 2025).

<sup>10</sup> 17 CFR 200.30–3(a)(12).

<sup>11</sup> See Securities Exchange Act Release No. 103531 (July 22, 2025), 90 FR 35339 (July 25, 2025).

<sup>12</sup> 17 CFR 201.431.

<sup>13</sup> See Letter from J. Matthew DeLesDernier, Deputy Secretary, Commission, to Le-Anh Bui, Senior Counsel, NYSE Group, Inc., dated July 22, 2025, available at <https://www.sec.gov/files/rules/sro/nysearca/2025/sr-nysearca-2024-98-rule-431-letter-2025-07-22.pdf>.

Commission published notice of Amendment No. 3 and instituted proceedings under Section 19(b)(2)(B) of the Act<sup>9</sup> to determine whether to approve or disapprove the proposal, as modified by Amendment No. 3.<sup>10</sup> The Commission received a comment on the proposal.<sup>11</sup> This order approves the proposal, as modified by Amendment No. 3.

## II. Description of the Proposed Rule Change, as Modified by Amendment No. 3

As described more fully in the Notice and Order Instituting Proceedings, the Exchange proposes to amend its rules to provide for the trading of FLEX GBTC options and to apply the position limits in Exchange Rule 6.8–O, Commentary .06(a)–(e) to GBTC options.<sup>12</sup> Under Exchange Rule 6.9–O, Commentary .01, the exercise limits for options on an underlying security are the same as the position limits for options on that security.<sup>13</sup>

Surveillance Group; revise the analysis supporting the proposed position and exercise limits; and make a technical change to replace rule text references to “the Grayscale Bitcoin Trust BTC (BTC)” with its ticker symbol, “GBTC.”

<sup>9</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>10</sup> See Securities Exchange Act Release No. 103066 (May 19, 2025), 90 FR 22120 (May 23, 2025) (“Notice and Order Instituting Proceedings”).

<sup>11</sup> This comment is available at <https://www.sec.gov/comments/sr-nysearca-2025-07/srnysearca202507-1793014.htm> and it does not address issues related to the proposal.

<sup>12</sup> Exchange Rule 6.8–O establishes a position limit of 250,000 contracts on the same side of the market for options on an underlying stock or ETF that had trading volume of at least 100,000,000 shares during the most recent six-month trading period or that had trading volume of at least 75,000,000 shares during the most recent six-month trading period and has at least 300,000,000 shares currently outstanding; 200,000 contracts on the same side of the market for options on an underlying stock or ETF that had trading volume of at least 80,000,000 shares during the most recent six-month trading period or that had trading volume of at least 60,000,000 shares during the most recent six-month trading period and has at least 240,000,000 shares currently outstanding; 75,000 contracts on the same side of the market for options on an underlying stock or ETF that had trading volume of at least 40,000,000 shares during the most recent six-month trading period or that had trading volume of at least 30,000,000 shares during the most recent six-month trading period and has at least 120,000,000 shares currently outstanding; 50,000 contracts on the same side of the market for options on an underlying stock or ETF that had trading volume of at least 20,000,000 shares during the most recent six-month trading period or trading volume of at least 15,000,000 shares during the most recent six-month trading period and at least 40,000,000 shares currently outstanding; and 25,000 contracts on the same side of the market for options on an underlying stock or ETF that does not satisfy the criteria for a higher limit.

<sup>13</sup> See Exchange Rule 6.9–O, Commentary .01 and Notice and Order Instituting Proceedings, 90 FR at 22121, footnote 14.

## Position and Exercise Limits

The Exchange proposes to eliminate the current 25,000-contract position limit in Exchange Rule 6.8–O, Commentary .06(f) for GBTC options and to apply to GBTC options the position and exercise limits that apply to other equity options, *i.e.*, the position and exercise limits in Exchange Rules 6.8–O, Commentary .06(a)–(e) and 6.9–O.<sup>14</sup> Under Exchange Rule 6.8–O, Commentary .06(e), position limits for options on GBTC would be subject to six-month reviews to determine future position and exercise limits.<sup>15</sup> The Exchange states that GBTC options qualify for the 250,000-contract limit in Exchange Rule 6.8–O, Commentary .06(e)(i), which requires that trading volume for the underlying security in the most recent six months be at least 100,000,000 shares.<sup>16</sup>

The Exchange states that the reporting requirement for GBTC options will remain unchanged and that the Exchange will continue to require each member that maintains positions in GBTC options, on the same side of the market, for its own account or for the account of a customer, to report certain information to the Exchange, including the options positions, whether such positions are hedged and, if so, a description of the hedge(s).<sup>17</sup> In addition, the Exchange states that its requirement that members file reports with the Exchange for any customer who held aggregate large long or short positions on the same side of the market of 200 or more option contracts of any single class for the previous day will remain at this level.<sup>18</sup>

## FLEX GBTC Options

The Exchange proposes to permit the trading of FLEX GBTC options. The Exchange states that FLEX options on ETFs are currently traded in the over-the-counter (“OTC”) market by a variety of market participants, including hedge funds, proprietary trading firms, and pension funds.<sup>19</sup> The Exchange states its market for FLEX GBTC options would be more transparent than the OTC market for such options, and that FLEX GBTC options traded on the Exchange

present less counter-party credit risk because they would be issued and guaranteed by the Options Clearing Corporation (“OCC”).<sup>20</sup> Under the proposal positions in FLEX GBTC options will be aggregated with positions in non-FLEX options on GBTC for the purpose of calculating position and exercise limits.<sup>21</sup> For example, the Exchange states that, assuming a 250,000-contract position limit for options on GBTC, the Exchange “would restrict a market participant from holding positions that could result in the receipt of more than 250,000,000 [sic] shares (if that market participant exercised all its GBTC options).”<sup>22</sup>

The Exchange states that it has analyzed its capacity and represents that it and the Options Price Reporting Authority have the necessary systems capacity to handle the additional traffic associated with the listing of FLEX GBTC options.<sup>23</sup> In addition, the Exchange states that it believes that OTP Holders will not have a capacity issue as a result of the proposal.<sup>24</sup> The Exchange further states that it will monitor the trading volume associated with the additional options series listed as a result of the proposed rule change and the effect (if any) of these additional series on market fragmentation and on the capacity of the Exchange’s automated systems.<sup>25</sup> The Exchange states that the same surveillance procedures applicable to other options products listed and traded on the Exchange, including non-FLEX GBTC options, will apply to FLEX GBTC options, and that FLEX options products (and their respective symbols) are integrated into the Exchange’s existing surveillance system architecture and are thus subject to the relevant surveillance processes.<sup>26</sup> The Exchange further states that its market surveillance staff (including staff of the Financial Industry Regulatory Authority, Inc. (“FINRA”), who perform surveillance and investigative work on behalf of the Exchange pursuant to a regulatory services agreement) conducts surveillances with respect to GBTC (the underlying ETF) and, as appropriate, would review activity in GBTC when

<sup>20</sup> See *id.*

<sup>21</sup> See proposed Exchange Rule 5.35–O(b)(iii). Under Exchange Rule 6.9–O, exercise limits for options on GBTC will be the same as the position limits for options on GBTC. See Exchange Rule 6.9–O and Notice and Order Instituting Proceedings, 90 FR 22122 at footnote 32.

<sup>22</sup> Notice and Order Instituting Proceedings, 90 FR at 22123. A position of 250,000 GBTC options would represent 25,000,000 shares of GBTC.

<sup>23</sup> See *id.* at 22124.

<sup>24</sup> See *id.*

<sup>25</sup> See *id.*

<sup>26</sup> See *id.*

<sup>14</sup> See Notice and Order Instituting Proceedings, 90 FR at 22120, footnote 8.

<sup>15</sup> See *id.* at 22122. Exchange Rule 6.8–O, Commentary .06(e) states that the Exchange will review the volume and outstanding share information on all underlying stocks and ETF shares on which options are traded on the Exchange every six months to determine which limit will apply.

<sup>16</sup> See *id.* and footnote 12 *supra*.

<sup>17</sup> See Notice and Order Instituting Proceedings, 90 FR at 22123.

<sup>18</sup> See *id.*

<sup>19</sup> See *id.* at 22124.

conducting surveillances for market abuse or manipulation in the FLEX GBTC options.<sup>27</sup> In addition, the Exchange states that it is a member of the Intermarket Surveillance Group (“ISG”).<sup>28</sup> The Exchange states that ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets.<sup>29</sup> The Exchange states that, in addition to the surveillance that is conducted by the Exchange’s market surveillance staff, the Exchange would also be able to obtain information regarding trading in shares of GBTC on other exchanges through ISG.<sup>30</sup> The Exchange does not believe that allowing FLEX GBTC options would render the marketplace for non-FLEX GBTC options, or equity options in general, more susceptible to manipulative practices.<sup>31</sup> The Exchange represents that its existing trading surveillances are adequate to monitor the trading in GBTC as well as any subsequent trading of FLEX GBTC options on the Exchange.<sup>32</sup> The Exchange states that it has a regulatory services agreement with FINRA, pursuant to which FINRA conducts certain surveillances on behalf of the Exchange.<sup>33</sup> The Exchange further states that, pursuant to a multi-party 17d–2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillances.<sup>34</sup> In addition, the Exchange states that it will implement any additional surveillance procedures it deems necessary to effectively monitor the trading of GBTC options.<sup>35</sup>

### III. Discussion and Commission Findings

After careful consideration, the Commission finds that the proposed rule change, as modified by Amendment No. 3, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange,<sup>36</sup> and, in particular, the requirements of Section 6 of the Act.<sup>37</sup> Specifically, the Commission finds that the proposed

rule change, as modified by the Amendment No. 3, is consistent with Section 6(b)(5) of the Act,<sup>38</sup> which requires, among other things, that an exchange have rules designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest.

#### A. Position and Exercise Limits

Position and exercise limits serve as a regulatory tool designed to deter manipulative schemes and adverse market impact surrounding the use of options. Since the inception of standardized options trading, the options exchanges have had rules limiting the aggregate number of options contracts that a member or customer may hold or exercise. Options position and exercise limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market to benefit the options position.<sup>39</sup> In addition, such limits serve to reduce the possibility of disruption in the options market itself, especially in illiquid classes.<sup>40</sup> As the Commission has previously recognized, markets with active and deep trading interest, as well as with broad public ownership, are more difficult to manipulate or disrupt than less active and deep markets with smaller public floats.<sup>41</sup> The Commission also has recognized that position and exercise limits must be sufficient to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security.<sup>42</sup> At the same time, the Commission has recognized that limits must not be established at levels that are so low as to discourage participation in the options market by institutions and other investors with substantial hedging needs or to prevent specialists and market-makers from adequately meeting their obligations to maintain a fair and orderly market.<sup>43</sup>

The Exchange proposes to eliminate the current 25,000-contract position and exercise limit for GBTC options and to apply the position limits in Exchange Rule 6.8–O, Commentary .06(a)–(e) to options on GBTC.<sup>44</sup> Under Exchange Rule 6.8–O, Commentary .06(a)–(e) position limits are based either on the trading volume of the underlying stock or ETF over the previous six months, or on the trading volume of the underlying stock or ETF over the previous six months and the outstanding shares of the underlying stock or ETF.<sup>45</sup> Position limits for options on GBTC would be subject to subsequent six-month reviews to determine future position and exercise limits.<sup>46</sup> The Exchange states that options on GBTC qualify for the 250,000-contract limit in Exchange Rule 6.8–O, Commentary .06(e)(i), which requires the most recent six-month trading volume for the underlying security to be at least 100,000,000 shares.<sup>47</sup> The Exchange states that, as of November 25, 2024, the most recent six-month trading volume for GBTC was 550,687,400 shares.<sup>48</sup>

The Exchange provided data and analysis supporting the proposed position and exercise limits. The Exchange states that, as of November 25, 2024, GBTC had 273,950,100 shares outstanding, market capitalization of \$20,661,316,542, and average daily volume (“ADV”) for the preceding three months of 3,829,597 shares.<sup>49</sup> The Exchange states that options on GBTC should be subject to the 250,000-contract limit because “the significant liquidity present in GBTC mitigates against the potential for manipulation.”<sup>50</sup>

The Exchange also compared the size of the position and exercise limits to the market capitalization of the bitcoin market, which, according to the Exchange, had a market capitalization greater than \$1.876 trillion as of

<sup>44</sup> As noted above, exercise limits for options on an underlying security are the same as the position limits for options on that underlying security. See Exchange Rule 6.9–O, Commentary .01.

<sup>45</sup> See *supra* footnote 12.

<sup>46</sup> See Notice and Order Instituting Proceedings, 90 FR at 22122 and Exchange Rule 6.8–O, Commentary .06(e) (providing that, every six months, the Exchange will review the volume and outstanding share information on all underlying ETFs on which options are traded to determine applicable position limits). See also Rule 6.9–O (providing that exercise limits for options on an underlying will be the same as the position limits for such underlying).

<sup>47</sup> See Notice and Order Instituting Proceedings, 90 FR at 22124.

<sup>48</sup> See *id.* at 22122.

<sup>49</sup> See *id.* at 22122, footnote 27 and accompanying text.

<sup>50</sup> *Id.* at 22123.

<sup>38</sup> 15 U.S.C. 78f(b)(5).

<sup>39</sup> See Securities Exchange Act Release No. 39489 (Dec. 24, 1997), 63 FR 276, 279 (Jan. 5., 1998) (order approving File No. SR–Cboe–97–11) (“Position Limit Order”).

<sup>40</sup> *Id.*

<sup>41</sup> *Id.*

<sup>42</sup> See, e.g., Securities Exchange Act Release Nos. 21907 (Mar. 29, 1985), 50 FR 13440, 13441 (Apr. 4, 1985) (order approving File Nos. SR–CBOE–84–21, SR–Amex–84–30, SR–Phlx–84–25, and SR–PSE–85–1); and 40875 (Dec. 31, 1998), 64 FR 1842, 1843 (Jan. 12, 1999) (order approving File Nos. SR–CBOE–98–25; Amex–98–22; PCX–98–33; and Phlx–98–36).

<sup>43</sup> See *id.*

<sup>27</sup> See *id.*

<sup>28</sup> See *id.*

<sup>29</sup> See *id.*

<sup>30</sup> See *id.*

<sup>31</sup> See *id.*

<sup>32</sup> See *id.*

<sup>33</sup> See *id.*

<sup>34</sup> See *id.*

<sup>35</sup> See *id.*

<sup>36</sup> In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>37</sup> 15 U.S.C. 78f.

November 25, 2024.<sup>51</sup> The Exchange calculated that, as of November 25, 2024, a position of 250,000 options on GBTC (which represents 25,000,000 shares of GBTC) would represent less than 0.10% of all bitcoin outstanding.<sup>52</sup> The Exchange states that if a 250,000-contract option position in GBTC were exercised, it “would have a virtually unnoticed impact on the entire bitcoin market,” and, further, that “[t]his analysis demonstrates that a 250,000-contract position (and exercise) limit for GBTC options would be appropriate given GBTC’s liquidity.”<sup>53</sup> The Exchange also states that, as of November 25, 2024, a position limit of 250,000 contracts would represent 9.13% of the outstanding shares of GBTC.<sup>54</sup>

The Commission finds that the proposed position and exercise limits are consistent with the Act, and in particular, with the requirements in Section 6(b)(5) that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest. As discussed above, the Commission has recognized that position and exercise limits must be sufficient to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of option contracts disproportionate to the deliverable supply and average trading volume of the underlying security.<sup>55</sup> In addition, the Commission has stated previously that rules regarding position and exercise limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position.<sup>56</sup> Based on its review of the data and analysis provided by the Exchange, the Commission concludes that the proposed position and exercise limits satisfy these objectives. Specifically, the Commission has considered and reviewed the Exchange’s analysis that, as of November 25, 2024, a position limit of 250,000 contracts would represent 9.13% of the outstanding shares of GBTC.<sup>57</sup> The Commission also has considered and reviewed the Exchange’s statements that, as of

November 25, 2024, GBTC had 273,950,100 shares outstanding, market capitalization of \$20,661,316,542, and ADV for the preceding three months of 3,829,597 shares.<sup>58</sup> The Commission further considered and reviewed the Exchange’s statement that for the six-month period ending on November 25, 2024, the trading volume for GBTC was 550,687,400 shares.<sup>59</sup>

Based on the Commission’s review of this information and analysis, the Commission concludes that the proposed position and exercise limits are designed to prevent market participants from disrupting the market for the underlying securities by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security, and to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position.

#### B. FLEX GBTC Options

The proposed FLEX GBTC options would permit the creation of customized options on GBTC, which could help market participants implement their hedging, risk management, and investment strategies. In addition, the proposal will extend to FLEX GBTC options the benefits of trading on the Exchange’s options market, including a centralized market center, an auction market with posted transparent market quotations and transaction reporting, parameters and procedures for clearance and settlement, and the guarantee of OCC for all contracts traded on the Exchange.<sup>60</sup>

The position and exercise limits described above will apply to FLEX GBTC options, and positions in FLEX and non-FLEX GBTC options will be aggregated for purposes of calculating position and exercise limits.<sup>61</sup> The Commission finds that the proposed position and exercise limits for FLEX GBTC options are consistent with the Act, and in particular, with the requirements in Section 6(b)(5) that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices and to

protect investors and the public interest. By applying the GBTC option position and exercise limits to FLEX GBTC options, and by requiring the aggregation of positions in FLEX and non-FLEX GBTC options for position and exercise limit purposes, the proposed position and exercise limits for FLEX GBTC options are designed to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security, and to prevent the establishment of options positions that could be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position.

The Commission previously considered the surveillance procedures that would apply to GBTC options when it approved the Exchange’s proposal to list and trade GBTC options.<sup>62</sup> The same surveillance procedures that apply to other options products listed and traded on the Exchange, including non-FLEX GBTC options, will apply to FLEX GBTC options, and the Exchange states that FLEX options products (and their respective symbols) are integrated into the Exchange’s existing surveillance system architecture, and thus are subject to the relevant surveillance processes.<sup>63</sup> The Exchange states that it will implement any additional surveillance procedures it deems necessary to effectively monitor the trading of FLEX GBTC options.<sup>64</sup> The Exchange further states that it is a member of ISG, that ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition to the surveillance conducted by the Exchange’s market surveillance staff, the Exchange would be able to obtain information regarding trading in shares of GBTC on other exchanges through ISG.<sup>65</sup> Further, in approving proposals to list bitcoin-based exchange-traded products (“ETPs”), including GBTC, the Commission found that there were sufficient means to prevent fraud and manipulation of bitcoin-based ETPs.<sup>66</sup> Together, these surveillance procedures should allow the Exchange to investigate suspected manipulations

<sup>51</sup> See *id.* at 22122.

<sup>52</sup> See *id.*

<sup>53</sup> *Id.*

<sup>54</sup> See *id.*

<sup>55</sup> See *supra* note 42 and accompanying text.

<sup>56</sup> See Securities Exchange Act Release No. 57352 (Feb. 19, 2008), 73 FR 10076, 10080 (Feb. 25, 2008) (order approving File No. SR-Cboe-2008-07).

<sup>57</sup> See Notice and Order Instituting Proceedings, 90 FR at 22122.

<sup>58</sup> See *id.* at 22122, footnote 27 and accompanying text.

<sup>59</sup> See *id.* at 22122.

<sup>60</sup> See Securities Exchange Act Release No. 36841 (Feb. 14, 1996), 61 FR 6666, 6668 (Feb. 21, 1996) (File Nos. Cboe-95-43 and PCX-95-24) (order approving proposals to provide for the listing and trading of FLEX options on specified equity securities).

<sup>61</sup> See proposed Exchange Rule 5.35–O(b)(iii).

<sup>62</sup> See Securities Exchange Act Release No. 101386 (Oct. 18, 2024), 89 FR 84960, 84971 (Oct. 24, 2024).

<sup>63</sup> See Notice and Order Instituting Proceedings, 90 FR at 22124.

<sup>64</sup> See *id.*

<sup>65</sup> See *id.*

<sup>66</sup> See Securities Exchange Act Release Nos 99306 (Jan. 10, 2024), 89 FR 3008 (Jan. 17, 2024).

or other trading abuses in FLEX GBTC options.

Accordingly, the Commission finds that the Exchange's surveillance procedures for FLEX GBTC options are designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest.

#### IV. Conclusion

For the reasons set forth above, the Commission finds that the proposed rule change, as modified by Amendment No. 3, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, the requirements of Section 6(b)(5) of the Act.<sup>67</sup>

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>68</sup> that the proposed rule change (SR-NYSEARCA-2025-07), as modified by Amendment No. 3, is approved.

By the Commission.

**Sherry R. Haywood,**

*Assistant Secretary.*

[FR Doc. 2025-14549 Filed 7-31-25; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103573; File No. SR-LCH SA-2025-007]

### Self-Regulatory Organizations; LCH SA; Notice of Filing of Proposed Rule Change Relating to LCH SA's Risk Governance Framework and Collateral, Financial, Credit, Operational and Third Party Risk Policies

July 29, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4,<sup>2</sup> notice is hereby given that on July 15, 2025, Banque Centrale de Compensation, which conducts business under the name LCH SA ("LCH SA"), filed with the Securities and Exchange Commission ("Commission") the proposed rule change, as described in Items I, II and III below, which Items have been prepared primarily by the clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

LCH SA is submitting several risk policies ("Risk Policies") which LCH SA has adopted, including: (i) the Collateral Risk Policy; (ii) the Financial Resource Adequacy Policy; (iii) the Counterparty Credit Risk Policy; (iv) the Operational Risk Management Policy; (v) the Third Party Risk Management Policy; and (vi) the Risk Governance Framework. The Risk Policies have been issued by LCH Group Holdings Limited ("LCH Group")<sup>3</sup> and adopted by the LCH SA Risk Committee and LCH SA Board.<sup>4</sup>

#### II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

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

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

###### 1. Purpose

The Risk Policies have been adopted by LCH SA in order to set out the specific risk management requirements that govern its operations as a clearing agency. Moreover, the Risk Policies clarify the roles and responsibilities within LCH SA for compliance with the Risk Policies. Finally, the Risk Policies have been designed to ensure consistency with all relevant laws and regulations, including the European Markets Infrastructure Regulation ("EMIR") and Section 17A of the Act<sup>5</sup> and the regulations thereunder.<sup>6</sup>

<sup>3</sup> LCH Group Holdings Limited is an indirect wholly owned subsidiary of the London Stock Exchange Group plc. In addition to LCH SA, LCH Group also owns LCH Limited, a recognized central counterparty supervised in the United Kingdom by the Bank of England and a derivatives clearing organization ("DCO") registered with the Commodity Futures Trading Commission.

<sup>4</sup> The Risk Policies have been elaborated in common with LCH Ltd. in order to ensure risk management consistency within LCH Group. Identical risk policies have been approved by LCH Ltd.'s governance.

<sup>5</sup> 15 U.S.C. 78q-1.

<sup>6</sup> The Risk Policies generally identify the relevant provisions of law and regulation applicable to that policy.

#### a. Collateral Risk Policy

The Collateral Risk Policy ("CRP") sets out the LCH Group standards for the management of collateral risk at LCH SA, subject to the risk appetite defined in the Risk Governance Framework. The goal of the policy is to ensure that LCH SA has a robust mechanism in place to process and control the collateral posted by its members.

The CRP applies to collateral accepted by LCH SA to cover margin requirements and default fund contributions.<sup>7</sup> The CRP also clarifies the roles and responsibilities within LCH SA for compliance with the CRP. The policy owner is the LCH SA Chief Risk Officer ("CRO"). In addition:

- LCH SA Collateral and Liquidity Management team ("CaLM") has a number of responsibilities under the CRP. CaLM's primary responsibilities include: (i) daily monitoring of the pool of collateral lodged by its members in accordance with the policy;<sup>8</sup> (ii) calibrating collateral haircuts and performing daily monitoring in accordance with the CRP; (iii) supervising the delegated team LCH Ltd First Line Risk RepoClear with the sourcing and assessment<sup>9</sup> of collateral prices based on guidelines by CaLM First Line Risk SA, subject to the standards set out in the LCH Contract and Market Acceptability Policy; (iv) implementing collateral concentration limits on its members and monitoring against these on a daily basis; (v) handling general enquiries from members regarding collateral risk methodology; (vi) performing collateral stress testing in accordance with the CRP; and (vii) realizing the cash value of the collateral lodged by a defaulted

<sup>7</sup> Collateral accepted by LCH SA to cover risks associated with (i) securities accepted as part of the clearing services such as in RepoClear and Equity Clear; and (ii) secured cash investments (reverse repurchase agreements or outright purchases) conducted as part of CaLM's investment activities, are outside the scope of the CRP and are covered by the Financial Resource Adequacy Policy (see paragraph below) and Investment Risk Policy, respectively.

<sup>8</sup> Such monitoring encompasses working with external stakeholders (e.g., International Central Securities Depositories ("ICSDs")), Central Securities Depositories ("CSDs") and internal stakeholders (e.g., Collateral Operations, as defined below) to update the list of eligible collateral in line with the acceptance criteria set out in the CRP.

<sup>9</sup> For example, this includes assessing the prices of collateral lodged bilaterally and collateral lodged via tri-party providers against published market prices. In addition, it assesses. In addition, where a material change in the collateral market is identified, CaLM will escalate the issue to CaLM Risk (as defined herein) and LCH SA senior management.

<sup>67</sup> 15 U.S.C. 78f(b)(5).

<sup>68</sup> 15 U.S.C. 78s(b)(2).

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

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