



[Release No. 34-103564; File No. SR-ISE-2024-62]

**Self-Regulatory Organizations; Nasdaq ISE, LLC; Order Approving a Proposed Rule Change, as Modified by Amendment Nos. 2 and 3, Regarding Position and Exercise Limits for Options on the iShares Bitcoin Trust ETF**

July 29, 2025.

I. Introduction

On December 20, 2024, 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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend the position and exercise limits for options on the iShares Bitcoin Trust ETF (“IBIT”) and to provide for the trading of flexible exchange (“FLEX”) options on IBIT.<sup>3</sup> The proposed rule change was published for comment in the Federal Register on January 6, 2025.<sup>4</sup>

On February 20, 2025, pursuant to Section 19(b)(2) of the Act,<sup>5</sup> the Commission designated a longer period within which to approve the proposal, disapprove the proposal, or institute proceedings to determine whether to disapprove the proposal.<sup>6</sup> The Commission received comments on the proposal.<sup>7</sup> On March 6, 2025, the Exchange filed Amendment No. 1 to the

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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> 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)).

<sup>4</sup> See Securities Exchange Act Release No. 102065 (Dec. 31, 2024), 90 FR 704 (Jan. 6, 2025).

<sup>5</sup> 15 U.S.C. 78s(b)(2).

<sup>6</sup> See Securities Exchange Act Release No. 102463, 90 FR 10736 (Feb. 26, 2025).

<sup>7</sup> Comments on the proposal are available at: <https://www.sec.gov/comments/sr-ise-2024-62/srise202462.htm>.

proposal, which supersedes the original filing in its entirety.<sup>8</sup> On March 14, 2025, the Commission published notice of Amendment No. 1 and instituted proceedings under Section 19(b)(2)(B) of the Act<sup>9</sup> to determine whether to approve or disapprove the proposal, as modified by Amendment No. 1.<sup>10</sup> On March 26, 2025, the Exchange withdrew Amendment No. 1 and filed Amendment No. 2, which supersedes Amendment No. 1 in its entirety.<sup>11</sup> On May 27, 2025, the Exchange filed Amendment No. 3 to the proposal.<sup>12</sup> This order approves the proposal, as modified by Amendment Nos. 2 and 3.

## II. Description of the Proposed Rule Change, as Modified by Amendment Nos. 2 and 3

As described more fully in Amendment Nos. 2 and 3, the Exchange proposes to amend its rules to eliminate the 25,000-contract position and exercise limits and apply the position and exercise limits in ISE Options 9, Sections 13 and 15 to IBIT options.<sup>13</sup> ISE Options 9, Section 15(c) provides that the exercise limits for options on an underlying security are the same as the

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<sup>8</sup> Amendment No. 1 revised the proposal to apply the position limits in ISE Options 9, Sections 13(d) and the corresponding exercise limits in ISE Options 9, Section 15 to IBIT options and to remove the proposed changes to permit the trading of IBIT FLEX options. Amendment No. 1 is available at: <https://www.sec.gov/comments/sr-ise-2024-62/srise202462-578436-1659562.pdf>.

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

<sup>10</sup> See Securities Exchange Act Release No. 102682, 90 FR 13233 (Mar. 20, 2025) (“Notice and Order Instituting Proceedings”).

<sup>11</sup> Amendment No. 2 revises the proposal to correct inconsistencies in the description of the proposal. Because Amendment No. 2 does not materially alter the substance of the proposal, Amendment No. 2 is not subject to notice and comment. Amendment No. 2 is available at: <https://www.sec.gov/comments/sr-ise-2024-62/srise202462-593575-1721782.pdf>.

<sup>12</sup> Amendment No. 3 corrects a numerical error in the proposal. Because Amendment No. 3 does not materially alter the substance of the proposal, Amendment No. 3 is not subject to notice and comment. Amendment No. 3 is available at: <https://www.sec.gov/comments/sr-ise-2024-62/srise202462-606647-1771694.pdf>.

<sup>13</sup> ISE Options 9, Section 13(d) establishes a position limit of 250,000 contracts on the same side of the market for options on an underlying security 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 security that had trading volume of at least 80,000,000 shares during the most recent six-month trading period or that had trading volume of at least 60,000,000 shares during the most recent six-month trading period and has at least 240,000,000 shares currently outstanding; 75,000 contracts on the same side of the market for options on an underlying security 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 security 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 security that does not satisfy the criteria for a higher limit.

position limits for options on that security. The Exchange states that IBIT options qualify for the 250,000-contract limit in ISE Options 9, Section 13(d), which requires that trading volume for the underlying security be at least 100,000,000 shares in the most recent six months.<sup>14</sup> The Exchange states that under ISE Options 9, Section 13(e), position limits for options on IBIT would be subject to subsequent six-month reviews to determine future position and exercise limits.<sup>15</sup>

The Exchange states that the reporting requirement for IBIT options will remain unchanged and that the Exchange will continue to require each member organization that maintains positions in IBIT options, on the same side of the market, for its own account or for the account of a customer, to report certain information to the Exchange, including the options positions, whether such positions are hedged and, if so, a description of the hedge(s).<sup>16</sup> In addition, the Exchange states that its requirement that members file reports with the Exchange for any customer who held aggregate large long or short positions on the same side of the market of 200 or more option contracts of any single class for the previous day will continue to serve as an important part of the Exchange's surveillance efforts.<sup>17</sup>

### III. Summary of Comments Received

The Commission received comments regarding the proposed rule change, which express support for the proposal.<sup>18</sup> One commenter states that higher position and exercise limits for IBIT options would “allow market participants to more effectively hedge their positions, improve market depth, and facilitate tighter bid-ask spreads, all of which are critical to a well-functioning market.”<sup>19</sup> The commenter further states that the high level of trading activity in IBIT options

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<sup>14</sup> See Amendment No. 2 at 6 and supra footnote 13.

<sup>15</sup> See Amendment No. 2 at 7. ISE Options 9, Section 13(e) states that every six months, the Exchange will review the status of underlying securities to determine which limit should apply.

<sup>16</sup> See Amendment No. 2 at 15 and 38-39.

<sup>17</sup> See Amendment No. 2 at 15. See also ISE Options 9, Section 16.

<sup>18</sup> See letter from Joanna Mallers, Secretary, FIA Principal Traders Group (“FIA PTG”), dated Jan. 27, 2025 (“FIA PTG Letter”); Matt McFarland, Senior Vice President, Capital Markets, Vest Financial, dated Jan. 27, 2025 (“Vest Letter”); and Steve Crutchfield, Head of Business Development, Chicago Trading Company (“CTC”), dated Jan. 9, 2025 (“CTC Letter”).

<sup>19</sup> CTC Letter at 2.

demonstrates significant demand from both retail and institutional participants, and that the proposed increase to the position and exercise limits for IBIT options “reflects the evolving dynamics of the crypto options market and ensures that regulatory frameworks are aligned with market realities.”<sup>20</sup> Another commenter expresses agreement with the Exchange’s statements that that increasing the position and exercise limits for IBIT options would lead to a more liquid and competitive market environment for IBIT options, and that increased position and exercise limits could allow market makers to maintain liquidity commensurate with the continued high consumer demand for IBIT options.<sup>21</sup> Another commenter states that the 25,000-contract position and exercise limits constrain the commenter’s ability to provide investors with exchange-traded funds (“ETFs”) that provide hedged exposure to IBIT, and that increased position and exercise limits would permit the creation of a larger fund that more closely aligns with the demand for hedged exposure to IBIT.<sup>22</sup>

#### IV. Discussion and Commission Findings

After careful consideration, the Commission finds that the proposed rule change, as modified by Amendment Nos. 2 and 3, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange,<sup>23</sup> and, in particular, the requirements of Section 6 of the Act.<sup>24</sup> Specifically, the Commission finds that the proposed rule change, as modified by Amendment Nos. 2 and 3, is consistent with Section 6(b)(5) of the Act,<sup>25</sup> which requires, among other things, that an exchange have rules designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest.

Position and exercise limits serve as a regulatory tool designed to deter manipulative

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<sup>20</sup> CTC Letter at 1.

<sup>21</sup> See FIA PTG Letter at 1-2.

<sup>22</sup> See Vest Letter at 1, 3.

<sup>23</sup> In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>24</sup> 15 U.S.C. 78f.

<sup>25</sup> 15 U.S.C. 78f(b)(5).

schemes and adverse market impact surrounding the use of options. Since the inception of standardized options trading, the options exchanges have had rules limiting the aggregate number of options contracts that a member or customer may hold or exercise. Options position and exercise limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market to benefit the options position.<sup>26</sup> In addition, such limits serve to reduce the possibility of disruption in the options market itself, especially in illiquid classes.<sup>27</sup> As the Commission has previously recognized, markets with active and deep trading interest, as well as with broad public ownership, are more difficult to manipulate or disrupt than less active and deep markets with smaller public floats.<sup>28</sup> The Commission also has recognized that position and exercise limits must be sufficient to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security.<sup>29</sup> At the same time, the Commission has recognized that limits must not be established at levels that are so low as to discourage participation in the options market by institutions and other investors with substantial hedging needs or to prevent specialists and market-makers from adequately meeting their obligations to maintain a fair and orderly market.<sup>30</sup>

The Exchange proposes to eliminate the current 25,000-contract position and exercise limit for IBIT options and to apply the position limits as determined by ISE Options 9, Section 13(d) to options on IBIT.<sup>31</sup> Pursuant to ISE Options 9, Section 13(d), position limits are based on the

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<sup>26</sup> See Securities Exchange Act Release No. 39489 (Dec. 24, 1997), 63 FR 276, 279 (Jan. 5, 1998) (order approving File No. SR-Cboe-97-11) (“Position Limit Order”).

<sup>27</sup> Id.

<sup>28</sup> Id.

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

<sup>30</sup> See id.

<sup>31</sup> As noted above, exercise limits for options on an underlying security are the same as the position limits for options on that underlying security. See ISE Options 9, Section 15(c).

trading volume of the underlying security over the previous six months, or on the trading volume of the underlying security over the previous six months and the outstanding shares of the underlying security.<sup>32</sup> Position limits for options on IBIT would be subject to subsequent six-month reviews to determine future position and exercise limits.<sup>33</sup> The Exchange states that options on IBIT qualify for the 250,000-contract limit in ISE Options 9, Section 13(d), which requires that the most recent six-month trading volume for the underlying security be at least 100,000,000 shares.<sup>34</sup> The Exchange states that, as of November 25, 2024, average daily volume (“ADV”) for IBIT for the preceding three months prior to November 25, 2024, was 39,421,877 shares.<sup>35</sup>

The Exchange provided data and analysis supporting the proposed position and exercise limits. The Exchange states that, as of November 25, 2024, IBIT had 866,040,000 shares outstanding and market capitalization of \$46,783,480,800.<sup>36</sup> The Exchange states that a position limit of 250,000 contracts would represent 2.89% of the outstanding shares of IBIT.<sup>37</sup> The Exchange further states that any concerns that the proposed limits might raise with respect to market manipulation and investor protection “are mollified by the significant liquidity provision in IBIT.”<sup>38</sup>

The Exchange also compared the size of the position and exercise limits to the market capitalization of the bitcoin market, which, according to the Exchange, was greater than \$1.876 trillion as of November 25, 2024.<sup>39</sup> The Exchange calculates that with a position limit of 250,000 contracts (which represents 25,000,000 shares of IBIT), the exercisable risk for options on IBIT

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<sup>32</sup> See supra footnote 12.

<sup>33</sup> See Amendment No. 2 at 7 and ISE Options 9, Section 13(e) (providing that, every six months, the Exchange will review the status of underlying securities to determine which limit should apply). See also ISE Options 9, Section 15(c) (providing that exercise limits for options on an underlying will be determined in the same manner as position limits for such underlying).

<sup>34</sup> See Amendment No. 2 at 6.

<sup>35</sup> See id.

<sup>36</sup> See Amendment No. 2 at 6 and footnote 13.

<sup>37</sup> See Amendment No. 2 at 6-7.

<sup>38</sup> Amendment No. 2 at 14.

<sup>39</sup> See Amendment No. 2 at 6.

would represent less than .072% of all bitcoin outstanding.<sup>40</sup> The Exchange states that, assuming a scenario where all options on IBIT shares were exercised given a 250,000-contract position and exercise limit, it “would have a virtually unnoticed impact on the entire bitcoin market,” and, further, that the Exchange’s analysis “demonstrates that the proposed 250,000 per same side position and exercise limit is appropriate for options on IBIT given its liquidity.”<sup>41</sup>

The Commission finds that the proposed position and exercise limits are consistent with the Act, and in particular, with the requirements in Section 6(b)(5) that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest. As discussed above, the Commission has recognized that position and exercise limits must be sufficient to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of option contracts disproportionate to the deliverable supply and average trading volume of the underlying security.<sup>42</sup> In addition, the Commission has stated previously that rules regarding position and exercise limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position.<sup>43</sup> Based on its review of the data and analysis provided by the Exchange, the Commission concludes that the proposed position and exercise limits satisfy these objectives. Specifically, the Commission has considered and reviewed the Exchange’s analysis that, based on data from November 25, 2024, a position limit of 250,000 contracts would represent 2.89% of the outstanding shares of IBIT.<sup>44</sup> The Commission also has considered and reviewed the Exchange’s statements that, as of November 25, 2024, IBIT had 866,040,000 shares outstanding, market capitalization of \$46,783,480,800, and

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<sup>40</sup> See Amendment No. 2 at 10 and footnote 26.

<sup>41</sup> Amendment No. 2 at 10-11.

<sup>42</sup> See *supra* note 28 and accompanying text.

<sup>43</sup> See Securities Exchange Act Release No. 57352 (Feb.19, 2008), 73 FR 10076, 10080 (Feb. 25, 2008) (order approving File No. SR-Cboe-2008-07).

<sup>44</sup> See Amendment No. 2 at 6-7.

ADV for the preceding three months of 39,421,877 shares.<sup>45</sup>

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

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<sup>45</sup> See Amendment No. 2 at 6 and footnote 13.

V. Conclusion

For the reasons set forth above, the Commission finds that the proposed rule change, as modified by Amendments Nos. 2 and 3, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, the requirements of Section 6(b)(5) of the Act.<sup>46</sup>

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>47</sup> that the proposed rule change (SR-ISE-2024-62), as modified by Amendment Nos. 2 and 3, is approved.

By the Commission.

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>46</sup> 15 U.S.C. 78f(b)(5).

<sup>47</sup> 15 U.S.C. 78s(b)(2)