



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

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

July 29, 2025.

I. Introduction

On January 29, 2025, NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to amend the position and exercise limits for options on the Grayscale Bitcoin Trust ETF (“GBTC”) and to permit options on GBTC to trade as Flexible Exchange (“FLEX”) Equity Options (“FLEX GBTC options”).³ On February 7, 2025, the Exchange filed Amendment No. 1 to the proposed rule change.⁴ The proposed rule change, as modified by Amendment No. 1, was published for comment in the Federal Register on February 18, 2025.⁵ On March 12, 2025, pursuant to Section 19(b)(2) of the Act,⁶ the Commission designated a longer period within which to approve the proposal, disapprove the proposal, or institute proceedings to determine whether to disapprove the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

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

⁶ 15 U.S.C. 78s(b)(2).

proposal.⁷ On April 28, 2025, the Exchange filed Amendment No. 2 to the proposal. On May 6, 2025, the Exchange withdrew Amendment No. 2 and filed Amendment No. 3, which supersedes and replaces the original filing in its entirety.⁸ On May 23, 2025, the Commission published notice of Amendment No. 3 and instituted proceedings under Section 19(b)(2)(B) of the Act⁹ to determine whether to approve or disapprove the proposal, as modified by Amendment No. 3.¹⁰ The Commission received a comment on the proposal.¹¹ This order approves the proposal, as modified by Amendment No. 3.

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

As described more fully in the Notice and Order Instituting Proceedings, the Exchange proposes to amend its rules to provide for the trading of FLEX GBTC options and to apply the position limits in Exchange Rule 6.8-O, Commentary .06(a)-(e) to GBTC options.¹² Under

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

⁸ Amendment No. 3 revises the proposal to: make clear that by removing the current 25,000 contract position limit for GBTC in Exchange Rule 6.8-O, Commentary .06(f), GBTC will be subject to the position limits in Exchange Rule 6.8-O, Commentary .06(a)-(e) that apply to other equity options; make clear that any FLEX and non-FLEX positions in the GBTC must be aggregated for purposes of calculating the position and exercise limits; indicate that, under Exchange Rule 6.9-O, exercise limits for options on an underlying security are the same as the position limits for options on that underlying; state that the Exchange would be able to obtain information regarding trading in shares of GBTC (rather than “trading activity in the pertinent underlying securities”) on other exchanges through the Intermarket Surveillance Group; revise the analysis supporting the proposed position and exercise limits; and make a technical change to replace rule text references to “the Grayscale Bitcoin Trust BTC (BTC)” with its ticker symbol, “GBTC.”

⁹ 15 U.S.C. 78s(b)(2)(B).

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

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

¹² Exchange Rule 6.8-O establishes a position limit of 250,000 contracts on the same side of the market for options on an underlying stock or ETF that had trading volume of at least 100,000,000 shares during the most recent six-month trading period or that had trading volume of at least 75,000,000 shares during the most recent six-month trading period and has at least 300,000,000 shares currently outstanding; 200,000 contracts on the same side of the market for options on an underlying stock or ETF that had trading volume of at least 80,000,000 shares during the most recent six-month trading period or that had trading volume of at least 60,000,000 shares during the most recent six-month trading period and has at least 240,000,000 shares currently outstanding; 75,000 contracts on the same side of the market for options on an underlying stock or ETF that had trading volume of at least 40,000,000 shares during the most recent six-month trading period or that had trading volume of at least 30,000,000 shares during the most recent six-month trading period and has at least 120,000,000 shares currently outstanding; 50,000 contracts on the same side of the market for options on an underlying stock or ETF that had trading volume of at least 20,000,000 shares during the most recent six-month trading period or trading volume of at least 15,000,000 shares during the most recent six-month

Exchange Rule 6.9-O, Commentary .01, the exercise limits for options on an underlying security are the same as the position limits for options on that security.¹³

Position and Exercise Limits

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

The Exchange states that the reporting requirement for GBTC options will remain unchanged and that the Exchange will continue to require each member that maintains positions in GBTC options, on the same side of the market, for its own account or for the account of a customer, to report certain information to the Exchange, including the options positions, whether such positions are hedged and, if so, a description of the hedge(s).¹⁷ 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

trading period and at least 40,000,000 shares currently outstanding; and 25,000 contracts on the same side of the market for options on an underlying stock or ETF that does not satisfy the criteria for a higher limit.

¹³ See Exchange Rule 6.9-O, Commentary .01 and Notice and Order Instituting Proceedings, 90 FR at 22121, footnote 14.

¹⁴ See Notice and Order Instituting Proceedings, 90 FR at 22120, footnote 8.

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

¹⁶ See id. and footnote 12 supra.

¹⁷ See Notice and Order Instituting Proceedings, 90 FR at 22123.

contracts of any single class for the previous day will remain at this level.¹⁸

FLEX GBTC Options

The Exchange proposes to permit the trading of FLEX GBTC options. The Exchange states that FLEX options on ETFs are currently traded in the over-the-counter (“OTC”) market by a variety of market participants, including hedge funds, proprietary trading firms, and pension funds.¹⁹ The Exchange states its market for FLEX GBTC options would be more transparent than the OTC market for such options, and that FLEX GBTC options traded on the Exchange present less counter-party credit risk because they would be issued and guaranteed by the Options Clearing Corporation (“OCC”).²⁰ Under the proposal positions in FLEX GBTC options will be aggregated with positions in non-FLEX options on GBTC for the purpose of calculating position and exercise limits.²¹ For example, the Exchange states that, assuming a 250,000-contract position limit for options on GBTC, the Exchange “would restrict a market participant from holding positions that could result in the receipt of more than 250,000,000 [sic] shares (if that market participant exercised all its GBTC options).”²²

The Exchange states that it has analyzed its capacity and represents that it and the Options Price Reporting Authority have the necessary systems capacity to handle the additional traffic associated with the listing of FLEX GBTC options.²³ In addition, the Exchange states that it believes that OTP Holders will not have a capacity issue as a result of the proposal.²⁴ The Exchange further states that it will monitor the trading volume associated with the additional

¹⁸ See id.

¹⁹ See id. at 22124.

²⁰ See id.

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

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

²³ See id. at 22124.

²⁴ See id.

options series listed as a result of the proposed rule change and the effect (if any) of these additional series on market fragmentation and on the capacity of the Exchange’s automated systems.²⁵ The Exchange states that the same surveillance procedures applicable to other options products listed and traded on the Exchange, including non-FLEX GBTC options, will apply to FLEX GBTC options, and that FLEX options products (and their respective symbols) are integrated into the Exchange’s existing surveillance system architecture and are thus subject to the relevant surveillance processes.²⁶ The Exchange further states that its market surveillance staff (including staff of the Financial Industry Regulatory Authority, Inc. (“FINRA”), who perform surveillance and investigative work on behalf of the Exchange pursuant to a regulatory services agreement) conducts surveillances with respect to GBTC (the underlying ETF) and, as appropriate, would review activity in GBTC when conducting surveillances for market abuse or manipulation in the FLEX GBTC options.²⁷ In addition, the Exchange states that it is a member of the Intermarket Surveillance Group (“ISG”).²⁸ The Exchange states that ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets.²⁹ The Exchange states that, in addition to the surveillance that is conducted by the Exchange’s market surveillance staff, the Exchange would also be able to obtain information regarding trading in shares of GBTC on other exchanges through ISG.³⁰ The Exchange does not believe that allowing FLEX GBTC options would render the marketplace for non-FLEX GBTC options, or equity options in general, more susceptible to manipulative practices.³¹ The Exchange represents that its existing trading surveillances are adequate to monitor the trading in GBTC as well as any

²⁵ See id.

²⁶ See id.

²⁷ See id.

²⁸ See id.

²⁹ See id.

³⁰ See id.

³¹ See id.

subsequent trading of FLEX GBTC options on the Exchange.³² The Exchange states that it has a regulatory services agreement with FINRA, pursuant to which FINRA conducts certain surveillances on behalf of the Exchange.³³ The Exchange further states that, pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillances.³⁴ In addition, the Exchange states that it will implement any additional surveillance procedures it deems necessary to effectively monitor the trading of GBTC options.³⁵

III. Discussion and Commission Findings

After careful consideration, the Commission finds that the proposed rule change, as modified by Amendment No. 3, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange,³⁶ and, in particular, the requirements of Section 6 of the Act.³⁷ Specifically, the Commission finds that the proposed rule change, as modified by the Amendment No. 3, is consistent with Section 6(b)(5) of the Act,³⁸ which requires, among other things, that an exchange have rules designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest.

A. Position and Exercise Limits

Position and exercise limits serve as a regulatory tool designed to deter manipulative schemes and adverse market impact surrounding the use of options. Since the inception of standardized options trading, the options exchanges have had rules limiting the aggregate number of options contracts that a member or customer may hold or exercise. Options position and

³² See id.

³³ See id.

³⁴ See id.

³⁵ See id.

³⁶ 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).

³⁷ 15 U.S.C. 78f.

³⁸ 15 U.S.C. 78f(b)(5).

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.³⁹ In addition, such limits serve to reduce the possibility of disruption in the options market itself, especially in illiquid classes.⁴⁰ 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.⁴¹ 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.⁴² 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.⁴³

The Exchange proposes to eliminate the current 25,000-contract position and exercise limit for GBTC options and to apply the position limits in Exchange Rule 6.8-O, Commentary .06(a)-(e) to options on GBTC.⁴⁴ Under Exchange Rule 6.8-O, Commentary .06(a)-(e) position limits are based either on the trading volume of the underlying stock or ETF over the previous six months, or on the trading volume of the underlying stock or ETF over the previous six months and the outstanding shares of the underlying stock or ETF.⁴⁵ Position limits for options on GBTC would

³⁹ 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”).

⁴⁰ Id.

⁴¹ Id.

⁴² 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).

⁴³ See id.

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

⁴⁵ See supra footnote 12.

be subject to subsequent six-month reviews to determine future position and exercise limits.⁴⁶ The Exchange states that options on GBTC qualify for the 250,000-contract limit in Exchange Rule 6.8-O, Commentary .06(e)(i), which requires the most recent six-month trading volume for the underlying security to be at least 100,000,000 shares.⁴⁷ The Exchange states that, as of November 25, 2024, the most recent six-month trading volume for GBTC was 550,687,400 shares.⁴⁸

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

The Exchange also compared the size of the position and exercise limits to the market capitalization of the bitcoin market, which, according to the Exchange, had a market capitalization greater than \$1.876 trillion as of November 25, 2024.⁵¹ The Exchange calculated that, as of November 25, 2024, a position of 250,000 options on GBTC (which represents 25,000,000 shares of GBTC) would represent less than 0.10% of all bitcoin outstanding.⁵² The Exchange states that if a 250,000-contract option position in GBTC were exercised, it “would have a virtually unnoticed impact on the entire bitcoin market,” and, further, that “[t]his analysis demonstrates that a 250,000-contract position (and exercise) limit for GBTC options would be appropriate given GBTC’s

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

⁴⁷ See Notice and Order Instituting Proceedings, 90 FR at 22124.

⁴⁸ See *id.* at 22122.

⁴⁹ See *id.* at 22122, footnote 27 and accompanying text.

⁵⁰ *Id.* at 22123.

⁵¹ See *id.* at 22122.

⁵² See *id.*

liquidity.”⁵³ The Exchange also states that, as of November 25, 2024, a position limit of 250,000 contracts would represent 9.13% of the outstanding shares of GBTC.⁵⁴

The Commission finds that the proposed position and exercise limits are consistent with the Act, and in particular, with the requirements in Section 6(b)(5) that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest. As discussed above, the Commission has recognized that position and exercise limits must be sufficient to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of option contracts disproportionate to the deliverable supply and average trading volume of the underlying security.⁵⁵ In addition, the Commission has stated previously that rules regarding position and exercise limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position.⁵⁶ Based on its review of the data and analysis provided by the Exchange, the Commission concludes that the proposed position and exercise limits satisfy these objectives. Specifically, the Commission has considered and reviewed the Exchange’s analysis that, as of November 25, 2024, a position limit of 250,000 contracts would represent 9.13% of the outstanding shares of GBTC.⁵⁷ The Commission also has considered and reviewed the Exchange’s statements that, as of November 25, 2024, GBTC had 273,950,100 shares outstanding, market capitalization of \$20,661,316,542, and ADV for the preceding three months of 3,829,597 shares.⁵⁸ The Commission further considered and reviewed the Exchange’s statement that for the six-month period ending on November 25, 2024, the trading

⁵³ Id.

⁵⁴ See id.

⁵⁵ See supra note 42 and accompanying text.

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

⁵⁷ See Notice and Order Instituting Proceedings, 90 FR at 22122.

⁵⁸ See id. at 22122, footnote 27 and accompanying text.

volume for GBTC was 550,687,400 shares.⁵⁹

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

B. FLEX GBTC options

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

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

⁵⁹ See *id.* at 22122.

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

⁶¹ See proposed Exchange Rule 5.35-O(b)(iii).

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

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

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

⁶³ See Notice and Order Instituting Proceedings, 90 FR at 22124.

⁶⁴ See *id.*

⁶⁵ See *id.*

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

allow the Exchange to investigate suspected manipulations or other trading abuses in FLEX GBTC options.

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

IV. Conclusion

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

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁶⁸ that the proposed rule change (SR-NYSEARCA-2025-07), as modified by Amendment No. 3, is approved.

By the Commission.

Sherry R. Haywood,

Assistant Secretary.

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⁶⁷ 15 U.S.C. 78f(b)(5).

⁶⁸ 15 U.S.C. 78s(b)(2)