



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103720; File No. SR-CBOE-2025-058]

### **Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rules 4.20 and 8.35 to permit Flexible Exchange Options on iShares Bitcoin Trust, Grayscale Bitcoin Trust, the Grayscale Bitcoin Mini Trust, and the Bitwise Bitcoin ETF**

August 15, 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 August 7, 2025, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) 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 Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change 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 4.20 and 8.35 to permit options on the iShares Bitcoin Trust (“IBIT”), Grayscale Bitcoin Trust (“GBTC”), the Grayscale Bitcoin Mini Trust (“BTC”), and the Bitwise Bitcoin ETF (“BITB”) (each a “Fund” and, collectively, the “Funds”) to be eligible to trade as Flexible Exchange (“FLEX”) Equity Options. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>) and at the Exchange’s Office of the Secretary.

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

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

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

In its filing with the Commission, the Exchange 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 Exchange 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 4.20 (FLEX Option Classes) to permit options on the Funds to be eligible to trade as FLEX Equity Options.<sup>3</sup> The Exchange notes that this proposal is competitive given that Nasdaq Phlx, LLC (“Phlx”)<sup>4</sup> recently submitted a proposal to permit FLEX trading on options on IBIT and NYSE American, LLC (“NYSE American”)<sup>5</sup> recently submitted a proposal to permit FLEX trading on options on GBTC, BTC, and BITB, both of which were recently approved by the Securities and Exchange Commission (the “Commission”).

Each Fund is an ETF that holds bitcoin. GBTC, BTC and BITB are listed on NYSE Arca, Inc. (“NYSE Arca”).<sup>6</sup> On October 18, 2024, NYSE American received approval to list options on

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<sup>3</sup> FLEX Options are customized equity or index contracts that allow investors to tailor contract terms for exchange-listed equity and index options. See Rule 1.1 and generally Section C (FLEX Options). A FLEX Option on an equity security may be referred to as a “FLEX Equity Option.” See Rule 1.1.

<sup>4</sup> See Securities Exchange Act Release No. 103565 (July 29, 2025), 90 FR 36233 (August 1, 2025) (SR-PHLX-2024-72) (Order Approving a Proposed Rule Change to Permit the Trading of FLEX Options on Shares of the iShares Bitcoin Trust ETF) (“Phlx FLEX Approval Order”).

<sup>5</sup> See Securities Exchange Act Release No. 103566 (July 29, 2025), 90 FR 36250 (August 1, 2025) (SR-NYSEAMER-2024-78) (Order Approving a Proposed Rule Change, as Modified by Amendment No. 1, to Permit the Trading of FLEX Options on Shares of the Grayscale Bitcoin Trust, the Grayscale Bitcoin Mini Trust ETF, and the Bitwise Bitcoin ETF) (“NYSE FLEX Approval Order”).

<sup>6</sup> NYSE Arca received approval to list and trade Bitcoin-Based Commodity-Based Trust Shares in GBTC, BTC, and BITB pursuant to NYSE Arca Rule 8.201-E(c)(1). See Securities Exchange Act Release Nos. 99306 (January 10, 2024) (Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, to list and trade options in GBTC and BITB), 89 FR 3008 (January 17, 2024) (SR-NYSEARCA-2021-90); 100610 (July 26, 2024) (Order Granting Approval of Proposed Rule Changes, as Modified by Amendment No. 1, to permit the listing and trading of options on BTC), 89 FR 62821 (August 1, 2024) (SR-NYSEARCA-2023-45).

GBTC, BTC, and BITB.<sup>7</sup> On April 11, 2025, the Exchange’s proposal to list options on GBTC, BTC, and BITB became operative.<sup>8</sup> IBIT is listed on The Nasdaq Stock Market LLC (“Nasdaq”).<sup>9</sup> On September 20, 2024, Nasdaq ISE, LLC (“ISE”) received approval to list options on IBIT.<sup>10</sup> On April 11, 2025, the Exchange’s proposal to list options on IBIT became operative.<sup>11</sup>

For options on each Fund, the position and exercise limits are 25,000 contracts, as set forth in Rule 8.30, Interpretation and Policy .10 and pursuant to Rule 8.42, Interpretation and Policy .02, respectively, the lowest available limit.<sup>12</sup>

FLEX Equity Options are not generally subject to position or exercise limits.<sup>13</sup> Today, pursuant to Rule 4.20, Fund options are not approved for FLEX trading.<sup>14</sup> Therefore, the 25,000-contract limit applicable to options on each Fund currently applies solely to non-FLEX Fund options.

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<sup>7</sup> See Securities Exchange Act Release No. 101386 (October 18, 2024), 89 FR 84960 (October 24, 2024) (SR-NYSEAMER-2024-49) (Order approving the listing and trading of options on GBTC, BTC, and BITB, pursuant to Rule 915, Commentary .10(a) (the “Fund Options Approval Order”).

<sup>8</sup> See Securities Exchange Act Release No. 102838 (April 11, 2025) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rules to List and Trade Options on the Grayscale Ethereum Trust ETF, the Grayscale Ethereum Mini Trust ETF, and the Bitwise Ethereum ET), 90 FR 16236 (April 17, 2025) (SR-CBOE-2025-026).

<sup>9</sup> Nasdaq received approval to list and trade Bitcoin-Based Commodity-Based Trust Shares in IBIT pursuant to Rule 5711(d) of Nasdaq. See Securities Exchange Act Release No. 99306 (January 10, 2024), 89 FR 3008 (January 17, 2024) (SR-NASDAQ-2023-016) (Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, To List and Trade Bitcoin-Based Commodity-Based Trust Shares and Trust Units).

<sup>10</sup> See Securities Exchange Act Release No. 101128 (September 20, 2024), 89 FR 78942 (September 26, 2024) (SR-ISE-2024-03) (Notice of Filing of Amendment Nos. 4 and 5 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1, 4, and 5, To Permit the Listing and Trading of Options on the iShares Bitcoin Trust) (“IBIT Approval Order”).

<sup>11</sup> See Securities Exchange Act Release No. 102831 (April 11, 2025) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Its Rules To Allow the Exchange To List Options on the iShares Ethereum Trust), 90 FR 16290 (April 17, 2025) (SR-CBOE-2025-025)[sic].

<sup>12</sup> The exercise limits for options on each Fund are the same as the position limits for each Fund as determined by Rule 8.30.10. See Rule 8.42, Interpretation and Policy .02. The Exchange is contemporaneously submitting a rule filing that would eliminate this 25,000 contract position and exercise limit for the Fund options. If that filing becomes operative, the position and exercise limits for the Fund options would be determined in accordance with Rule 8.30.02.

<sup>13</sup> See Rule 8.35(c)(1) (subject to the exceptions enumerated in the rule “there shall be no position limits for FLEX Equity options.”).

<sup>14</sup> Rule 4.20 also does not permit FLEX trading on options on except the Fidelity Wise Origin Bitcoin Fund, the Fidelity Ethereum Fund, the ARK 21Shares Bitcoin ETF, the Bitwise Ethereum ETF, the Grayscale Ethereum Trust, the Grayscale Ethereum Mini Trust, or the iShares Ethereum Trust[sic].

The Exchange proposes to permit options on each Fund to trade as FLEX Equity Options and would require the aggregation of any FLEX and non-FLEX positions in the same underlying Fund for purposes of calculating the position and exercise limits applicable to each Fund.<sup>15</sup>

Per the Commission “rules regarding position and exercise limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options positions.”<sup>16</sup> For this reason, the Commission requires that “position and exercise limits must be sufficient to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security.”<sup>17</sup> Based on its review of the data and analysis provided by the Exchange, the Commission concluded that the current 25,000-contract position (and exercise) limit for non-FLEX options on each Fund satisfied these objectives.<sup>18</sup>

As proposed, for options on each Fund, the Exchange will aggregate any FLEX and non-FLEX positions in the same underlying Fund for purposes of calculating the 25,000-contract position and exercise limits. For each Fund, this proposed aggregated limit effectively restricts a market participant from holding positions that could result in the receipt of more than 2,500,000 shares, aggregated for FLEX and non-FLEX in the same underlying Fund (if that market participant exercised all its options). The Exchange believes that capping the aggregated position and exercise limits at 25,000 contracts, the lowest available limit, would be sufficient to address concerns related

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<sup>15</sup> See proposed Rules 4.20 (excluding IBIT, GBTC, BTC, and BITB options from the prohibition against FLEX trading); and 8.35(c)(1)(C) (adopting the requirement that, for options on each Fund, the Exchange will aggregate any FLEX and non-FLEX positions in the same underlying ETF for purposes of calculating the position and exercise limits for that Fund, as set forth in Rule 8.30, Interpretation and Policy .10 (and pursuant to Rule 8.42, Interpretation and Policy .02).

<sup>16</sup> See Fund Options Approval Order, 89 FR, at 84971; and IBIT Approval Order, 89 FR, at 78946.

<sup>17</sup> See *id.*

<sup>18</sup> See *id.*

to manipulation and the protection of investors. The Exchange believes this number is conservative given the liquidity of each Fund.<sup>19</sup>

While the Exchange proposes an aggregated 25,000-contract position and exercise limit for options on each Fund, it nonetheless believes that, for the reasons set forth below, evidence exists to support a much higher position limit.<sup>20</sup>

In approving the options on GBTC, BTC, and BITB, the Commission considered and reviewed an analysis that the exercisable risk associated with a position limit of 25,000 contracts represented only 0.9%, 0.7%, and 3.6% of the outstanding shares of GBTC, BTC and BITB, respectively.<sup>21</sup> The Commission also considered and reviewed the Exchange's arguments that with a 25,000- contract limit for each Fund: (i) the 284,570,100 GBTC shares outstanding, 114 market participants would have to simultaneously exercise their positions to place GBTC under stress; (ii) the 366,950,100 BTC shares outstanding, meant that 147 market participants would have to simultaneously exercise their same-side positions to place BTC under stress; and (iii) the 68,690,000 BITB shares outstanding, meant that 27 market participants would have to simultaneously exercise their same-side positions to place BITB under stress.<sup>22</sup> Based on the Commission's review of this information and analysis, the Commission concluded that the 25,000-contract position and exercise limit for options on each Fund would address concerns related to manipulation and investor protection and deemed this limit conservative and therefore appropriate given the liquidity of each Fund.<sup>23</sup>

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<sup>19</sup> See id.

<sup>20</sup> As noted above, the Exchange is contemporaneously submitting a proposed rule change to eliminate the 25,000 contract position and exercise limit for options on the funds, which would result in the position and exercise limits for the options on the funds being determined pursuant to Rule 8.30.02. This would ultimately result in an increase in the position and exercise limit for options on the Funds based on additional data regarding trading activity, to continue to balance any concerns regarding manipulation. A higher position and exercise limit would allow institutional investors to utilize Fund options for prudent risk management purposes. In this regard, the Exchange would address the impact of higher position (and exercise) limits on the proposed FLEX Fund options.

<sup>21</sup> See Fund Options Approval Order, 89 FR, at 84971. Data represents figures from FactSet as of August 30, 2024.

<sup>22</sup> See Fund Options Approval Order, 89 FR, at 84971.

<sup>23</sup> See id.

Similarly, in approving the options on IBIT, the Commission considered and reviewed ISE's analysis that the exercisable risk associated with a position limit of 25,000 contracts represented only 0.4% of the outstanding shares of IBIT.<sup>24</sup> The Commission also has considered and reviewed the ISE's statement that with a position limit of 25,000 contracts on the same side of the market and 611,040,00 shares of IBIT outstanding, 244 market participants would have to simultaneously exercise their positions to place IBIT under stress.<sup>25</sup> Based on the Commission's review of this information and analysis, the Commission concluded that the proposed position and exercise limits were 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 can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position.<sup>26</sup> Each Fund would otherwise qualify for a 250,000-contract limit, pursuant to Rule 8.30, Interpretation and Policy .02(e), which requires that, for the most recent six-month period, trading volume for the underlying security is at least 100,000,000 shares.<sup>27</sup>

With respect to the GBTC, BTC, and BITB, the Exchange reviewed the data presented by NYSE American in its filing with respect to shares outstanding (and corresponding market capitalization), number of beneficial holders, and trading volume. As of November 25, 2024, the below Funds had the following number of shares outstanding (and corresponding market capitalization) for the preceding six months and the average daily volume ("ADV") for the preceding three months.<sup>28</sup>

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<sup>24</sup> See IBIT Approval Order, 89 FR, at 78946.

<sup>25</sup> See *id.*

<sup>26</sup> See *id.*

<sup>27</sup> See Rule 8.30, Interpretation and Policy .02 (providing at subparagraph (e) that the position limit shall be 250,000 contracts for options: (i) on underlying stock or Exchange-Traded Fund Share that had trading volume of at least 100,000,000 shares during the most recent six-month trading period; or (ii) on an underlying stock or Exchange-Traded Fund Share 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.

<sup>28</sup> The market capitalization of GBTC was determined by multiplying a settlement price (\$75.42) by the number of shares outstanding (273,950,100); the market capitalization of BTC was determined by

<b>Fund</b>	<b>Trading Volume (Shares)</b>	<b>Market Capitalization</b>	<b>ADV (Shares)</b>
GBTC	550,687,400	\$20,661,316,542	3,829,597
BTC	163,712,700	\$3,496,748,882	2,036,369
BITB	288,800,860	\$ 4,095,157,000	2,480,478

Also, as of November 25, 2024, there were 19,787,762 bitcoins in circulation.<sup>29</sup> At a price of \$94,830 per bitcoin,<sup>30</sup> that equates to a market capitalization of greater than \$1.876 trillion. If a position and exercise limit of 250,000 contracts were considered for each Fund, the exercisable risk would represent 9.13%<sup>31</sup> of the GBTC shares outstanding; 30.14%<sup>32</sup> of BTC shares outstanding; and 31.27%<sup>33</sup> of BITB shares outstanding. Given the liquidity of BTC and BITB, the current 25,000 position and exercise limit appears extremely conservative.

Similarly, with respect to IBIT, the Exchange reviewed the data presented by Phlx in its filing with respect to shares outstanding (and corresponding market capitalization), number of beneficial holders, and trading volume. As of November 26, 2024, the market capitalization for IBIT was \$46,783,480,800<sup>34</sup> with an ADV, for the preceding three months prior to November 26,

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multiplying a settlement price (\$42.16) by the number of shares outstanding (82,939,964); the market capitalization of BITB was determined by multiplying a settlement price (\$51.70) by the number of shares outstanding (79,950,100). Data represents figures from FactSet as of November 25, 2024.

<sup>29</sup> See <https://www.coingecko.com/en/coins/bitcoin>.

<sup>30</sup> This is the approximate price of bitcoin from 4:00 p.m. ET on November 25, 2024.

<sup>31</sup> This percentage is arrived at with this equation: (250,000 contract limit \* 100 shares per option / 273,950.100 GBTC shares outstanding).

<sup>32</sup> This percentage is arrived at with this equation: (250,000 contract limit \* 100 shares per option / 82,939,964 BTC shares outstanding).

<sup>33</sup> This percentage is arrived at with this equation: (250,000 contract limit \* 100 shares per option / 79,950,100 BITB shares outstanding).

<sup>34</sup> The market capitalization was determined by multiplying a settlement price of (\$54.02) by the number of shares outstanding (866,040,000). This figure was acquired as of November 26, 2024. See <https://www.ishares.com/us/products/333011/ishares-bitcoin-trust-etf>.

2024, of 39,421,877 shares. At a price of \$94,830,<sup>35</sup> that equates to a market capitalization of greater than \$1.876 trillion US.

Despite the proposed addition of FLEX trading in options on IBIT, GBTC, BTC, and BITB (collectively, “FLEX Fund Options”), the Exchange would continue to limit to 25,000 the number of options on each Fund traded on the Exchange that an investor, acting alone or in concert with others directly or indirectly, may control and thereby mitigate potential manipulation. The Exchange believes that allowing FLEX Fund Options is consistent with the Act given FLEX trading is permitted today in other ETFs that hold a commodity, such as SPDR Gold Shares (“GLD”) and iShares Silver Trust (“SLV”).<sup>36</sup>

Further, the Exchange believes that the share creation and redemption process unique to ETFs would mitigate any potential risk of manipulation in FLEX Fund Options. The creation and redemption process is designed to ensure that an ETF’s price closely tracks the value of its underlying asset(s). For example, if a market participant exercised a long call position for 25,000 contracts and purchased 2,500,000 shares of GBTC and this purchase resulted in the value of GBTC shares to trade at a premium to the value of the (underlying) bitcoin held by GBTC, the Exchange believes that other market participants would attempt to arbitrage this price difference by selling short GBTC shares while concurrently purchasing bitcoin. Those market participants (arbitrageurs) would then deliver cash to GBTC and receive shares of GBTC, which would be used to close out any previously established short position in GBTC. Thus, this creation and redemption process would significantly reduce the potential risk of price dislocation between the value of shares in each Fund and the value of bitcoin holdings.

The Exchange understands that FLEX Equity Options on ETFs are currently traded in the over-the-counter (“OTC”) market by a variety of market participants, e.g., hedge funds, proprietary trading firms, and pension funds, to name a few. The Exchange believes there is room for

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<sup>35</sup> This is the approximate price of bitcoin from 4:00pm ET on November 25, 2024.

<sup>36</sup> GLD and SLV, like the each of the Funds, holds one asset in trust.

significant growth if a comparable product were introduced for trading on a regulated market. The Exchange expects that users of these OTC products would be among the primary users of FLEX Fund Options. The Exchange also believes that the trading of FLEX Fund Options would allow these same market participants to better manage the risk associated with the volatility of positions in the underlying ETF (i.e., IBIT, GBTC, BTC, or BITB) given the enhanced liquidity that an exchange-traded product would bring.

Additionally, the Exchange believes that FLEX Fund Options traded on the Exchange would have three important advantages over the contracts that are traded in the OTC market. First, as a result of greater standardization of contract terms, exchange-traded contracts should develop more liquidity. Second, counterparty credit risk would be mitigated by the fact that the contracts are issued and guaranteed by The Options Clearing Corporation (“OCC”). Finally, the price discovery and dissemination provided by the Exchange and its members would lead to more transparent markets. The Exchange believes that its ability to offer FLEX Fund Options would aid it in competing with the OTC market and at the same time expand the universe of products available to interested market participants. The Exchange believes that an exchange-traded alternative may provide a useful risk management and trading vehicle for market participants and their customers.

The Exchange has analyzed its capacity and represents that it and The Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle the additional traffic associated with the listing of FLEX Fund Options. The Exchange believes any additional traffic that would be generated from the trading of FLEX Fund Options would be manageable. The Exchange believes Trading Permit Holders (“TPHs”) will not have a capacity issue as a result of this proposed rule change. The Exchange also represents that it does not believe this proposed rule change will cause fragmentation of liquidity. The Exchange will monitor the trading volume associated with the additional options series listed as a result of this 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.

Today, the Exchange has an adequate surveillance program in place for options. Cboe intends to apply those same program procedures to options on the FLEX Fund Options that it applies to the Exchange's other options products.<sup>37</sup> Cboe's market surveillance staff would have access to the surveillances it conducts, as well as that the Financial Industry Regulatory Authority ("FINRA") conducts on its behalf with respect to the FLEX Fund Options and would review activity in the underlying Funds when conducting surveillances for market abuse or manipulation in the FLEX Fund Options. 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. In addition to obtaining information from its affiliated markets, the Exchange would be able to obtain information regarding trading in shares of the Funds from their primary listing markets and from other markets that trade shares of the Funds through ISG. In addition, Cboe has a 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>38</sup>

The proposed rule change is designed to allow investors seeking to trade options on the Funds to utilize FLEX Fund Options. The Exchange believes that offering innovative products flows to the benefit of the investing public. A robust and competitive market requires that

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<sup>37</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).

<sup>38</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.

exchanges respond to members' evolving needs by constantly improving their offerings. Such efforts would be stymied if exchanges were prohibited from offering innovative products such as the proposed FLEX Fund Options. The Exchange believes that introducing FLEX Fund Options would further broaden the base of investors that use FLEX Equity Options (and options on the Funds in general) to manage their trading and investment risk, including investors that currently trade in the OTC market for customized options. The proposed rule change is also designed to encourage market makers to shift liquidity from the OTC market on the Exchange, which, it believes, will enhance the process of price discovery conducted on the Exchange through increased order flow.

As discussed herein, the Exchange does not believe that this proposed rule change raises any unique regulatory concerns because the proposal to aggregate FLEX and non-FLEX option positions in each Fund at the (most conservative) 25,000-contract position and exercise limit, which currently applies solely to non-FLEX options on each Fund, should provide an adequate safeguard.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>39</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>40</sup> requirements that the rules of an exchange be 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 regulating, clearing, settling, processing information with respect to, and 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. Additionally, the Exchange believes the proposed rule change is

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<sup>39</sup> 15 U.S.C. 78f(b).

<sup>40</sup> 15 U.S.C. 78f(b)(5).

consistent with the Section 6(b)(5)<sup>41</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposal to permit FLEX Fund Options would remove impediments to and perfect the mechanism of a free and open market. The Exchange believes that offering FLEX Fund Options will benefit investors by providing them with an additional, relatively lower cost investing tool to gain exposure to the price of bitcoin and provide a hedging vehicle to meet their investment needs in connection with a bitcoin-related product. Moreover, the proposal would broaden the base of investors that use FLEX Options to manage their trading and investment risk, including investors that currently trade in the OTC market for customized options. By trading a product in an exchange-traded environment (that is currently being used in the OTC market), the Exchange would be able to compete more effectively with the OTC market. The Exchange believes the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that it would lead to the migration of options currently trading in the OTC market to trading to the Exchange. Also, any migration to the Exchange from the OTC market would result in increased market transparency and enhance the process of price discovery conducted on the Exchange through increased order flow.

Additionally, the Exchange believes the proposed rule change is designed to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest in that it should create greater trading and hedging opportunities and flexibility. The proposed rule change should also result in enhanced efficiency in initiating and closing out positions and heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of FLEX Fund Options. Further, the proposed rule change would result in increased competition by permitting the Exchange to offer products that are currently used in the OTC market.

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<sup>41</sup> Id.

The Exchange does not believe that this proposed rule change raises any unique regulatory concerns because the proposal to aggregate any FLEX and non-FLEX options in each Fund at the current (and most conservative) 25,000-contract limit should provide an adequate safeguard. As noted herein, the purpose of position (and exercise) limits is 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 Exchange believes the proposal will benefit investors and public interest because the aggregated position and exercise limits for (FLEX and non-FLEX) options on the same underlying Fund at 25,000 contracts, the lowest limit available in options, would address concerns related to manipulation and protection of investors as this number is conservative and therefore appropriate given the sufficient liquidity in each Fund.

The Exchange believes that offering innovative products benefits the investing public. A robust and competitive market requires that exchanges respond to the evolving needs of their members by constantly improving their offerings. Such efforts would be stymied if exchanges were prohibited from offering innovative products such as the proposed FLEX Fund Options. The Exchange does not believe that allowing FLEX Fund Options would render the marketplace for equity options more susceptible to manipulative practices.

Finally, the Exchange represents that it has an adequate surveillance program in place to detect manipulative trading in FLEX Fund Options. Regarding the proposed FLEX Fund Options, the Exchange would use the same surveillance procedures utilized for FLEX Options currently listed on the Exchange (as well as for non-FLEX options on each Fund). For surveillance purposes, the Exchange would have access to information regarding trading activity in the underlying Funds (i.e., IBIT, GBTC, BTC, and BITB). In light of surveillance measures related to both options and the underlying Funds, 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 FLEX Fund Options.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that its proposed rule change will impose any burden on intramarket competition as all market participants would have the option of utilizing the FLEX Fund Options. The proposed rule change is designed to allow investors seeking option exposure to bitcoin to trade FLEX Fund Options. Moreover, the Exchange believes that the proposal to permit FLEX Fund Options would broaden the base of investors that use FLEX Options to manage their trading and investment risk, including investors that currently trade in the OTC market for customized options.

The Exchange does not believe that its proposed rule change will impose any burden on intermarket competition as the Exchange operates in a highly competitive market in which market participants can readily direct order flow to competing venues. The proposed rule change would support that intermarket competition by allowing the Exchange to offer additional functionality to TPHs. The Exchange believes that the proposed FLEX Fund Options will increase the variety of options products available for trading in general and bitcoin-related products in particular and, as such, will provide a valuable tool for investors to manage risk. As such, the Exchange believes that this proposal does not create an undue burden on intermarket competition. Rather, the Exchange believes that the proposed rule would bolster intermarket competition by promoting fair competition among individual markets. As noted above, this is a competitive filing based on a similar proposals submitted by NYSE American and Phlx, which were recently approved by the Commission.<sup>42</sup>

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

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

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<sup>42</sup> See Phlx FLEX Approval Order and NYSE FLEX Approval Order.

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

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 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>43</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>44</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>45</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>46</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 asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission previously approved FLEX trading on IBIT, BTC, GBTC, and BITB on other exchanges as discussed herein.<sup>47</sup> The Commission does not believe that this proposed rule change raises new or novel legal issues, and would allow the Exchange to begin offering FLEX Fund Options without delay. Therefore, the Commission believes that waiver of 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>48</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>43</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>44</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 Exchange has satisfied the pre-filing requirement.

<sup>45</sup> 17 CFR 240.19b-4(f)(6).

<sup>46</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>47</sup> See *supra* notes 4-5.

<sup>48</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 shall institute proceedings to determine whether the proposed rule 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-CBOE-2025-058 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-CBOE-2025-058. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>).

Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-CBOE-2025-058 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>49</sup>

**J. Matthew DeLesDernier,**

*Deputy Secretary.*

[FR Doc. 2025-15834 Filed: 8/19/2025 8:45 am; Publication Date: 8/20/2025]

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<sup>49</sup> 17 CFR 200.30-3(a)(12).