

arguments concerning the foregoing, including whether the proposed rule change 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
- Send an email to rule-comments@sec.gov. Please include file number SR-MRX-2025-16 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-MRX-2025-16. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-MRX-2025-16 and should be submitted on or before August 22, 2025.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁰

Sherry R. Haywood,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103568; File No. SR-NYSEARCA-2025-10]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving a Proposed Rule Change, as Modified by Amendment No. 2, To Amend Rules Regarding Position and Exercise Limits for Options on the Grayscale Bitcoin Mini Trust ("BTC") and the Bitwise Bitcoin ETF ("BITB") and To Permit Flexible Exchange Options on BTC and BITB

July 29, 2025.

I. Introduction

On February 3, 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")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend the position and exercise limits for options on the Grayscale Bitcoin Mini Trust ETF ("BTC") and the Bitwise Bitcoin ETF ("BITB") (each a "Fund" and, together, the "Funds") and to permit options on the Funds to trade as Flexible Exchange ("FLEX") Equity Options ("FLEX Fund options").³ On February 14, 2025, the Exchange filed Amendment No. 1 to the proposed rule change.⁴ The proposed rule change, as modified by Amendment No. 1, was published for comment in the *Federal Register* on February 24, 2025.⁵ On March 12, 2025, pursuant to Section 19(b)(2) of the Act,⁶ the Commission designated a longer period within which to approve the proposal, disapprove the proposal, or institute proceedings to determine whether to

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Exchange's initial proposal refers to the "Grayscale Bitcoin Mini Trust BTC ('BTC') and the "Bitwise Bitcoin ETF ('BITB')." Amendment No. 2 to the proposal, which supersedes and replaces the original filing in its entirety, refers to the "Grayscale Bitcoin Mini Trust ETF ('BTC') and the "Bitwise Bitcoin ETF ('BITB')." 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). BTC and BITB are not registered nor subject to regulation under the Investment Company Act of 1940. See Amendment No. 4 to Form S-1 for BTC, dated July 26, 2024, available at <https://www.sec.gov/Archives/edgar/data/2015034/000119312524186494/d785023ds1a.htm>; Pre-Effective Amendment No. 1 to Form S-3 for BITB, dated June 23, 2025, available at https://www.sec.gov/Archives/edgar/data/1763415/000121390025056635/ea0246384-s3a1_bitwise.htm.

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

⁵ See Securities Exchange Act Release No. 102441 (Feb. 18, 2025), 90 FR 10518 (Feb. 24, 2025).

⁶ 15 U.S.C. 78s(b)(2).

disapprove the proposal.⁷ On April 28, 2025, the Exchange filed Amendment No. 2 to the proposal, which supersedes and replaces the original filing in its entirety.⁸ On May 23, 2025, the Commission published notice of Amendment No. 2 and instituted proceedings under Section 19(b)(2)(B) of the Act⁹ to determine whether to approve or disapprove the proposal, as modified by Amendment No. 2.¹⁰ The Commission received no comments regarding the proposal. This order approves the proposal, as modified by Amendment No. 2.

II. Description of the Proposed Rule Change, as Modified by Amendment No. 2

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 Fund options and to apply the position limits in Exchange Rule 6.8-O, Commentary .06(a)-(e) to options on the Funds.¹¹

⁷ See Securities Exchange Act Release No. 102630 (Mar. 12, 2025), 90 FR 12614 (Mar. 18, 2025). The Commission designated May 25, 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.

⁸ Amendment No. 2 revises the proposal to: make clear that by removing the current 25,000 contract position limits for BTC and BITB in Exchange Rule 6.8-O, Commentary .06(f), BTC and BITB 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 any FLEX and non-FLEX positions in the same underlying Fund 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 BTC and BITB (rather than "trading activity in the pertinent underlying securities") on other exchanges through the Intermarket 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 Mini Trust BTC" and "the Bitwise Bitcoin ETF" with their respective ticker symbols (*i.e.*, BTC and BITB).

⁹ 15 U.S.C. 78s(b)(2)(B).

¹⁰ See Securities Exchange Act Release No. 103068 (May 19, 2025), 90 FR 22132 (May 23, 2025) ("Notice and Order Instituting Proceedings").

¹¹ 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

²⁰ 17 CFR 200.30-3(a)(12).

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.¹²

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 options on the Funds and to apply to options on the Funds 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.¹³ Under Exchange Rule 6.8–O, Commentary .06(e), position limits for options on the Funds would be subject to six-month reviews to determine future position and exercise limits.¹⁴ The Exchange states that options on the Funds 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.¹⁵

The Exchange states that the reporting requirement for options on the Funds will remain unchanged and that the Exchange will continue to require each member that maintains positions in options on the Funds, 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).¹⁶ In

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.

¹² See Exchange Rule 6.9–O, Commentary .01 and Notice and Order Instituting Proceedings, 90 FR at 22133, footnote 15.

¹³ See Notice and Order Instituting Proceedings, 90 FR at 22132, footnote 9.

¹⁴ See *id.*, 90 FR at 22134, footnote 35. 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.

¹⁵ See Notice and Order Instituting Proceedings, 90 FR at 22133. See also footnote 11 *supra*.

¹⁶ See Notice and Order Instituting Proceedings at 22135.

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.¹⁷

FLEX Fund Options

The Exchange proposes to permit the trading of FLEX Fund 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.¹⁸ The Exchange states that its market for FLEX Fund options would be more transparent than the OTC market for such options, and that FLEX Fund options traded on the Exchange present less counter-party credit risk because they would be issued and guaranteed by the Options Clearing Corporation (“OCC”).¹⁹

Under the proposal, positions in FLEX options on each Fund will be aggregated with positions in non-FLEX options in the same underlying Fund for the purpose of calculating position and exercise limits for options on each Fund.²⁰ For example, the Exchange states that, assuming a 250,000-contract position limit for options on BTC, the Exchange “would restrict a market participant from holding positions that could result in the receipt of more than 250,000,000 [sic] shares of BTC (if that market participant exercised all its BTC options).”²¹

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 Fund options.²² In addition, the Exchange states that it believes that OTP Holders will not have a capacity issue as a result of the proposal.²³ The Exchange further states that it will monitor the trading volume associated with the additional options series listed as a result of this proposal and the effect (if any) of these additional series on

¹⁷ See *id.*

¹⁸ See *id.*

¹⁹ See *id.*

²⁰ See proposed Exchange Rule 5.35–O(b)(iii). Under Exchange Rule 6.9–O, exercise limits for options on the Funds will be the same as the position limits on the Funds. See Exchange Rule 6.9–O and Notice and Order Instituting Proceedings, 90 FR at 22133, footnote 15.

²¹ See Notice and Order Instituting Proceedings, 90 FR at 22135. A position of 250,000 BTC options would represent 25,000,000 shares of BTC.

²² See *id.* at 22136.

²³ See *id.*

market fragmentation and on the capacity of the Exchange’s automated systems.²⁴ The Exchange states that the same surveillance procedures applicable to other options products listed and traded on the Exchange, including non-FLEX Fund options, will apply to FLEX Fund 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.²⁵ 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 BTC and BITB (the underlying ETFs) and, as appropriate, would review activity in BTC and BITB when conducting surveillances for market abuse or manipulation in the FLEX Fund options.²⁶ In addition, the Exchange states that it is a member of the Intermarket Surveillance Group (“ISG”).²⁷ The Exchange states that ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets.²⁸ 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 BTC and BITB on other exchanges through ISG.²⁹ The Exchange does not believe that allowing FLEX Fund options would render the marketplace for non-FLEX Fund options, or equity options in general, more susceptible to manipulative practices.³⁰ The Exchange represents that its existing trading surveillances are adequate to monitor the trading in BITC and BITB as well as any subsequent trading of FLEX Fund options on the Exchange.³¹ The Exchange states that it has a regulatory services agreement with FINRA, pursuant to which FINRA conducts certain surveillances on behalf of the Exchange.³² The Exchange further states that, pursuant to a multi-party 17d–2 joint plan, all options exchanges allocate regulatory responsibilities to

²⁴ See *id.*

²⁵ See *id.*

²⁶ See *id.*

²⁷ See *id.*

²⁸ See *id.*

²⁹ See *id.*

³⁰ See *id.*

³¹ See *id.*

³² See *id.*

FINRA to conduct certain options-related market surveillances.³³ In addition, the Exchange states that it will implement any additional surveillance procedures it deems necessary to effectively monitor the trading of BTC and BITB options.³⁴

III. Discussion and Commission Findings

After careful consideration, the Commission finds that the proposed rule change, as modified by Amendment No. 2, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange,³⁵ and, in particular, the requirements of Section 6 of the Act.³⁶ Specifically, the Commission finds that the proposed rule change, as modified by Amendment No. 2, is consistent with Section 6(b)(5) of the Act,³⁷ which requires, among other things, that an exchange have rules designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest.

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.³⁸ In addition, such limits serve to reduce the possibility of disruption in the options market itself, especially in illiquid classes.³⁹ 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.⁴⁰ 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.⁴¹ 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.⁴²

The Exchange proposes to eliminate the current 25,000-contract position and exercise limit for options on the Funds and to apply the position limits in Exchange Rule 6.8–O, Commentary .06(a)–(e) to options on the Funds.⁴³ 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.⁴⁴ Position limits for options on the Funds would be subject to subsequent six-month reviews to determine future position and exercise limits.⁴⁵ The Exchange states that options on each of the Funds qualify for the 250,000-contract limit in Exchange Rule 6.8–O, Commentary .06(e)(i), which requires that the most recent six-month trading volume for the underlying security be at least 100,000,000 shares.⁴⁶ The Exchange states that, as of November 25, 2024, the most recent six-month trading volume

for BTC and BITB was 163,712,700 shares and 288,800,860 shares, respectively.⁴⁷

The Exchange provided data and analysis supporting the proposed position and exercise limits. The Exchange states that, as of November 25, 2024, BTC had 82,939,964 shares outstanding, market capitalization of \$3,496,748,882, and average daily volume (“ADV”) for the preceding three months of 2,036,369 shares.⁴⁸ During this same period, BITB had 79,950,100 shares outstanding, market capitalization of \$4,095,157,000, and ADV for the preceding three months of 2,480,478 shares.⁴⁹ The Exchange states that options on the Funds should be subject to the 250,000-contract limit because “the significant liquidity present in each Fund mitigates against the potential for manipulation.”⁵⁰

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 November 25, 2024.⁵¹ The Exchange calculated that, as of November 25, 2024, a position of 250,000 contracts (which represents 25,000,000 shares of the underlying Fund) in options on BTC or BITB would represent 0.06% or 0.07%, respectively, of all bitcoin outstanding.⁵² The Exchange states that if a 250,000-contract option position in either Fund 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 options on each Fund would be appropriate given the liquidity of BTC and BITB.”⁵³ The Exchange also states that, as of November 25, 2024, a position limit of 250,000 contracts would represent 30.14% of the outstanding shares of BTC and 31.27% of the outstanding shares of BITB.⁵⁴

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

³³ See *id.*

³⁴ See *id.*

³⁵ 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).

³⁶ 15 U.S.C. 78f.

³⁷ 15 U.S.C. 78f(b)(5).

³⁸ 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”).

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ 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).

⁴² See *id.*

⁴³ 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.

⁴⁴ See *supra* footnote 11.

⁴⁵ See Notice and Order Instituting Proceedings, 90 FR at 22134 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).

⁴⁶ See Notice and Order Instituting Proceedings, 90 FR at 22133.

⁴⁷ See *id.*

⁴⁸ See *id.*

⁴⁹ See *id.*

⁵⁰ *Id.* at 22135.

⁵¹ See *id.* at 22133.

⁵² See *id.* at 22134.

⁵³ *Id.* at 22134.

⁵⁴ See *id.* at 22133.

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.⁵⁵ 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.⁵⁶ 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 30.14% of the outstanding shares of BTC and 31.27% of the outstanding shares of BITB.⁵⁷ The Commission also has considered and reviewed the Exchange's statements that, as of November 25, 2024, BTC had 82,939,964 shares outstanding, market capitalization of \$3,496,748,882, and ADV for the preceding three months of 2,036,369 shares.⁵⁸ As of November 25, 2024, BITB had 79,950,100 shares outstanding, market capitalization of \$4,095,157,000, and ADV for the preceding three months of 2,480,478 shares.⁵⁹ 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 BTC and BITB was 163,712,700 shares and 288,800,860, respectively.⁶⁰

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 Fund Options

The proposed FLEX Fund options would permit the creation of customized options on the FLEX Funds, which could help market participants implement their hedging, risk management, and investment strategies. In addition, the proposal will extend to the FLEX Fund options the benefits of trading on the Exchange's options market, including a centralized market center, an auction market with posted transparent market quotations and transaction reporting, parameters and procedures for clearance and settlement, and the guarantee of OCC for all contracts traded on the Exchange.⁶¹

The position and exercise limits described above will apply to the FLEX Fund options and positions in FLEX and non-FLEX Fund Options will be aggregated with positions in the same underlying Fund for purposes of calculating position and exercise limits.⁶² The Commission finds that the proposed position and exercise limits for FLEX Fund 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 position and exercise limits for options on the Funds to the FLEX Fund options, and by requiring the aggregation of positions in FLEX and non-FLEX options in the respective Funds for position and exercise limit purposes, the proposed position and exercise limits for FLEX Fund options are designed to prevent investors 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 securities, 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 the FLEX Fund

options when it approved the Exchange's proposal to list and trade options on the FLEX Funds.⁶³ The same surveillance procedures that apply to other options products listed and traded on the Exchange, including non-FLEX Fund options, will apply to FLEX Fund 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.⁶⁴ The Exchange states that it will implement any additional surveillance procedures it deems necessary to effectively monitor the trading of the FLEX Fund options.⁶⁵ 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 the FLEX Funds on other exchanges through ISG.⁶⁶ Further, in approving proposals to list bitcoin-based exchange-traded products ("ETPs"), including the Funds, the Commission found that there were sufficient means to prevent fraud and manipulation of bitcoin-based ETPs.⁶⁷ Together, these surveillance procedures should allow the Exchange to investigate suspected manipulations or other trading abuses in FLEX Fund options.

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

IV. Conclusion

For the reasons set forth above, the Commission finds that the proposed rule change, as modified by Amendment No. 2, 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.⁶⁸

⁶³ See Securities Exchange Act Release No. 101386 (Oct. 18, 2024), 89 FR 84960, 84971 (Oct. 24, 2024).

⁶⁴ See Notice and Order Instituting Proceedings, 90 FR at 22136.

⁶⁵ See *id.*

⁶⁶ See *id.*

⁶⁷ See Securities Exchange Act Release Nos. 99306 (Jan. 10, 2024), 89 FR 3008 (Jan. 17, 2024); and 100610 (Jul. 26, 2024), 89 FR 62821 (Aug. 1, 2024).

⁶⁸ 15 U.S.C. 78f(b)(5).

⁵⁵ See *supra* note 41 and accompanying text.

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

⁵⁷ See Notice and Order Instituting Proceedings, 90 FR at 22134.

⁵⁸ See *id.* at 22133, footnote 28 and accompanying text.

⁵⁹ See *id.* at 22133, footnote 29 and accompanying text.

⁶⁰ See *id.* at 22133.

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

⁶² See proposed Exchange Rule 5.35-O(b)(iii).

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁶⁹ that the proposed rule change (SR–NYSEARCA–2025–10), as modified by Amendment No. 2, is approved.

By the Commission.

Sherry R. Haywood,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–103563; File No. SR–ISE–2025–12]

Self-Regulatory Organizations; Nasdaq ISE LLC; Order Approving a Proposed Rule Change, as Modified by Amendment No. 1, To Permit the Trading of FLEX Options on Shares of the iShares Bitcoin Trust ETF

July 29, 2025.

I. Introduction

On April 22, 2025, Nasdaq ISE, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ¹ and Rule 19b–4 thereunder,² a proposed rule change to amend its rules to permit the trading of FLEX equity options on shares of the iShares Bitcoin Trust ETF (“IBIT”) to trade as cash-settled and physically settled FLEX equity options.³ On May 2, 2025, the Exchange filed Amendment No. 1 to the proposal, which replaced and superseded the original filing in its entirety. The proposed rule change, as modified by Amendment No. 1, was published for comment in the **Federal Register** on May 9, 2025.⁴ The Commission received comments on the proposed rule change.⁵ This order

approves the proposed rule change, as modified by Amendment No. 1.

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

As described in detail in the Notice, the Exchange proposes to amend its rules to permit the trading of FLEX equity options on IBIT.⁶ The Commission approved ISE’s proposal to list and trade options on IBIT.⁷ The Exchange proposes to amend Options 3A, Section 3(a) to apply its position and exercise limits to the proposed FLEX IBIT options and to provide that positions in FLEX IBIT options will be aggregated with positions in non-FLEX IBIT options for purposes of calculating position and exercise limits.⁸ Accordingly, the proposal limits the position and exercise limits for all IBIT options—FLEX and non-FLEX—to 25,000 contracts.⁹ The Exchange also proposes to amend Options 3A, Section 18(b)(1) to add new subparagraph (C) which states,

Notwithstanding the foregoing, the position limit for FLEX equity options on the iShares Bitcoin Trust ETF shall be subject to the position limits set forth in Options 9, Section 13, and subject to the exercise limits set forth in Options 9, Section 15 and shall be aggregated with positions on the same non-FLEX underlying ETF for the purpose of calculating the position limits set forth in Options 9, Section 13, and the exercise limits set forth in Options 9, Section 15.

The Exchange would also amend Options 3A, Section 18(b)(1)(A) to provide, “There shall be no position limits for FLEX Equity Options, other than as set forth in subparagraphs (B) and (C) and paragraph (c) below.” Additionally, the Exchange would amend Options 3A, Section 18(c) to state, “For purposes of the position limits and reporting requirements set forth in this Section 18, FLEX Option positions shall not be aggregated with positions in non-FLEX Options other than as provided below and in subparagraphs (b)(1)(B) and (C) above, and positions in FLEX Index Options on a given index shall not be aggregated with options on any stocks included in the index or with FLEX Index Option positions on another index.”

The Exchange states that the Commission has stated that “rules regarding position and exercise limits

are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options positions.”¹⁰ The Exchange states that, for this reason the Commission requires that “position and exercise limits must be sufficient to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security.”¹¹ The Exchange further states that based on its review of the data and analysis provided by the Exchange, the Commission concluded that the 25,000-contract position limit for non-FLEX IBIT options satisfied these objectives.¹²

The Exchange states that the proposed aggregated limit effectively restricts a market participant from holding positions that could result in the receipt of more than 2,500,000 shares, aggregated for FLEX IBIT and non-FLEX IBIT options (if that market participant exercised all its IBIT options).¹³ The Exchange states that capping the aggregated position limit at 25,000 contracts will be sufficient to address concerns related to manipulation and the protection of investors, and further, that the proposed position and exercise limits are conservative for IBIT and therefore appropriate given its liquidity.¹⁴ As described more fully in the Notice, the Exchange states that although it proposes an aggregated position limit of 25,000 contracts for all IBIT options, there is evidence to support a higher position limit.¹⁵

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.¹⁶ The Exchange states that the proposed FLEX options may provide a useful risk management and trading vehicle for market participants and their

¹⁰ See *id.* (citing the IBIT Order, 89 FR 78946).

¹¹ See *id.*

¹² See *id.*

¹³ See *id.*

¹⁴ See *id.*

¹⁵ See *id.* In the IBIT Order, the Commission stated that it considered and reviewed the ISE’s analysis that the exercisable risk associated with a position limit of 25,000 contracts represented only 0.4% of the outstanding shares of IBIT. The Commission stated that it also considered and reviewed the ISE’s statement that with a position limit of 25,000 contracts on the same side of the market and 611,040,00 shares of IBIT outstanding, 244 market participants would have to simultaneously exercise their positions to place IBIT under stress. See IBIT Order, 89 FR at 78946.

¹⁶ See *id.*

⁶⁹ 15 U.S.C. 78s(b)(2).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ The Exchange’s rules use the term “exchange-traded fund” to refer to several types of investment products, including IBIT. See ISE Options 4, Section 3(h). In its proposal to list and trade shares of IBIT, The Nasdaq Stock Market LLC states that IBIT is not an investment company registered under the Investment Company Act of 1940, and that shares of IBIT will be registered with the Commission on Form S–1. See Securities Exchange Act Release No. 99295 (Jan. 8, 2024), 89 FR 2321, 2322 (Jan. 12, 2024) (File No. SR–Nasdaq–2023–016) (notice of Filing of Amendment No. 1 to a Proposed Rule Change to List and Trade Shares of the iShares Bitcoin Trust Under Nasdaq Rule 5711(d)).

⁴ See Securities Exchange Act Release No. 102992 (May 5, 2025), 90 FR 19750 (“Notice”).

⁵ Comments received are available at <https://www.sec.gov/comments/sr-ise-2025-12/srise202512.htm>.

⁶ See *supra* note 4.

⁷ See Securities Exchange Act Release No. 101128 (Sept. 20, 2024), 89 FR 78942 (Sept. 26, 2024) (order approving File No. SR–ISE–2024–03) (“IBIT Order”).

⁸ The Exchange also proposes a technical amendment to change a semicolon to a comma.

⁹ See Notice, 90 FR at 19751.