



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103284; File No. SR-BOX-2025-12]

**Self-Regulatory Organizations; BOX Exchange LLC; Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 1, to Amend Rule 5020, Criteria for Underlying Securities, to Permit the Listing of Options on Commodity-Based Trust Shares**

June 17, 2025.

I. Introduction

On April 25, 2025, BOX Exchange LLC (“Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend Rule 5020, Criteria for Underlying Securities, to allow the listing and trading of options on units that represent interests in a trust that is a Commodity-Based Trust.<sup>3</sup> On May 7, 2025, the Exchange filed Amendment No. 1 to the proposed rule change, which superseded and replaced the original proposal in its entirety.<sup>4</sup> The proposed rule change, as modified by Amendment No. 1, was published for comment in the Federal Register on May 15, 2025.<sup>5</sup> The Commission has not received any comments on the proposed rule change, as modified by Amendment No. 1. This order institutes proceedings under Section 19(b)(2)(B) of the Act<sup>6</sup> to determine whether to approve or disapprove the proposed rule change, as modified by Amendment No. 1.

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

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

<sup>3</sup> See, *infra*, note 8 and accompanying text.

<sup>4</sup> Amendment No. 1 to the proposed rule change added clarification regarding the applicability of the \$5.00 strike program and corrected minor technical errors.

<sup>5</sup> See Securities Exchange Act Release No. 103015 (May 9, 2025), 90 FR 20699 (“Notice”).

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

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

As described more fully in the Notice, the Exchange proposes to amend Rule 5020, Criteria for Underlying Securities, to allow the listing and trading of options on units that represent interests in a trust that is a Commodity-Based Trust.<sup>7</sup>

Specifically, the Exchange proposes to remove references in Rule 5020(h) to the SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, the abrdn Gold ETF Trust, the abrdn Silver ETF Trust, the abrdn Palladium ETF Trust, the abrdn Platinum ETF Trust, the Sprott Physical Gold Trust, the iShares Bitcoin Trust, the Grayscale Bitcoin Trust, the Grayscale Bitcoin Mini Trust, the Bitwise Bitcoin ETF, the Fidelity Wise Origin Bitcoin Fund, the ARK 21Shares Bitcoin ETF, the iShares Ethereum Trust, the Grayscale Ethereum Trust ETF, the Grayscale Ethereum Mini Trust ETF, the Bitwise Ethereum ETF, and the Fidelity Ethereum Fund, which are all Commodity-Based Trust Shares, and update the provision to state that securities deemed appropriate for options trading shall include shares or other securities (“Exchange-Traded Fund Shares”) that “represent interests in a security (a) issued by a trust that holds (1) a specified commodity deposited with the trust, or (2) a specified commodity and, in addition to such specified commodity, cash; (b) that is issued by such trust in a specified aggregate minimum number in return for a deposit of a quantity of the underlying commodity and/or cash; and (c) that, when aggregated in the same specified minimum number, may be redeemed at a holder’s request by such trust which will deliver to the redeeming holder the quantity of the underlying commodity and/or cash (‘Commodity-Based Trust Share’).”<sup>8</sup>

As a result of this amendment, the listing criteria would permit any Exchange-Traded Fund Shares (“ETFs”) that are approved to list on the primary market as a Commodity-Based Trust Share to qualify as an underlying for options traded on the Exchange, provided other listing

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<sup>7</sup> See Notice, *supra* note 5.

<sup>8</sup> See Notice, *supra* note 5, at 20700. BOX IM-5020-1 (Commodity-Based Trust Shares) currently defines “Commodity-Based Trust Shares.” Because the proposed change to Rule 5020(h) would add a definition of “Commodity-Based Trust Shares”, the Exchange proposes to delete from its rules IM-5020-1 because it would be made unnecessary and duplicative by the proposed change to Rule 5020(h). See *id.*

criteria have been met, without any additional approvals from the Commission. The Exchange states that offering options on Commodity-Based Trust Shares provides investors with the ability to hedge exposure to the underlying security similar to options on any other securities.

Additionally, the Exchange states that options on a Commodity-Based Trust Share provide investors with the ability to transact in such options in a listed market environment, which would increase market transparency and enhance the process of price discovery conducted on the Exchange through increased order flow to the benefit of all investors.<sup>9</sup>

The Exchange states that options on a Commodity-Based Trust Share will trade in the same manner as options on other ETFs on the Exchange.<sup>10</sup> The Exchange's rules that currently apply to the listing and trading of all options on ETFs on the Exchange, including, for example, rules that govern listing criteria,<sup>11</sup> including continued listing standards,<sup>12</sup> expirations,<sup>13</sup> strike prices,<sup>14</sup> minimum increments,<sup>15</sup> position and exercise limits,<sup>16</sup> margin requirements,<sup>17</sup> customer accounts,<sup>18</sup> and trading halt procedures<sup>19</sup> would apply to the listing and trading of options on a

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<sup>9</sup> Id.

<sup>10</sup> Id. See also BOX Rule 5020(h)(1) (regarding certain criteria and guidelines for ETFs).

<sup>11</sup> See Notice, supra note 5, at 20700. See also BOX Rule 5020(a), (h).

<sup>12</sup> See Notice, supra note 5, at 20700. See also BOX Rule 5030(h). The Exchange states that Commodity-Based Trust Shares will not be deemed 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 such ETFs, if the ETFs cease to be an "NMS Stock" as provided for in Rule 5030(b)(6), or the ETFs are halted from trading on their primary market. See Notice, supra note 5, at 20700.

<sup>13</sup> See Notice, supra note 5, at 20700-01. The Exchange states that it would open at least one expiration month for options on a Commodity-Based Trust Share and may also list series of options on a Commodity-Based Trust Share for trading on a weekly, monthly, or quarterly basis. Id. The Exchange states that it may also list long-term equity option series ("LEAPS") that expire from twelve to one hundred eighty months from the time they are listed. Id. at 20701.

<sup>14</sup> See Notice, supra note 5, at 20701. See also BOX IM-5050-1(b) (relating to strike prices of series of options on ETFs).

<sup>15</sup> See Notice, supra note 5, at 20701. See also BOX Rule 7050.

<sup>16</sup> See Notice, supra note 5, at 20701. The Exchange states that position and exercise limits for options on a Commodity-Based Trust Share would be determined pursuant to BOX Rules 3120 and 3140, respectively, and that position and exercise limits for ETFs options vary according to the number of outstanding shares and the trading volumes of the underlying ETF over the past six months. Id.

<sup>17</sup> See Notice, supra note 5, at 20701.

<sup>18</sup> Id.

<sup>19</sup> Id.

Commodity-Based Trust Share on the Exchange in the same manner as they apply to other options on all other ETFs that are listed and traded on the Exchange.

In addition, the Exchange states that the same surveillance procedures applicable to all other options on other ETFs currently listed and traded on the Exchange will apply to options on Commodity-Based Trust Shares.<sup>20</sup> The Exchange also states that it may obtain trading information via the Intermarket Surveillance Group (“ISG”) from other exchanges that are members of the ISG.<sup>21</sup> In addition, the Exchange states that it has a Regulatory Services Agreement with the Financial Industry Regulatory Authority.<sup>22</sup> The Exchange represents that it and the Options Price Reporting Authority have the necessary systems capacity to support the new option series.<sup>23</sup> The Exchange states 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) that it currently lists and trades on the Exchange.<sup>24</sup>

### III. Proceedings to Determine Whether to Approve or Disapprove SR-BOX-2025-12 and Grounds for Disapproval under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act<sup>25</sup> to determine whether the proposed rule change, as modified by Amendment No. 1, should be approved or disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change, as modified by Amendment No. 1. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide comments on the proposed rule change, as modified by Amendment No. 1.

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<sup>20</sup> Id.

<sup>21</sup> Id.

<sup>22</sup> Id.

<sup>23</sup> See Notice, supra note 5, at 20701.

<sup>24</sup> Id. at 20700.

<sup>25</sup> 15 U.S.C. 78s(b)(2)(B).

Pursuant to Section 19(b)(2)(B) of the Act,<sup>26</sup> the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of the proposal's consistency with Section 6(b)(5) of the Act,<sup>27</sup> which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and protect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

Under the Commission's Rules of Practice, the "burden to demonstrate that a proposed rule change is consistent with the [Act] and the rules and regulations issued thereunder . . . is on the self-regulatory organization that proposed the rule change."<sup>28</sup> The description of a proposed rule change, its purpose and operation, its effect, and a legal analysis of its consistency with applicable requirements must all be sufficiently detailed and specific to support an affirmative Commission finding,<sup>29</sup> and any failure of a self-regulatory organization to provide this information may result in the Commission not having a sufficient basis to make an affirmative finding that a proposed rule change is consistent with the Act and the applicable rules and regulations.<sup>30</sup> The Commission is instituting proceedings to allow for additional consideration and comment on the issues raised herein, including as to whether the proposal, as modified by Amendment No. 1, is consistent with the Act. In particular, the Commission asks commenters to address the potential market impacts of allowing the listing and trading of options on Commodity-Based Trust Shares.

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<sup>26</sup> See id.

<sup>27</sup> 15 U.S.C. 78f(b)(5).

<sup>28</sup> 17 CFR 201.700(b)(3).

<sup>29</sup> See id.

<sup>30</sup> See id.

#### IV. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues identified above, as well as any other concerns they may have with the proposal, as modified by Amendment No. 1. In particular, the Commission invites the written views of interested persons concerning whether the proposal, as modified by Amendment No. 1, is consistent with Section 6(b)(5) or any other provision of the Act, and the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4 under the Act,<sup>31</sup> any request for an opportunity to make an oral presentation.<sup>32</sup>

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change, as modified by Amendment No. 1, should be approved or disapproved by [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

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-2025-12 on the subject line.

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<sup>31</sup> 17 CFR 240.19b-4.

<sup>32</sup> Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Pub. L. 94-29 (June 4, 1975), grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

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-2025-12. 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-2025-12 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Rebuttal comments should be submitted by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>33</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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