



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103747; File No. SR-BOX-2025-22]

**Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend BOX Rule 3120 to Increase the Position and Exercise Limits for the iShares Bitcoin Trust ETF**

August 20, 2025.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on August 15, 2025, BOX Exchange LLC (“BOX” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule 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 BOX Rule 3120 (Position Limits) to increase the position and exercise limits for iShares Bitcoin Trust ETF (“IBIT”). The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet website at <https://rules.boxexchange.com/rulefilings>.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

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 parts of such statements.

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

1. Purpose

The Exchange proposes to amend Rule 3120, Position Limits,<sup>4</sup> to permit IBIT to increase its position and exercise limits for options on IBIT from 25,000 contracts by removing IBIT from IM-3120-2. This is a competitive filing based on a similar proposal submitted by Nasdaq ISE, LLC (“ISE”) and approved by the Securities and Exchange Commission (“Commission”).<sup>5</sup>

IBIT is an Exchange-Traded Fund (“ETF”) that holds bitcoin and is listed on the Nasdaq Stock Market LLC.<sup>6</sup> In November 2024, the Exchange received approval to list options on IBIT.<sup>7</sup> The position and exercise limits for IBIT options are 25,000 contracts as stated in IM-3120-2, the lowest limit available in options.<sup>8</sup> Per the Commission, “rules regarding position and exercise limits are intended to prevent the establishment of options

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<sup>4</sup> The Exchange notes that Rule 3140(c) Exercise Limits provides that limits shall be determined in the manner described in Rule 3120 (Position Limits). Additionally, IM-3140-1 provides the exercise limits established under Rule 3140, in respect to options on shares or other securities that represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that satisfy the criteria set forth in Rule 5020 shall be equivalent to the position limits prescribed for such options in IM-3120-2, subject to any exemptions granted in respect to such position limits.

<sup>5</sup> See Securities Exchange Act Release No. 103564 (July 29, 2025) (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) (“ISE Approval Order”).

<sup>6</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). IBIT started trading on January 11, 2024.

<sup>7</sup> See Securities Exchange Act Release No. 101735 (November 25, 2024), 89 FR 95264 (December 2, 2024) (SR-BOX-2024-27) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Rules 3120 (Position Limits) and 5020 (Criteria for Underlying Securities) To Permit Trading of iShares Bitcoin ETF Options) (“IBIT Filing”).

<sup>8</sup> Options on Fidelity Wise Origin Bitcoin Fund, ARK 21Shares Bitcoin ETF, Grayscale Bitcoin Trust (BTC), Grayscale Bitcoin Mini Trust BTC, and Bitwise Bitcoin ETF are also subject to a 25,000 contract position and exercise limit.

positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options positions.”<sup>9</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>10</sup> Based on its review of the data and analysis provided by ISE, the Commission concluded that the 25,000 contract position limit for IBIT options satisfied these objectives.<sup>11</sup>

While the Exchange proposed an aggregated 25,000 contract position limit for IBIT options in its IBIT Filing, it nonetheless believed that evidence existed to support a much higher position limit. Specifically, the Commission has considered and reviewed ISE’s analysis as it was presented by the Exchange in the IBIT Filing that the exercisable risk associated with a position limit of 25,000 contracts represented only 0.4% of the outstanding shares of IBIT.<sup>12</sup> The Commission also has considered and reviewed the Exchange’s statement in its IBIT Filing that with a position limit of 25,000 contracts on the same side of the market and 611,040,000 shares of IBIT outstanding, 244 market participants would have to simultaneously exercise their positions to place IBIT under stress.<sup>13</sup> Based on the Commission’s review of this information and analysis, the Commission concluded that the proposed position and exercise limits of 25,000 contracts 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>14</sup> IBIT currently qualifies for a 250,000 contract position limit pursuant to the

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<sup>9</sup> See supra note 4.

<sup>10</sup> See id.

<sup>11</sup> See id.

<sup>12</sup> See supra note 6. Data represents figures from August 12, 2024.

<sup>13</sup> See id. Data represents figures from August 12, 2024.

<sup>14</sup> See id.

criteria in Rule 3120(d)(5), which requires that, for the most recent six-month period, trading volume for the underlying security be at least 100 million shares.<sup>15</sup> As of November 25, 2024, the market capitalization for IBIT was \$46,783,480,800<sup>16</sup> with an average daily volume (“ADV”), for the preceding three months prior to November 25, 2024, of 39,421,877 shares. IBIT is well above the requisite minimum of 100 million shares necessary to qualify for the 250,000 contract position limit. Also, as of November 25, 2024, there are 19,787,762 bitcoins in circulation.<sup>17</sup> According to calculations done by ISE as presented in Amendment No. 2,<sup>18</sup> at a price of \$94,830,<sup>19</sup> that equates to a market capitalization of greater than \$1.876 trillion US. If a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%<sup>20</sup> of the outstanding shares outstanding of IBIT. Given IBIT’s liquidity, the current 25,000 position limit is extremely conservative.

Position limits, and exercise limits, are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or indirectly, may control. These limits, which are described in Rules 3120 and 3140, are intended 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. Position and exercise limits must balance concerns regarding mitigating potential manipulation and the cost of inhibiting potential hedging activity that could be used for legitimate economic purposes.

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<sup>15</sup> BOX Rule 3120, Position Limits, provides at subparagraph (d)(5) that to be eligible for the 250,000 contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least 100 million shares or the most recent six (6) month trading volume of the underlying security must have totaled at least seventy-five (75) million shares and the underlying security must have at least 300 million shares currently outstanding.

<sup>16</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 25, 2024. See <https://www.ishares.com/us/products/333011/ishares-bitcoin-trust-etf>.

<sup>17</sup> See <https://www.coingecko.com/en/coins/bitcoin>.

<sup>18</sup> See Amendment No. 2 to Proposed Rule Change to modify the position and exercise limits for IBIT options to the applicable position and exercise limits as determined by Options 9, Sections 13 and 15 (SR-ISE-2024-62), filed Mar. 26, 2025, available at <https://www.sec.gov/comments/srse-2024-62/srse202462-593575-1721782.pdf> (“Amendment No. 2”).

<sup>19</sup> This is the approximate price of bitcoin from 4:00 pm ET on November 25, 2024.

<sup>20</sup> This percentage is arrived at with this equation: (250,000 contract limit \* 100 shares per option / 866,040,000 shares outstanding).

To achieve this balance, the Exchange proposes to remove IBIT from the table of position limits in IM-3120-2 so that options on IBIT may trade similar to all other options for which the Exchange has not filed to otherwise increase the position limits to levels outside of the limits of Rule 3120(d). As a result of removing IBIT from the aforementioned table, it would increase the position and exercise limits for options on IBIT from 25,000 to 250,000 contracts based on the parameters of Rule 3120(d). By removing IBIT from the aforementioned table, IBIT would be subject to subsequent six (6) month reviews to determine future position and exercise limits similar to all other options subject to Rules 3120 and 3140. In addition to IBIT's Rule 3120(d) eligibility for 250,000 contracts, ISE performed additional analysis relying on data presented in Amendment No.2, with respect to IBIT. First, in Amendment No. 2, ISE considered IBIT's market capitalization and ADV, and prospective position limit in relation to other securities. In measuring IBIT against other securities, ISE aggregated market capitalization and volume data for securities that have defined position limits utilizing data from The Options Clearing Corporations ("OCC").<sup>21</sup> This pool of data took into consideration 3,897 options on single stock securities, excluding broad based ETFs.<sup>22</sup> Next, ISE aggregated the data based on market capitalization and ADV and grouped option symbols by position limit utilizing statistical thresholds for ADV, based on ninety days, and market capitalization that were one standard deviation above the mean for each position limit category (i.e. 25,000, 50,000 to 65,000, 75,000, 100,000 to less than 250,000, and 250,000).<sup>23</sup> Rule 3120 sets out position limits for various contracts. For example, on ISE like on the Exchange, a 25,000 contract limit applies to those options having an underlying security that

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<sup>21</sup> The computations are based on OCC data from November 25, 2024. Data displaying zero values in market capitalization or ADV were removed.

<sup>22</sup> IBIT has one asset and therefore is not comparable to a broad based ETF where there are typically multiple components.

<sup>23</sup> BOX Rule 3120 sets out position limits for various contracts. For example, a 25,000 contract limit applies to those options having an underlying security that does not meet the requirements for a higher options contract limit. The Exchange notes that position limits may also be higher due to corporate actions in the underlying equities, such as a stock split. See <https://www.theocc.com/market-data/market-data-reports/series-and-trading-data/position-limits>. As a result, the Exchange's pool of data considered higher position limits than 250,000 contracts, where applicable.

does not meet the requirements for a higher options contract limit. ISE performed an exercise to demonstrate IBIT's position limit relative to other options symbols in terms of market capitalization and ADV. For reference the market capitalization for IBIT was \$46,783,480,800<sup>24</sup> with an ADV, for the preceding three months prior to November 25, 2024, of 39,421,877 shares.<sup>25</sup>

As presented in Amendment No. 2,<sup>26</sup> if IBIT were compared to the 1,934 stocks that have position limits of 250,000 contracts to less than 500,000 contracts it would rank in the 88th percentile for market capitalization and the 99th percentile for ADV. ISE, in Amendment No. 2, also analyzed the position limits for IBIT by regressing the market capitalization figures and 90-day ADV of all non-ETF equities, against their respective position limit figures.<sup>27</sup> From this regression, ISE was able to determine the implied coefficients to create a formulaic method for determining an appropriate position limit.<sup>28</sup> In this case, the modeled position limit is 565,796 contracts.<sup>29</sup> The results of ISE's study are provided in Amendment No. 2.

Based on the aforementioned analysis, as performed by ISE in Amendment No. 2, the Exchange believes that the proposed 250,000 contracts for position and exercise limits is appropriate. Second, ISE reviewed IBIT's data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables. As of November 25, 2024, there were 19,787,762 bitcoins in circulation.<sup>30</sup> At a price of \$94,830,<sup>31</sup> that equates to a market capitalization of greater than \$1.876 trillion US. If a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%<sup>32</sup> of the outstanding

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<sup>24</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 25, 2024. See <https://www.ishares.com/us/products/333011/ishares-bitcoin-trust-etf>.

<sup>25</sup> See Amendment No. 2 at 8-9.

<sup>26</sup> See Amendment No. 2 at 9.

<sup>27</sup> Id.

<sup>28</sup> ISE utilized Excel's Data Analysis Package to model the position limit.

<sup>29</sup> ISE utilized this formula to arrive at the number of contracts:  $((46,783,380,800 \text{ mkt cap} * 0.000002630 \text{ market cap coefficient}) + (39,421,877 \text{ ADV} * 0.0140402219 \text{ ADV coefficient}))$ .

<sup>30</sup> See <https://www.coingecko.com/en/coins/bitcoin>.

<sup>31</sup> This is the approximate price of bitcoin from 4:00 pm ET on November 25, 2024.

<sup>32</sup> This percentage is arrived at with this equation:  $(250,000 \text{ contract limit} * 100 \text{ shares per option} / 866,040,000 \text{ shares outstanding})$ .

shares outstanding of IBIT. Since IBIT has a creation and redemption process managed through the issuer, additionally it can be compared the position limit sought to the total market capitalization of the entire bitcoin market and in that case, the exercisable risk for options on IBIT would be less than 0.072% of all bitcoin outstanding. Assuming a scenario where all options on IBIT shares were exercised given the proposed 250,000 per same side position and exercise limits, this would have a virtually unnoticed impact on the entire bitcoin market. This analysis demonstrates that the proposed 250,000 per same side position and exercise limits are appropriate for options on IBIT given its liquidity.

Third, ISE reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the Commodity Futures Trading Commission (“CFTC”). While the CFTC, through the relevant Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), ISE examined equivalent bitcoin futures position limits. In particular, ISE looked at the CME bitcoin futures contract<sup>33</sup> that has a position limit of 2,000 futures.<sup>34</sup> On October 22, 2024, CME bitcoin futures settled at \$94,945.<sup>35</sup> On October 22, 2024, IBIT settled at \$54.02, which would equate to greater than 17,557,898 shares of IBIT if the CME notional position limit was utilized. Since substantial portions of any distributed options portfolio are likely to be out of the money on expiration, an options position limit equivalent to the CME position limit for bitcoin futures (considering that all options deltas are  $\leq 1.00$ ) should be a bit higher than the CME implied 175,578 limit. Of note, unlike options contracts, CME position limits are calculated on a net futures equivalent basis by contract and include contracts that aggregate into one or more base contracts according to an aggregation ratio(s).<sup>36</sup> Therefore, if a portfolio includes positions in

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<sup>33</sup> CME Bitcoin Futures are described in Chapter 350 of CME’s Rulebook.

<sup>34</sup> See the Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5 of CME’s Rulebook.

<sup>35</sup> 2,000 futures at a 5 bitcoin multiplier (per the contract specifications) equates to \$949,450,000 (2000 contracts \* 5 BTC per contract \* \$94,945 price of November BTC future) of notional value.

<sup>36</sup> See <https://www.cmegroup.com/education/courses/market-regulation/position-limits/positionlimits-aggregation-of-contracts-and-table.htm>.

options on futures, CME would aggregate those positions into the underlying futures contracts in accordance with a table published by CME on a delta equivalent value for the relevant spot month, subsequent spot month, single month and all month position limits.<sup>37</sup> If a position exceeds position limits because of an option assignment, CME permits market participants to liquidate the excess position within one business day without being considered in violation of its rules. Additionally, if at the close of trading, a position that includes options exceeds position limits for futures contracts, when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation. Based on the aforementioned analysis, the Exchange believes that the proposed 250,000 contracts for position and exercise limits is appropriate.

Fourth, ISE analyzed a position and exercise limit of 250,000 for IBIT options against other options on ETFs with an underlying commodity, namely SPDR Gold Shares ("GLD") ETF, iShares Silver Trust ("SLV") ETF, and ProShares Bitcoin ETF ("BITO").<sup>38</sup> GLD has a float of 306.1 million shares<sup>39</sup> and a position limit of 250,000 contract. SLV has a float of 520.7 million shares,<sup>40</sup> and a position limit of 250,000 contracts. Finally, BITO has 107.65 million shares outstanding<sup>41</sup> and a position limit of 250,000 contracts. As previously noted, position and exercise limits are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or indirectly, may control. A position limit exercise in GLD would represent 8.17% of the float of GLD; a position limit exercise in SLV would represent 4.8% of the float of SLV, and a position limit exercise of BITO would represent 23.22% of the float of BITO. In comparison, a 250,000 contract position limit in IBIT would represent 2.89% of the float of

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<sup>37</sup> Id.

<sup>38</sup> GLD, SLV and BITO each hold one asset in trust similar to IBIT.

<sup>39</sup> See <https://www.ssga.com/us/en/intermediary/etfs/spdr-gold-shares-gld>.

<sup>40</sup> See <https://www.ishares.com/us/products/239855/ishares-silver-trust-fund>.

<sup>41</sup> See <https://www.marketwatch.com/investing/fund/bit0>.

IBIT. Consequently, the 250,000 proposed IBIT options position and exercise limit is more conservative than the standard applied to GLD, SLV and BITO, and appropriate. Additionally, the Exchange notes that the Cboe Bitcoin U.S. ETF Index Options (CBTX) and the Cboe Mini Bitcoin U.S. ETF Index Options (MBTX),<sup>42</sup> which trade exclusively on Cboe, are comprised of multiple bitcoin ETFs of which IBIT is the highest weighted (at 20%) in the index composition.<sup>43</sup> These indices currently trade pursuant to a 24,000 contract position and exercise limit.<sup>44</sup>

Fifth, the Exchange and ISE note that IBIT began trading in penny increments as of January 2, 2025 pursuant to the Penny Interval Program.<sup>45</sup> The Commission noted that evidence contained in both the Exchanges' Report and the Cornerstone analysis demonstrates that the Penny Pilot has benefitted investors and other market participants in the form of narrower spreads.<sup>46</sup> The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests). As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading

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<sup>42</sup> MBTX is based on 1/10th the value of the Cboe Bitcoin U.S. ETF Index.

<sup>43</sup> See [https://www.cboe.com/tradable\\_products/bitcoin-etf-indexoptions?utm\\_source=mcae&utm\\_medium=email&utm\\_campaign=bitcoin\\_eft\\_options\\_launch](https://www.cboe.com/tradable_products/bitcoin-etf-indexoptions?utm_source=mcae&utm_medium=email&utm_campaign=bitcoin_eft_options_launch). Cboe's website provides a product comparison chart indicating that CBTX and MBTX are permitted to trade FLEX as compared to spot bitcoin ETF options. See [https://cdn.cboe.com/resources/membership/Cboe\\_Bitcoin\\_US ETF\\_Options\\_Comparative\\_Overview.pdf?\\_gl=1\\*1xmm04c\\*\\_up\\*MQ.\\*\\_ga\\*MTc0MjU1NzU1Ni4xNzM0NTU2NTky\\*\\_ga\\_5Q99WB9X71\\*MTczNDU1NjU5MC4xLjAuMTczNDU1NjU5MC4wLjAuMA](https://cdn.cboe.com/resources/membership/Cboe_Bitcoin_US ETF_Options_Comparative_Overview.pdf?_gl=1*1xmm04c*_up*MQ.*_ga*MTc0MjU1NzU1Ni4xNzM0NTU2NTky*_ga_5Q99WB9X71*MTczNDU1NjU5MC4xLjAuMTczNDU1NjU5MC4wLjAuMA).

<sup>44</sup> See Cboe Rule 8.32(a). The Exchange notes that given the multiplier and notional value of CBTX, the index has a position and exercise limit that equates to 1,000,000 contracts of in kind exposure to IBIT, which is more than 40 times greater than the exposure for options on IBIT at the current 25,000 contract position and exercise limit.

<sup>45</sup> The Exchange may add to the Penny Program a newly listed option class provided that (i) it is among the 300 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in its first full calendar month of trading and (ii) the underlying security is priced below \$200 or the underlying index is at an index level below \$200. Any option class added under this provision will be added on the first trading day of the month after it qualifies and will remain in the Penny Program for one full calendar year, after which it will be subject to the Annual Review described in Exchange Rule 7260(b). The Exchange may add any option class to the Penny Program, provided that (i) it is among the 75 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in the past six full calendar months of trading and (ii) the underlying security is priced below \$200 or the underlying index is at an index level below \$200. Any option class added under this provision will be added on the first trading day of the second full month after it qualifies and will remain in the Penny Program for the rest of the calendar year, after which it will be subject to the Annual Review as described in Rule 7260(b). See BOX Rule 7260(b).

<sup>46</sup> See Securities Exchange Act Release No. 88532 (April 1, 2020), 67 FR 19545, 19548 (April 7, 2020) (File No. 4-443) (Joint Industry Plan; Order Approving Amendment No. 5 to the Plan for the Purpose of Developing and Implementing Procedures Designed To Facilitate the Listing and Trading of Standardized Options To Adopt a Penny Interval Program) ("Penny Approval Order").

interest (either because the class is newly listed or a class that experience a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.<sup>47</sup> IBIT options are among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments. Failing to increase position and exercise limits for IBIT options, now that it is trading in finer increments, may artificially inhibit liquidity and create price inefficiency.

The Exchange believes that IBIT options has demonstrated that it has more than sufficient liquidity to garner an increased position and exercise limit of 250,000 contracts. The Exchange believes that any concerns related to manipulation and protection of investors are mollified by the significant liquidity provision in IBIT. The Exchange states that, as a general principle, increases in active trading volume and deep liquidity of the underlying securities do not lead to manipulation and/or disruption. The Exchange believes that increasing the position (and exercise) limits for IBIT options would lead to a more liquid and competitive market environment for IBIT options, which will benefit customers that trade these options. Further, the reporting requirement for such options would remain unchanged. Thus, the Exchange will still require that each member organization that maintains positions in impacted options on the same side of the market, for its own account or for the account of a customer, report certain information to the Exchange. This information includes, but would not be limited to, the options' positions, whether such positions are hedged and, if so, a description of the hedge(s). Market Makers<sup>48</sup> would continue to be exempt from this reporting requirement, however, the Exchange may access Market-Maker position information.<sup>49</sup> Moreover, the Exchange's

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<sup>47</sup> *Id.* at 19548.

<sup>48</sup> The term "Market Maker" means an Options Participant registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in the Rule 8000 Series. All Market Makers are designated as specialists on the Exchange for all purposes under the Exchange Act or Rules thereunder. See BOX Rule 100(31).

<sup>49</sup> The Options Clearing Corporation ("OCC") through the Large option Position Reporting ("LOPR") system acts as a centralized service provider for Participant compliance with position reporting requirements by collecting data

requirement that member organizations 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 remain at this level and will continue to serve as an important part of the Exchange's surveillance efforts.<sup>50</sup> The Exchange also has no reason to believe that the growth in trading volume in IBIT will not continue. Rather, the Exchange expects continued options volume growth in IBIT as opportunities for investors to participate in the options markets increase and evolve. The Exchange believes that the current position and exercise limits in IBIT options are restrictive and will hamper the listed options markets from being able to compete fairly and effectively with the over-the-counter ("OTC") markets. OTC transactions occur through bilateral agreements, the terms of which are not publicly disclosed to the marketplace. As such, OTC transactions do not contribute to the price discovery process on a public exchange or other lit markets. The Exchange believes that without the proposed changes to position and exercise limits for IBIT options, market participants will find the 25,000 contract position limit an impediment to their business and investment objectives as well as an impediment to efficient pricing. As such, market participants may find the less transparent OTC markets a more attractive alternative to achieve their investment and hedging objectives, leading to a retreat from the listed options markets, where trades are subject to reporting requirements and daily surveillance. However, the Exchange notes that IBIT's position limits would be reviewed on a six month basis, pursuant to Rule 3120(e), similar to other options.

The Exchange believes that the existing surveillance procedures and reporting requirements at the Exchange are capable of properly identifying disruptive and/or manipulative trading

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from each Participant or Participant organization, consolidating the information, and ultimately providing detailed listings of each Participant's report to the Exchange, as well as Financial Industry Regulatory Authority, Inc. ("FINRA"), acting as its agent pursuant to a regulatory services agreement ("RSA"). The term "Participant" means a firm, or organization that is registered with the Exchange pursuant to the Rule 2000 Series for purposes of participating in trading on a facility of the Exchange and includes an "Options Participant" and "BSTX Participant." See BOX Rule 100(42).

<sup>50</sup> See BOX Rule 3150.

activity. The Exchange also represents that it has adequate surveillances in place to detect potential manipulation, as well as reviews in place to identify continued compliance with the Exchange's listing standards. These procedures monitor market activity via automated surveillance techniques to identify unusual activity in both options and the underlyings, as applicable. The Exchange also notes that large stock holdings must be disclosed to the Commission by way of Schedules 13D or 13G,<sup>51</sup> which are used to report ownership of stock which exceeds 5% of a company's total stock issue and may assist in providing information in monitoring for any potential manipulative schemes. Further, the Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged positions in equity options. Current margin and risk-based haircut methodologies serve to limit the size of positions maintained by any one account by increasing the margin and/or capital that a member organization must maintain for a large position held by itself or by its customer.<sup>52</sup> In addition, Rule 15c3-1<sup>53</sup> imposes a capital charge on member organizations to the extent of any margin deficiency resulting from the higher margin requirement.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Securities Exchange Act of 1934 (the "Act"),<sup>54</sup> in general, and Section 6(b)(5) of the Act,<sup>55</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market

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<sup>51</sup> 17 CFR 240.13d-1.

<sup>52</sup> See BOX Rules, series 10100, Margin Requirements.

<sup>53</sup> 17 CFR 240.15c3-1.

<sup>54</sup> 15 U.S.C. 78f(b).

<sup>55</sup> 15 U.S.C. 78f(b)(5).

system, and, in general to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section (6)(b)(5)<sup>56</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 removing IBIT from the table of position limits in IM-3120-2, so its position limit would be reviewed similar to all other options for which the Exchange has not filed to otherwise establish the position limits to levels outside of the position limits of Rule 3120(d) is consistent with the Act. This proposal will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it will provide market participants with the ability to more effectively execute their trading and hedging activities. Also, based on current trading volume, the resulting increase in the position (and exercise) limits for IBIT options may allow Market Makers to maintain their liquidity in these options in amounts commensurate with the continued high consumer demand in IBIT options. Subjecting options on IBIT to the position limits in Rule 3120(d) and corresponding exercise limits in Rule 3140 may also encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. Further, this proposed change would allow institutional investors to utilize IBIT options for prudent risk management purposes. The Exchange notes that IBIT's position limits would be reviewed on a six month basis, pursuant to Rule 3120(e), similar to other options. In addition, the Exchange believes that the current liquidity in IBIT will mitigate concerns regarding potential manipulation of IBIT options and/or disruption of IBIT upon amending the table of position limits in IM-3120-2.

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<sup>56</sup> Id.

Additionally, the regression model performed by ISE demonstrates that the proposed position limit is half of the modeled limit given the liquidity of IBIT. Comparing IBIT's data relative to the market capitalization of the entire bitcoin market in terms of exercise risk and availability of deliverables, ISE was able to conclude that if a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%<sup>57</sup> of the shares outstanding of IBIT. Since IBIT has a creation and redemption process managed through the issuer (whereby Bitcoin is used to create IBIT shares), the position limit can be compared to the total market capitalization of the entire bitcoin market and in that case, the exercisable risk for options on IBIT would represent less than .072% of all bitcoin outstanding.<sup>58</sup>

Comparing the proposed position limit to position limits for equivalent bitcoin futures position limits, the analysis demonstrated that a 250,000 contracts position and exercise limits would be appropriate. Comparing a position limit of 250,000 for IBIT options against other options on ETFs with an underlying commodity, namely GLD, SLV and BITO, a position limit exercise in GLD represents 8.17% of the float of GLD, a position limit exercise in SLV represents 4.8% of the float of SLV, and a position limit exercise of BITO represents 23.22% of the float of BITO. In comparison, a 250,000 contract position limit in IBIT options would represent 2.89% of the float of IBIT. Consequently, a 250,000 IBIT options position limit is more conservative than the standard applied to GLD, SLV and BITO, and appropriate. Also, the Exchange notes that Cboe's proprietary CBTX and MBTX indices weight IBIT the highest (at 20%) in its index composition among the other ETFs that comprise the index.<sup>59</sup> The Exchange notes that today, these indexes have a position limit of 24,000 contracts which is much higher than the current position limits for IBIT options when considering the notional

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<sup>57</sup> This percentage is arrived at with this equation:  $(250,000 \text{ contract limit} * 100 \text{ shares per option} / 866,040,000 \text{ shares outstanding})$ .

<sup>58</sup> This number was arrived at with this calculation:  $((250,000 \text{ limit} * 100 \text{ shares per option} * \$54.02 \text{ settle}) / (19,787,762 \text{ BTC outstanding} * \$94,830 \text{ BTC price}))$ .

<sup>59</sup> See [https://www.cboe.com/tradable\\_products/bitcoin-etf-indexoptions?utm\\_source=mcae&utm\\_medium=email&utm\\_campaign=bitcoin\\_eft\\_options\\_launch](https://www.cboe.com/tradable_products/bitcoin-etf-indexoptions?utm_source=mcae&utm_medium=email&utm_campaign=bitcoin_eft_options_launch).

value of the indices.<sup>60</sup> These indexes are already trading with position and exercise limits that are higher than the lowest position limit for an industry index option.<sup>61</sup>

The Exchange notes that IBIT began trading in penny increments as of January 2, 2025 pursuant to the Penny Interval Program.<sup>62</sup> The Commission noted that evidence contained in both the Exchanges' Report and the Cornerstone analysis demonstrates that the Penny Pilot has benefitted investors and other market participants in the form of narrower spreads.<sup>63</sup> The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests). As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class that experience a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.<sup>64</sup> IBIT options are among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments pursuant to the Penny Interval Program. Failing to permit IBIT options to

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<sup>60</sup> See Cboe Rule 8.32(a). The Exchange notes that given the multiplier and notional value of CBTX, the index has a position and exercise limit that equates to 1,000,000 contracts of in kind exposure to IBIT, which is more than 40 times greater than the exposure for options on IBIT at the current 25,000 contract position and exercise limit.

<sup>61</sup> 18,000 contracts is the lowest position limit for industry index options if the Exchange determines, at the time of a review conducted pursuant to subparagraph (2) of this paragraph (a), that any single underlying stock accounted, on average, for thirty percent (30%) or more of the index value during the thirty (30) -day period immediately preceding the review. See BOX Rule 6050. Further, Cboe Rule 8.32(a)(3) permits a limit of 31,500 contracts if the Exchange determines that the conditions specified in Rule 8.32(a)(1) and (2), which would require the establishment of a lower limit, have not occurred.

<sup>62</sup> The Exchange may add to the Penny Program a newly listed option class provided that (i) it is among the 300 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in its first full calendar month of trading and (ii) the underlying security is priced below \$200 or the underlying index is at an index level below \$200. Any option class added under this provision will be added on the first trading day of the month after it qualifies and will remain in the Penny Program for one full calendar year, after which it will be subject to the Annual Review described in Exchange Rule 501(c)(2). The Exchange may add any option class to the Penny Program, provided that (i) it is among the 75 most actively traded multiply listed option classes, as ranked by National Cleared Volume at OCC, in the past six full calendar months of trading and (ii) the underlying security is priced below \$200 or the underlying index is at an index level below \$200. Any option class added under this provision will be added on the first trading day of the second full month after it qualifies and will remain in the Penny Program for the rest of the calendar year, after which it will be subject to the Annual Review as described in Rule 7260(b). See BOX Rule 7260(b).

<sup>63</sup> See Securities Exchange Act Release No. 88532 (April 1, 2020), 67 FR 19545, 19548 (April 7, 2020) (File No. 4-443) (Joint Industry Plan; Order Approving Amendment No. 5 to the Plan for the Purpose of Developing and Implementing Procedures Designed To Facilitate the Listing and Trading of Standardized Options To Adopt a Penny Interval Program) ("Penny Approval Order").

<sup>64</sup> *Id.* at 19548.

potentially increase position and exercise limits given the trading in finer increments, may artificially inhibit liquidity and create price inefficiency for IBIT options.

Finally, as discussed above, the Exchange's surveillance and reporting safeguards continue to be designed to deter and detect possible manipulative behavior that might arise from increasing or eliminating position and exercise limits in certain classes. The Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged positions in the options on the underlying securities, further promoting just and equitable principles of trading, the maintenance of a fair and orderly market, and the protection of investors.

#### 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. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to filings submitted by ISE.<sup>65</sup>

The Exchange's proposal does not burden intra-market competition because all Participants would be subject to the position limits in Rule 3120 and corresponding exercise limits in Rule 3140. The Exchange believes that the proposed rule change will also provide additional opportunities for market participants to continue to efficiently achieve their investment and trading objectives for equity options on the Exchange.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition as the proposal is not competitive in nature. The Exchange expects that all option exchanges will adopt substantively similar proposals, such that the Exchange's proposal would benefit competition. For these reasons, the Exchange does not believe that the

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<sup>65</sup> See supra note 4.

proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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

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

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>66</sup> and Rule 19b-4(f)(6) thereunder.<sup>67</sup> Because the 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 prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>68</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>69</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission previously approved the removal of the 25,000 contract position and exercise limits for IBIT, such that those funds will be subject to the position and exercise limits as determined for equity options for which no set limit has been

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<sup>66</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>67</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>68</sup> 17 CFR 240.19b-4(f)(6).

<sup>69</sup> 17 CFR 240.19b-4(f)(6)(iii).

otherwise established on that exchange.<sup>70</sup> The Exchange is proposing similarly to remove of the 25,000 contract position and exercise limit for IBIT, such that those funds will be subject to the position and exercise limits as determined by the position limit rules at Rule 3120. The Exchange has provided information regarding IBIT, including, among other things, information regarding trading volume, and the market capitalization of IBIT and surveillance procedures that will apply. The Commission notes that the proposal raises no new or novel legal issues and would simply provide an additional venue for trading IBIT with position and exercise limits that may be higher than 25,000 contracts. Therefore, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposed rule change as operative upon filing.<sup>71</sup>

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such 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 under Section 19(b)(2)(B)<sup>72</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's internet comment form

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<sup>70</sup> See ISE Approval Order.

<sup>71</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).

<sup>72</sup> 15 U.S.C. 78s(b)(2)(B).

(<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-2025-22 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-BOX-2025-22. 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-BOX-2025-22 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>73</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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