



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-102828; File No. SR-BOX-2025-08]

### **Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rules 3120 (Position Limits), 5020 (Criteria for Underlying Securities), and 5055 (FLEX Equity Options) to List and Trade Options on the iShares Ethereum Trust**

April 11, 2025.

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> notice is hereby given that on April 10, 2025, BOX Exchange LLC (“BOX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

#### **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange proposes to amend Rules 3120 (Position Limits), 5020 (Criteria for Underlying Securities), and 5055 (FLEX Equity Options) to list and trade options on the iShares Ethereum Trust (the “Trust”). The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet website at <https://rules.boxexchange.com/rulefilings>.

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

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

<sup>2</sup> 17 CFR 240.19b-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 these statements may be examined at the places specified in Item IV below. The self-regulatory organization 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 Exchange proposes to amend Rule 5020 regarding the criteria for underlying securities. Specifically, the Exchange proposes to amend Rule 5020(h) to allow BOX to list and trade options on Exchange-Traded Funds (“ETFs”) that represent interests in the Trust. This is a competitive filing based on a proposal recently submitted by Nasdaq ISE, LLC (“ISE”) and approved by the Securities and Exchange Commission (the “Commission”).<sup>3</sup>

Current Rule 5020(h) provides that, subject to certain other criteria set forth in that Rule, securities deemed appropriate for options trading include Exchange-Traded Fund Shares (“ETFs”), that represent certain types of interests and exchange-traded products (“ETPs”) structured as trusts that hold precious metals (which are deemed commodities), or Bitcoin (which is another crypto currency and deemed a commodity). In addition, Rule 5020(h)(1) requires that the Exchange-Traded Fund Shares must either (1) meet the criteria and guidelines set forth in paragraphs (a) and (b) of Rule 5020,<sup>4</sup> or (2) be available for creation or redemption each business day from or through the issuing trust, investment company, commodity pool or other entity in cash or in kind at a price related to net asset value, and the issuer is obligated to issue Exchange-Traded Fund Shares in a specified aggregate number even if some or all of the investment assets and/or cash required to be deposited have not been received by the issuer, subject to the

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<sup>3</sup> See Securities Exchange Act Release No. 102798 (April 9, 2025) (Order Approving SR-ISE-2024-35, as modified by Amendment No. 1) (“ISE Approval Order”).

<sup>4</sup> Rule 5020(h)(1) provides for guidelines to be followed by the Exchange when evaluating potential underlying securities for BOX option transactions.

condition that the person obligated to deposit the investment assets has undertaken to deliver them as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the issuer of the Exchange-Traded Fund Shares, all as described in the Exchange-Traded Fund Shares' prospectus.

The Exchange proposes to add the Trust to the list of ETFs on which BOX may list options in Rule 5020(h). The Shares are issued by the Trust, a Delaware statutory trust. The Trust will operate pursuant to a trust agreement (the “Trust Agreement”) between the Sponsor, BlackRock Fund Advisors (the “Trustee”) as the trustee of the Trust and will appoint Wilmington Trust, National Association, as Delaware Trustee of the Trust (the “Delaware Trustee”) by such time that the Registration Statement is effective. The Trust issues Shares representing fractional undivided beneficial interests in its net assets. The assets of the Trust will consist only of ether (“ether” or “ETH”) held by a custodian on behalf of the Trust, except under limited circumstances when transferred through the Trust’s prime broker temporarily (described below), and cash. Neither the Trust, nor the Sponsor, nor the Ether Custodian (as defined below), nor any other person associated with the Trust will, directly or indirectly, engage in action where any portion of the Trust’s ETH becomes subject to the Ethereum proof-of-stake validation or is used to earn additional ETH or generate income or other earnings. Coinbase Custody Trust Company, LLC (the “Ether Custodian”), is the custodian for the Trust’s ether holdings, and maintains a custody account for the Trust (“Custody Account”); Coinbase, Inc. (the “Prime Execution Agent”), an affiliate of the Ether Custodian, is the prime broker for the Trust and maintains a trading account for the Trust (“Trading Account”); and The Bank of New York Mellon is the custodian for the Trust’s cash holdings (the “Cash Custodian” and together with the Ether Custodian, the “Custodians”) and the administrator of the Trust (the “Trust Administrator”). Under the Trust Agreement, the Trustee may delegate all or a portion of its duties to any agent, and has delegated the bulk of the day-to-day responsibilities to the Trust Administrator and certain other administrative and record-keeping functions to its affiliates and

other agents. The Trust is not an investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The investment objective of the Trust is to reflect generally the performance of the price of ether. The Trust seeks to reflect such performance before payment of the Trust’s expenses and liabilities. The Shares are intended to constitute a simple means of making an investment similar to an investment in ether through the public securities market rather than by acquiring, holding and trading ether directly on a peer-to-peer or other basis or via a digital asset platform. The Shares have been designed to remove the obstacles represented by the complexities and operational burdens involved in a direct investment in ether, while at the same time having an intrinsic value that reflects, at any given time, the investment exposure to the ether owned by the Trust at such time, less the Trust’s expenses and liabilities. Although the Shares are not the exact equivalent of a direct investment in ether, they provide investors with an alternative method of achieving investment exposure to ether through the public securities market, which may be more familiar to them. An investment in the Shares is backed by ether held by the Ether Custodian on behalf of the Trust. All of the Trust’s ether will be held in the Custody Account, other than the Trust’s ether which is temporarily maintained in the Trading Account under limited circumstances, i.e., in connection with creation and redemption Basket<sup>5</sup> activity or sales of ether deducted from the Trust’s holdings in payment of Trust expenses or the Sponsor’s fee (or, in extraordinary circumstances, upon liquidation of the Trust). The Custody Account includes all of the Trust’s ether held at the Ether Custodian, but does not include the Trust’s ether temporarily maintained at the Prime Execution Agent in the Trading Account from time to time. The Ether Custodian will keep all of the private keys associated with the Trust’s ether held in the Custody Account in “cold storage”.<sup>6</sup> The hardware,

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<sup>5</sup> The Trust issues and redeems Shares only in blocks of 40,000 or integral multiples thereof. A block of 40,000 Shares is called a “Basket.” These transactions take place in exchange for ether.

<sup>6</sup> The term “cold storage” refers to a safeguarding method by which the private keys corresponding to the Trust’s ether are generated and stored in an offline manner, subject to layers of procedures designed to enhance security. Private keys are generated by the Ether Custodian in offline computers that are not connected to the internet so that they are more resistant to being hacked.

software, systems, and procedures of the Ether Custodian may not be available or cost-effective for many investors to access directly. The Exchange believes that offering options on the Trust will benefit investors by providing them with an additional, relatively lower cost investing tool to gain exposure to spot ether as well as a hedging vehicle to meet their investment needs in connection with ether products and positions. Similar to other commodity ETFs in which options may be listed on BOX (e.g. SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, or the abrdn Gold ETF Trust),<sup>7</sup> the proposed ETF is a trust that essentially offers the same objectives and benefits to investors. Options on the Trust will trade in the same manner as options on other ETFs on BOX. Exchange Rules that currently apply to the listing and trading of all options on ETFs on BOX, including, for example, Rules that govern listing criteria, expirations, exercise prices, minimum increments, position and exercise limits (with the proposed changes), margin requirements, customer accounts and trading halt procedures, will apply to the listing and trading of options on the Trust on BOX. Today, these rules apply to options on the various commodities ETFs deemed appropriate for options trading on BOX pursuant to Rule 5020(h).

The Exchange's initial listing standards for ETFs on which options may be listed and traded on BOX will apply to the Trust. Pursuant to Rule 5020(a), a security on which options may be listed and traded on BOX must be duly registered (with the Commission) and be an NMS stock (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934, as amended (the "Act")), and be characterized by a substantial number of outstanding shares that are widely held and actively traded.<sup>8</sup> Additionally, Rule 5020(h)(1) requires that ETFs must either (1) meet the criteria and standards set forth in Rules 5020(a) and (b),<sup>9</sup> or (2) be available

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<sup>7</sup> See Rule 5020(h).

<sup>8</sup> The criteria and guidelines for a security to be considered widely held and actively traded are set forth in Rule 5020(b), subject to exceptions.

<sup>9</sup> Rules 5020(a) and (b) provide guidelines to be followed by the Exchange when evaluating potential underlying securities for BOX option transactions.

for creation or redemption each business day from or through the issuing trust, investment company, commodity pool or other entity in cash or in kind at a price related to net asset value, and the issuer is obligated to issue Exchange-Traded Fund Shares in a specified aggregate number even if some or all of the investment assets and/or cash required to be deposited have not been received by the issuer, subject to the condition that the person obligated to deposit the investment assets has undertaken to deliver them as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the issuer of the Exchange-Traded Fund Shares, all as described in the Exchange-Traded Fund Shares' prospectus. The Trust satisfies Rule 5020(h)(1), as it is subject to this creation and redemption process.

Options on the Trust will be subject to the Exchange's continued listing standards set forth in Rule 5030(h) for ETFs and ETPs deemed appropriate for options trading pursuant to Rule 5020(h). Specifically, Rule 5030(h) provides that funds that were initially approved for options trading pursuant to Rule 5020(h) shall be deemed not to meet the requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering that fund, if the fund ceases to be an NMS stock or if the fund is halted from trading in their primary market. In addition, options on funds may be subject to the suspension of opening transactions in any of the following circumstances: (1) in the case of options covering funds approved for trading under Rule 5020(h)(1)(i), in accordance with the terms of subparagraphs (b)(1),(2),(3) and (6) of Rule 5030; (2) in the case of options covering funds approved for trading under Rule 5020(h)(1)(ii) (as is the case for the Trust), following the initial twelve-month period beginning upon the commencement of trading in the fund on a national securities exchange and are defined as an NMS stock, there are fewer than 50 record and/or beneficial holders of such fund for 30 or more consecutive trading days; (3) the value of the index or portfolio of securities, non-U.S. currency, or portfolio of commodities including commodity futures contracts, options on commodity futures contracts, swaps, forward contracts

and/or options on physical commodities and/or financial instruments and money market instruments on which the ETFs are based is no longer calculated or available; or (4) such other event shall occur or condition exist that in the opinion of the Exchange makes further dealing in such options on BOX inadvisable.

Options on the Trust will be physically settled contracts with American-style exercise.<sup>10</sup> Consistent with current Rule 5050, which governs the opening of options series on a specific underlying security (including ETFs and ETPs), the Exchange will open at least one expiration month for options on the Trust<sup>11</sup> at the commencement of trading on BOX and may also list series of options on the Trust for trading on a weekly,<sup>12</sup> monthly,<sup>13</sup> or quarterly<sup>14</sup> basis. The Exchange may also list long-term equity option series (“LEAPS”) that expire from twelve to one hundred eighty months from the time they are listed.<sup>15</sup>

Pursuant to IM-5050-1(b), which governs strike prices of series of options on ETFs, the interval of strikes prices for series of options on the Ether Funds will be \$1 or greater when the

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<sup>10</sup> See Rule 5010 (Rights and Obligations of Holders and Writers), which provides that the rights and obligations of holders and writers of option contracts of any class of options dealt in on the Exchange shall be as set forth in the Rules of the Clearing Corporation. See also OCC Rules, Chapter VIII, which governs exercise and assignment, and Chapter IX, which governs the discharge of delivery and payment obligations arising out of the exercise of physically settled stock option contracts. OCC Rules can be located at: [https://www.theocc.com/getmedia/9d3854cd-b782-450f-bcf7-33169b0576ce/occ\\_rules.pdf](https://www.theocc.com/getmedia/9d3854cd-b782-450f-bcf7-33169b0576ce/occ_rules.pdf).

<sup>11</sup> See Rule 5050(b). The standard expirations are subject to certain listing criteria for underlying securities described within Rule 5020. Standard listings expire the third Friday of the month. The term “expiration date” (unless separately defined elsewhere in the OCC By-Laws), when used in respect of an option contract (subject to certain exceptions), means the third Friday of the expiration month of such option contract, or if such Friday is a day on which the exchange on which such option is listed is not open for business, the preceding day on which such exchange is open for business. See OCC By-Laws Article I, Section 1. Pursuant to Rule 5050(c), additional series of options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to expiration.

<sup>12</sup> See IM-5050-6.

<sup>13</sup> See IM-5050-13.

<sup>14</sup> See IM-5050-4.

<sup>15</sup> See Rule 5070.

strike price is \$200 or less and \$5 or greater where the strike price is over \$200.<sup>16</sup> Additionally, the Exchange may list series of options pursuant to the \$1 Strike Price Interval Program,<sup>17</sup> the \$0.50 Strike Program,<sup>18</sup> the \$2.50 Strike Price Program,<sup>19</sup> and the \$5 Strike Program.<sup>20</sup> Pursuant to Rule 7050, where the price of a series of a Trust option is less than \$3.00, the minimum increment will be \$0.05, and where the price is \$3.00 or higher, the minimum increment will be \$0.10.<sup>21</sup> Any and all new series of Trust options that the Exchange lists will be consistent and comply with the expirations, strike prices, and minimum increments set forth in Rules 5050 and 7050, as applicable.

Trust options will trade in the same manner as any other ETF options on BOX. The Exchange Rules that currently apply to the listing and trading of all ETF options on BOX, including, for example, Rules that govern listing criteria, expirations, exercise prices, minimum increments, margin requirements, customer accounts, and trading halt procedures will apply to the listing and trading of Trust options on BOX in the same manner as they apply to other options on all other ETFs that are listed and traded on BOX, including the precious-metal and Bitcoin-backed commodity ETFs already deemed appropriate for options trading on BOX pursuant to current Rule 5020(h).

Rule 5055 currently permits the Exchange to authorize for trading a FLEX Equity Option class on any equity security if it may authorize for trading a Non-FLEX Equity Option class on

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<sup>16</sup> The Exchange notes that for options listed pursuant to the Short Term Option Series Program, the Monthly Options Series Program, and the Quarterly Options Series Program, IM-5050-6, IM-5050-13, and IM-5050-4, specifically set forth intervals between strike prices on Quarterly Options Series, Short Term Option Series, and Monthly Options Series, respectively.

<sup>17</sup> See IM-5050-2.

<sup>18</sup> See IM-5050-5.

<sup>19</sup> See IM-5050-3.

<sup>20</sup> See Rule 5050(d)(5).

<sup>21</sup> If options on the Ether Funds are eligible to participate in the Penny Interval Program, the minimum increment of \$0.01 below \$3.00 and \$0.05 above \$3.00 would apply. See Rule 7050(a)(3). See also Rule 7260 (which describes the requirements for the Penny Interval Program).

that equity security pursuant to Rule 5020. The proposed rule change amends Rule 5055 to exclude the Trust from this provision.

The Exchange also proposes to amend Rule 3120. Specifically, the Exchange proposes to amend IM-3120-2 to provide a position limit of 25,000 same side option contracts for Trust options. Additionally, pursuant to Rule 3140, the exercise limits for options on the Trust will be equivalent to this proposed position limit.<sup>22</sup> In considering the appropriate position and exercise limits for the Trust options, the Exchange reviewed the data in the ISE Approval Order. In the ISE Approval Order, ISE considered the Trust's market capitalization and average daily volume ("ADV") against those of other underlying securities, as well as the proposed position and exercise limit in relation to other options. In measuring the Trust against other securities, ISE aggregated market capitalization and volume data for securities that have defined position limits utilizing data from The Options Clearing Corporations ("OCC").<sup>23</sup> ISE also considered the trading volume for the Trust in terms of daily and notional volumes during the period of time the Trust has been trading from July 23, 2024 through December 14, 2024. The average daily volume for this time period is 5,302,533 shares and the average notional volume for this time period is \$127,825,276.00. The Trust had 93,352 shareholders.<sup>24</sup> ISE indicated both the average daily volume and the average notional volume experienced an uptick at launch (which can be typical for anticipated product launches) then levelled off for several months. Renewed growth in the cryptocurrency market caused increased growth beginning in early November 2024. ISE reviewed the market capitalization and ADV of 3,930 options on single stock securities excluding ETFs.<sup>25</sup> Next, ISE aggregated this data based on market capitalization and ADV and grouped option symbols by position limit utilizing statistical thresholds for ADV and market

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<sup>22</sup> See Rule 3140 (c).

<sup>23</sup> ISE represented these computations were based on OCC data from October 22, 2024, and that data displaying zero values in market capitalization or ADV were removed.

<sup>24</sup> ISE represented it obtained this number from Broadridge Financial Solutions, Inc. on December 19, 2024.

<sup>25</sup> The Trust has one asset and therefore is not comparable to a broad based ETF where there are typically multiple components.

capitalization for each position limit category (i.e. 25,000, 50,000 to 65,000, 75,000, 100,000 to less than 250,000, 250,000 to less than 500,000, 500,000 to 1,000,000 and greater than 1,000,000). Rule 3120 sets out position limits for various contracts. For example, like ISE, a 25,000 contract limit applies to those options having an underlying security that does not meet the requirements for a higher options contract limit. ISE indicated it performed this exercise to demonstrate the Trust's position limit relative to other options symbols in terms of market capitalization and ADV. For reference the market capitalization for the Trust was 1.16 billion<sup>26</sup> with an ADV, for the preceding three months prior to October 22, 2024, of greater than 2.99 million shares. By comparison, other options symbols with similar market capitalization and ADV have a position limit of 50,000 contracts or 75,000 contracts.<sup>27</sup> From a 90-day ADV perspective, ISE reviewed statistics that indicated that the Trust had a 90-day ADV greater than each of the stocks in the 100,000 contracts to 249,000 contracts range. Therefore, the proposed 25,000 same side position and exercise limits for options on the Trust are conservative. Second, ISE reviewed the Trust's data relative to the market capitalization of the entire ether market in terms of exercise risk and availability of deliverables. Utilizing data as of October 22, 2024, there were 120,392,960 Ethereum in circulation. The price of Ethereum on October 22, 2024, was \$2,620 per coin which equates to a market capitalization of greater than \$315 billion US dollars. If a position limit of 25,000 options were considered (the position limit that would be typically assigned based upon data), the exercisable risk would represent less than 4.35237% of the outstanding shares of the Trust.<sup>28</sup> Since the Trust has a creation and redemption process managed through the issuer, the position limit sought can also be compared to the total market

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<sup>26</sup> ISE acquired this figure as of October 22, 2024. See <https://www.ishares.com/us/products/337614/ishares-ethereum-trust-etf>. The global supply of ether grows each day ether are minted.

<sup>27</sup> ISE determined the median market capitalization for 50,000 contracts was 788,000,000 million and the median market capitalization for 75,000 contracts was 1,037,000 billion. Further, placing the Trust at 50,000 contracts would rank it in the 59th percentile in market capitalization and placing the Trust at 75,000 contracts would rank it in the 46th percentile in market capitalization.

<sup>28</sup> The 4.4% was calculated as follows: 2,500,000 (exercisable stock from position limit) / 57,440,000 (shares outstanding on October 22, 2024) = 4.35237%.

capitalization of the entire Ethereum market. In this case, the exercisable risk represented by 25,000 options on the Trust would be less than 0.03% of the market capitalization of all outstanding ether. Assuming a scenario where all 25,000 options on ether shares were exercised given the proposed 25,000 per same side position limit, this would have a virtually unnoticed impact on the entire ether market. This analysis demonstrates that the proposed 25,000 per same side position limit (and exercise limit) is conservative and appropriate for options on the Trust. Third, ISE reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the Commodity Futures Trading Commission (“CFTC”). While the CFTC, through the relevant Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), ISE examined equivalent ether futures position limits. In particular, ISE looked at the CME Ethereum futures contract<sup>29</sup> that has a position limit of 8,000 futures.<sup>30</sup> On October 22, 2024, CME ether futures settled at \$2,629. Using a contract multiplier of \$50, a position limit of 8,000 futures would have a notional value \$1.0516 billion (8,000 x \$50 x \$2,629). Using an October 22, 2024, share price of \$19.91 for shares of the Trust, a futures position of 8,000 contracts, with a notional value of \$1.0516 billion dollars would equate to an options position of 528,176 contracts ( $\$1.0516 \text{ billion (notional value of 8,000 Ethereum futures contracts)} / \$19.91 \text{ (price of the Trust shares)} = 52,817,679 \text{ (Trust shares)} / 100 \text{ (the number of shares represented by one options contract)} = 528,176 \text{ options contracts}$ ). Because substantial sums of any distributed options portfolio are likely to be out of the money on expiration, an options position limit equivalent to the CME position limit for Ethereum (considering that all options deltas are  $\leq 1.00$ ) should be a bit higher than the CME implied 528,176 contract limit. The Exchange notes, unlike options contracts, CME position limits are calculated on a net futures-equivalent basis by contract and include contracts that

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<sup>29</sup> CME Ether Futures are described in Chapter 350 of CME’s Rulebook.

<sup>30</sup> See CME Rulebook, Chapter 5, Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices.

aggregate into one or more base contracts according to an aggregation ratio(s).<sup>31</sup> Therefore, if a portfolio includes positions in options on futures, CME would aggregate those positions into the underlying futures contracts in accordance with a table published by CME on a delta equivalent value for the relevant spot month, subsequent spot month, single month and all month position limits.<sup>32</sup> If a position exceeds position limits because of an option assignment, CME permits market participants to liquidate the excess position within one business day without being considered in violation of its rules. Additionally, if at the close of trading, a position that includes options exceeds position limits for futures contracts, when evaluated using the delta factors as of that day's close of trading but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation. Considering CME's position limits on futures for Ethereum, the Exchange believes that that the proposed same side position limits are more than appropriate for the Trust options.

In analyzing the proposed position limit for options on the Trust, ISE also considered the supply of ether. Specifically, ISE examined the number of market participants with a position limit of 25,000 contracts that would need to exercise in unison to put the underlying asset under stress. In the case of options on ether, the proposed 25,000 same side position and exercise limit effectively restricts a market participant from holding positions that could be exercised in excess of 2,500,000 shares of the Trust. Utilizing data from October 22, 2024, the Trust had 57,440,000 shares outstanding, therefore 22.976 participants would have to simultaneously exercise their position limits in order to create a scenario that may put the underlying asset (shares of the Trust) under stress. ISE noted that historically, from observation only, it appears that no more than five market participants holding options positions in any single security have exercised in unison in any option. As unlikely an occurrence as all market participants exercising their positions in

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<sup>31</sup> See CME Rulebook Chapter 5, Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices.

<sup>32</sup> Id.

unison would be, if it were to occur, it should be noted that even such an occurrence would not likely put the Trust under stress as economic incentives, would induce the creation of more shares through the ETF creation and redemption process. Further, given that the current global supply of Ethereum, the underlying asset of the Trust, is 120,392,960<sup>33</sup> coins and each Ethereum coin can currently be exchanged (Ethereum to USD and then USD to Trust shares) for 131.6 shares of the Trust another 15,843,979,598 shares of the Trust could be created by the underlying ETF. In addition, as of October 22, 2024, a 25,000 contract position limit for options on the Trust would represent less than 4.3524% of the outstanding shares of the Trust (2,500,000 (position limit exercise)/ 57,440,000 (shares outstanding of the Trust on October 22, 2024)) = 4.3524%.<sup>34</sup> Also, as of October 22, 2024, a 25,000 contract position limit for options on the Trust would represent less than 0.01578% of the global supply of ether (2,500,000 (position limit exercise)/120,392,960 (number of ether) x 131.6 (Trust shares per ether)) = 0.01578%.

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply those same program procedures to options on the Trust that it applies to the Exchange's other options products, including options on ETFs.<sup>35</sup> The Exchange would also review activity in the underlying Trust when conducting surveillances for market abuse or manipulation in the options on the Trust. Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. As such, the Exchange would be able to obtain information regarding trading in shares of the Trust from their primary listing markets and from other markets that trade shares of the Trust through ISG. In addition, the Exchange has a

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<sup>33</sup> This figure was acquired as of October 22, 2024. See <https://www.ishares.com/us/products/337614/ishares-ethereum-trust-etf>. The global supply of ether grows each day ether are minted.

<sup>34</sup> See <https://coinmarketcap.com/currencies/ethereum/>.

<sup>35</sup> The surveillance program includes surveillance patterns for price and volume movements as well as patterns for potential manipulation (e.g., spoofing and marking the close).

Regulatory Services Agreement with the Financial Industry Regulatory Authority (“FINRA”) for certain market surveillance, investigation and examinations functions. Pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate amongst themselves and FINRA responsibilities to conduct certain options-related market surveillance that are common to rules of all options exchanges.<sup>36</sup>

The underlying shares of spot Ethereum ETPs, including the Trust, are also subject to safeguards related to addressing market abuse and manipulation. As the Commission stated in its order approving proposals of several exchanges to list and trade shares of spot Ethereum-based ETPs, including the Trust (“Ethereum ETP Approval Order”),<sup>37</sup> “[e]ach Exchange has a comprehensive surveillance-sharing agreement with the [CME] via their common membership in ISG. This facilitates the sharing of information that is available to the CME through its surveillance of its markets, including its surveillance of the CME Ethereum futures market.”<sup>38</sup> The Exchange states that, given the consistently high correlation between the CME Ethereum futures market and the spot Ethereum market, as confirmed by the Commission through robust correlation analysis, the Commission was able to conclude that such surveillance sharing agreements could reasonably be “expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the [Ethereum ETPs].”<sup>39</sup> In light of surveillance

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<sup>36</sup> Section 19(g)(1) of the Act, among other things, requires every self-regulatory organization (“SRO”) registered as a national securities exchange or national securities association to comply with the Act, the rules and regulations thereunder, and the SRO’s own rules, and, absent reasonable justification or excuse, enforce compliance by its members and persons associated with its members. See 15 U.S.C. 78q(d)(1) and 17 CFR 240.17d-2. Section 17(d)(1) of the Act allows the Commission to relieve an SRO of certain responsibilities with respect to members of the SRO who are also members of another SRO (“common members”). Specifically, Section 17(d)(1) allows the Commission to relieve an SRO of its responsibilities to: (i) receive regulatory reports from such members; (ii) examine such members for compliance with the Act and the rules and regulations thereunder, and the rules of the SRO; or (iii) carry out other specified regulatory responsibilities with respect to such members.

<sup>37</sup> See Securities Exchange Act Release No. 100224 (May 23, 2024), 89 FR 46937, 46941 (May 30, 2024) (File Nos. 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).

<sup>38</sup> See Ethereum ETP Approval Order, at 46938 (footnotes excluded).

<sup>39</sup> See id.

measures related to both options and futures as well as the underlying Trust,<sup>40</sup> the Exchange believes that existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed options on the Trust. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on the Trust.

Finally, quotation and last sale information for ETFs is available via the Consolidated Tape Association (“CTA”) high speed line. Quotation and last sale information for such securities is also available from the exchange on which such securities are listed. Quotation and last sale information for options on the Trust will be available via Options Price Reporting Authority (“OPRA”) and major market data vendors. The Exchange has also analyzed its capacity and represents that it believes BOX and OPRA have the necessary systems capacity to handle the additional traffic associated with the listing of new series that may result from the introduction of options on the Trust up to the number of expirations currently permissible under the Rules.

The Exchange believes that offering options on the Trust will benefit investors by providing them with an additional, relatively lower cost investing tool to gain exposure to the price of Ethereum and hedging vehicle to meet their investment needs in connection with Ethereum -related products and positions. The Exchange expects investors will transact in options on the Trust in the unregulated over-the-counter (“OTC”) options market,<sup>41</sup> but may prefer to trade such options in a listed environment to receive the benefits of trading listing options, including (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of all listed options. The Exchange believes that listing Trust options may

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<sup>40</sup> See id.

<sup>41</sup> The Exchange understands from customers that investors have historically transacted in options on ETFs in the OTC options market if such options were not available for trading in a listed environment.

cause investors to bring this liquidity to BOX, would increase market transparency and enhance the process of price discovery conducted on BOX through increased order flow. The ETFs that hold financial instruments, money market instruments, precious metal commodities, or Bitcoin on which BOX may already list and trade options are trusts structured in substantially the same manner as the Trust and essentially offer the same objectives and benefits to investors, just with respect to different assets. The Exchange notes that it has not identified any issues with the continued listing and trading of any ETF options, including ETFs that hold commodities (i.e., precious metals and Bitcoin) that it currently lists and trades on BOX. Finally, the Exchange notes that applicable Exchange rules will require that customers receive appropriate disclosure before trading options in the Trust.<sup>42</sup> Further, brokers opening accounts and recommending options transactions must comply with relevant customer suitability standards.<sup>43</sup>

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act<sup>44</sup> in general, and Section 6(b)(5) of the Act,<sup>45</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. Specifically, the Exchange believes that the proposal to list and trade options on the Trust will remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors because offering options on the Trust will provide investors with a greater opportunity to realize the benefits of utilizing options on an ETF based on spot Ethereum, including cost efficiencies and increased hedging strategies. The Exchange believes that offering options on a

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<sup>42</sup> See Rules 4020(b), (e) and 4100.

<sup>43</sup> See Rule 4040.

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

<sup>45</sup> 15 U.S.C. 78f(b)(5).

competitively priced ETF based on spot Ethereum will benefit investors by providing them with an additional, relatively lower-cost risk management tool, allowing them to manage, more easily, their positions and associated risks in their portfolios in connection with exposure to spot Ethereum. Additionally, the Exchange's offering of Trust options will provide investors with the ability to transact in such options in a listed market environment as opposed to in the unregulated OTC options market, which would increase market transparency and enhance the process of price discovery conducted on BOX through increased order flow to the benefit of all investors. Today, BOX lists options on other commodity ETFs structured as a trust, which essentially offer the same objectives and benefits to investors, and for which the Exchange has not identified any issues with the continued listing and trading of options on those ETFs.

The Exchange also believes the proposal to permit options on the Trust will remove impediments to and perfect the mechanism of a free and open market and a national market system, because options on the Trust will comply with current Exchange Rules. Options on the Trust must satisfy the initial listing standards and continued listing standards currently in the Rules, applicable to options on all ETFs, including options on other commodity ETFs already deemed appropriate for options trading on BOX pursuant to Rule 5020(h). Additionally, as demonstrated above, the Trust is characterized by a substantial number of shares that are widely held and actively traded. Further, Rules that currently govern the listing and trading of options on ETFs, including permissible expirations, strike prices, minimum increments, position and exercise limits (as proposed herein), and margin requirements, will govern the listing and trading of options on the Trust.

The Exchange believes the proposed position and exercise limits are designed to prevent fraudulent and manipulative acts and practices and promote just and equitable principles of trade, as they are designed to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as disrupting the market in the security underlying the options. The proposed position and exercise limits for options on each of the Trust are 25,000 contracts. These position and exercise limits are the lowest position and exercise limits available in the options

industry, are extremely conservative and more than appropriate given the Trust's market capitalization, ADV, and high number of outstanding shares. The proposed position limit, and exercise limit, is consistent with the Act as it addresses concerns related to manipulation and protection of investors because, as demonstrated above, the position limit (and exercise limit) is extremely conservative and more than appropriate given the Trust is actively traded. In support of the proposed position and exercise limits for options on the Trust are 25,000 contracts, the Exchange is citing the in depth analysis ISE did in the ISE Approval Order. As noted above, in the ISE Approval Order, ISE considered the: (1) Trust's market capitalization and ADV, and proposed position limit in relation to other securities; (2) market capitalization of the entire Ethereum market in terms of exercise risk and availability of deliverables; (3) proposed position limit by comparing it to position limits for derivative products regulated by the CFTC; and (4) supply of Ethereum. Based on the Exchange's review of these analyses, the Exchange believes that setting position and exercise limits for options on the Trust at 25,000 contracts is more than appropriate. The proposed position and exercise limits reasonably and appropriately balance the liquidity provisioning in the market against the prevention of manipulation. The Exchange believes these proposed limits are effectively designed to prevent an individual customer or entity from establishing options positions that could be used to manipulate the market of the underlying as well as the Ethereum market.<sup>46</sup>

The Exchange represents that it has the necessary systems capacity to support the new Trust options. As discussed above, the Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading ETFs, including Trust options. The Exchange's existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading options on ETFs and ETPs, such as (existing) precious metal-commodity backed ETP options as well as the proposed options on the Trust. The Exchange

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<sup>46</sup> See Securities Exchange Act Release No. 39489 (December 24, 1997), 63 FR 276 (January 5, 1998) (SR-CBOE-1997-11).

believes that its surveillance procedures are adequate to properly monitor the trading of options on the Trust in all trading sessions and to deter and detect violations of Exchange rules. Specifically, the Exchange's market surveillance staff will have access to surveillances that it conducts, and that FINRA conducts on its behalf, with respect to the Trust and, as appropriate, would review activity in the underlying Fund when conducting surveillances for market abuse or manipulation in the options on the Trust. Additionally, the Exchange is a member of the ISG under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition, the Exchange has a Regulatory Services Agreement with the FINRA and as noted herein, pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillances. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on the Trust.

The underlying shares of spot Ethereum ETPs, including the Trust, are also subject to safeguards related to addressing market abuse and manipulation. As the Commission stated in its order approving proposals of several exchanges to list and trade shares of spot Ethereum-based ETPs, “[e]ach Exchange has a comprehensive surveillance-sharing agreement with the CME via their common membership in the Intermarket Surveillance Group. This facilitates the sharing of information that is available to the CME through its surveillance of its markets, including its surveillance of the CME ether futures market.”<sup>47</sup> The Exchange states that, given the consistently high correlation between the CME Ethereum futures market and the spot Ethereum market, as confirmed by the Commission through robust correlation analysis, the Commission was able to conclude that such surveillance sharing agreements could reasonably be “expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the [Ether

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<sup>47</sup> See Ethereum ETP Approval Order, 89 FR at 46938.

ETPs].”<sup>48</sup> In light of the foregoing, the Exchange believes that existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed options on the Trust. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on Ethereum ETPs.

The Exchange believes the proposed rule change to exclude the Trust from being eligible for trading as FLEX Equity Options is consistent with the Act, because without this prohibition, trading a FLEX Equity Option in the Trust would otherwise establish different position and exercise limits than those proposed herein.<sup>49</sup>

Finally, the Exchange notes that this proposal will remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors because applicable Exchange rules will require that customers receive appropriate disclosure before trading options in the Trust<sup>50</sup> and will require that brokers opening accounts and recommending options transactions must comply with relevant customer suitability standards.<sup>51</sup>

#### 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 not necessary or appropriate in furtherance of the purposes of the Act. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to a filing submitted by ISE that was recently approved by the Commission.<sup>52</sup>

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<sup>48</sup> See Ethereum ETP Approval Order, 89 FR at 46941.

<sup>49</sup> The Exchange may submit a separate rule filing that would permit the Exchange to authorize for trading FLEX Equity Options on the Trust (which filing may propose changes to existing FLEX Equity Option position limits for such options if appropriate).

<sup>50</sup> See Rules 4020(b), (e) and 4100.

<sup>51</sup> See Rule 4040.

<sup>52</sup> See supra note 3.

The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act as Trust options will be equally available to all market participants who wish to trade such options and will trade generally in the same manner as other options. The Rules that currently apply to the listing and trading of all ETF options on BOX, including, for example, Rules that govern listing criteria, expirations, exercise prices, minimum increments, margin requirements, customer accounts, and trading halt procedures will apply to the listing and trading of the Trust options on BOX in the same manner as they apply to other options on all other ETFs that are listed and traded on BOX. Also, and as stated above, BOX already lists options on other commodity-based ETFs (including Bitcoin-based).<sup>53</sup> Further, the Trust would need to satisfy the maintenance listing standards set forth in the Exchange Rules in the same manner as any other ETF for BOX to continue listing options on them.

The Exchange does not believe that the proposal to list and trade options on the Trust will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the extent that the advent of the Trust options trading on BOX may make BOX a more attractive marketplace to market participants at other exchanges, such market participants are free to elect to become market participants on BOX. The Exchange notes that listing and trading Trust options on BOX will subject such options to transparent exchange-based rules as well as price discovery and liquidity, as opposed to alternatively trading such options in the OTC market. The Exchange believes that the proposed rule change may relieve any burden on, or otherwise promote, competition, as it is designed to increase competition for order flow on BOX in a manner that is beneficial to investors by providing them with a lower-cost option to hedge their investment portfolios. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing

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<sup>53</sup> See Rule 5020(h).

venues that offer similar products. Ultimately, the Exchange believes that offering Trust options for trading on BOX will promote competition by providing investors with an additional, relatively low-cost means to hedge their portfolios and meet their investment needs in connection with Ethereum prices and Ethereum-related products and positions on a listed options exchange.

The proposed rule change to exclude options on the Trust from being eligible for trading as FLEX Equity Options does not impose an undue burden on intermarket competition because discussions with the Commission regarding appropriate position limits for ETF options are ongoing. Finally, the proposed rule change to exclude options on the Trust from being eligible for trading as FLEX Equity Options does not impose an undue burden on intramarket competition because no BOX Participant will be allowed to transact a FLEX Equity Option on the Trust.

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

The Exchange has neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>54</sup> and Rule 19b-4(f)(6) thereunder.<sup>55</sup> Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was

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15 U.S.C. 78s(b)(3)(A)(iii).

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17 CFR 240.19b-4(f)(6).

filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>56</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>57</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>58</sup> under the Act does not normally become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>59</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission previously approved the listing of options on the iShares Ethereum Trust.<sup>60</sup> The Exchange has provided information regarding the underlying iShares Ethereum Trust, including, among other things, information regarding trading volume, the number of shareholders, and the market capitalization of the iShares Ethereum Trust. The proposal also establishes position and exercise limits for options on the iShares Ethereum Trust and provides information regarding the surveillance procedures that will apply to iShares Ethereum Trust options. The Commission believes that waiver of the operative delay could benefit investors by providing an additional venue for trading iShares Ethereum Trust options. Therefore, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposed rule change as operative upon filing.<sup>61</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such

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<sup>56</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>57</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Commission has waived the pre-filing requirement.

<sup>58</sup> 17 CFR 240.19b-4(f)(6).

<sup>59</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>60</sup> See ISE Approval Order, *supra* note 3.

<sup>61</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and 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](mailto:rule-comments@sec.gov). Please include file number SR-BOX-2025-08 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-BOX-2025-08. 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-BOX-2025-08 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

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

**Sherry R. Haywood,**

*Assistant Secretary.*

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