



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103752; File No. SR-MEMX-2025-26]

### **Self-Regulatory Organizations; MEMX LLC; Notice of Filing and Immediate Effectiveness of Proposed Change to Amend Position and Exercise Limits for Options on the iShares Bitcoin Trust ETF, Grayscale Bitcoin Trust ETF, Grayscale Bitcoin Mini Trust and Bitwise Bitcoin 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 19, 2025, MEMX LLC (“MEMX” 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 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 is filing with the Commission a proposed rule change to amend Rule 18.7, Position Limits, and Rule 18.9, Exercise Limits, regarding the position and exercise limits for options on the iShare [sic] Bitcoin Trust ETF (“IBIT”), Grayscale Bitcoin Trust ETF (“GBTC”), Grayscale Bitcoin Mini Trust (“BTC”) and Bitwise Bitcoin ETF (“BITB”) (collectively, the “Bitcoin ETFs”). The text of the proposed rule change is provided in Exhibit 5 and is available on the Exchange’s website at <https://info.memxtrading.com/regulation/rules-and-filings/>.

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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.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Rules 18.7 (Position Limits) and 18.9 (Exercise Limits) regarding the position and exercise limits for options on the Bitcoin ETFs. Specifically, the proposed rule change amends Rule 18.7[sic], Interpretation and Policy .01, and Rule 18.9, Interpretation and Policy .01 to delete the 25,000 position and exercise limits, respectively, for each Bitcoin ETF option. As a result, the position limit for each Bitcoin ETF option would be determined in accordance with Rule 18.7(d) and be based on trading in each Bitcoin ETF during the most recent six-month period.<sup>4</sup>

Each Bitcoin ETF is an exchange-traded fund (“ETF”) that holds Bitcoin and is listed on a national equities exchange.<sup>5</sup> On November 27, 2024, and December 19, 2024, the Securities

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<sup>4</sup> Pursuant to Rule 18.9(c), exercise limits shall be determined in the manner described in Rule 18.7. Therefore, currently, the exercise limit for each Bitcoin ETF option, as noted in Rule 18.9, Interpretation and Policy .01, is 25,000 contracts. The proposed rule change would modify the exercise limit for each Bitcoin ETF option to be equivalent to the position limit described in Rule 18.7, (which may be 25,000, 50,000, 75,000, 200,000 or 250,000, depending on the six-month trading volume and outstanding shares of the Bitcoin ETF).

<sup>5</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. 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), 89 FR 3008 (January 17, 2024) (Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, to list and trade options on, among other ETFs, GBTC) (SR-NYSEARCA-2021-90); 100610 (July 26, 2024) (order approving listing and trading of Commodity-Based Trust Shares of BTC,

and Exchange Commission (the “Commission”) noticed the Exchange's filing and immediate effectiveness of a proposed rule change to list and trade IBIT options and GBTC, BTC, and BITB options, respectively.<sup>6</sup> The position and exercise limits for each Bitcoin ETF option are 25,000 contracts, the lowest limit available in equity options.<sup>7</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>8</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>9</sup> Based on its review of the data and analysis provided by the Exchange, the Commission concluded that the 25,000 contract position limit for non-FLEX Bitcoin ETF options satisfied these objectives.<sup>10</sup>

While the Exchange proposed a 25,000 contract position limit for each Bitcoin option in its rule filings to list and trade these options, the Exchange nonetheless believed that evidence existed to support a much higher position limit. Specifically, when initially approving Bitcoin ETF options trading, the Commission considered and reviewed data and analysis of Nasdaq ISE, LLC (“ISE”) (with respect to IBIT options) and NYSE American, LLC (“NYSE American”)

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among other ETFs), 89 FR 62821 (August 1, 2024) (SR-NYSEARCA-2023-45); and 99306 (January 10, 2024), 89 FR 3008 (January 17, 2024) (order approving listing and trading of Commodity-Based Trust Shares of BITB, among other ETFs) (SR-NYSEARCA-2021-90).

<sup>6</sup> See Securities Exchange Act Release No. 101778 (November 27, 2024), 89 FR 95871 (December 3, 2024) (SR-MEMX-2024-45) (“IBIT ETF Options Notice”); and Securities Exchange Act Release No. 101973 (December 19, 2024), 89 FR 105143 (December 26, 2024) (SR-MEMX-2024-47) (“GBTC, BTC and BITB ETF Options Notice”).

<sup>7</sup> See Rule 18.7, Interpretation and Policy .01.

<sup>8</sup> See Securities Exchange Act Release No. 101128 (September 20, 2024), 89 FR 78942, 78946 (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 Options Approval Order”).

<sup>9</sup> Id.

<sup>10</sup> Id.; Securities Exchange Act Release Nos. 101386 (October 18, 2024), 89 FR 84960 (October 24, 2024) (SR-NYSEAMER-2024-49) (the “GBTC, BTC, and BITB Options Approval Order”).

(with respect to GBTC, BTC, and BITB options) when initially approving for listing the Bitcoin ETF options that the exercisable risk associated with a position limit of 25,000 contracts represented only 0.4% of the outstanding shares of IBIT<sup>11</sup>; 0.9% of the outstanding shares of GBTC; 0.7% of the outstanding shares of BTC; and 3.6% of the outstanding shares of BITB.<sup>12</sup> The Commission also considered and reviewed ISE's and NYSE American's statements, as applicable, that with a position limit of 25,000 contracts on the same side of the market for each Bitcoin ETF option: (1) with 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>; (2) with 284,570,100 shares of GBTC outstanding, 114 market participants would have to simultaneously exercise their positions to place GBTC under stress; (3) with 366,950,100 shares of BTC outstanding, 147 market participants would have to simultaneously exercise their positions to place BTC under stress; and (4) with 68,690,000 shares of BITB outstanding, 27 market participants would have to simultaneously exercise their positions to place BITB under stress.<sup>14</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 each of IBIT, GBTC, BTC, and BITB options 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>15</sup>

Each Bitcoin ETF option would currently qualify for the 250,000 contract position (and exercise) limit pursuant to the criteria in Rule 18.7(d)(5), which requires that, for the most recent

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<sup>11</sup> See IBIT Options Approval Order, at 78946 (data as of August 12, 2024).

<sup>12</sup> See GBTC, BTC, and BITB Options Approval Order, at 84970 (data as of August 30, 2024).

<sup>13</sup> See IBIT Options Approval Order, at 78946 (data as of August 12, 2024).

<sup>14</sup> See GBTC, BTC, and BITB Options Approval Order, at 84971 (data as of August 30, 2024).

<sup>15</sup> See IBIT Options Approval Order, at 78946; and GBTC, BTC, and BITB Options Approval Order, at 84971.

six-month period, trading volume for the underlying security be at least 100 million shares.<sup>16</sup> As of November 25, 2024, the market capitalization and average daily volume (“ADV”) for the preceding three months<sup>17</sup> for each Bitcoin ETF was:

<b>Bitcoin ETF</b>	<b>Market Capitalization</b>	<b>Three-Month ADV</b>
<b>IBIT</b>	\$46,783,480,800	39,421,877 shares
<b>GBTC</b>	\$20,661,316,542	3,829,597 shares
<b>BTC</b>	\$3,496,748,882	2,036,369 shares
<b>BITB</b>	\$4,095,157,000	2,480,478 shares

Therefore, each Bitcoin ETF is well-above the requisite 100,000,000 shares necessary to qualify for the 250,000 contract position and exercise limit. Also, as of November 25, 2024, there were 19,787,762 Bitcoins in circulation.<sup>18</sup> At a price of \$94,830,<sup>19</sup> that equates to a market capitalization of greater than \$1.876 trillion. If a position limit of 250,000 contracts were considered, the exercisable risk would represent 2.89%,<sup>20</sup> 9.13%,<sup>21</sup> 30.14%,<sup>22</sup> and 31.27%<sup>23</sup> of IBIT, GBTC, BTC, and BITB shares outstanding, respectively. Given each Bitcoin ETF’s liquidity, the current 25,000 contract position and exercise limit for each Bitcoin ETF option is

<sup>16</sup> Rule 18.7(d)(5) provides that to be eligible for the 250,000 option 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-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>17</sup> The market capitalization for each Bitcoin ETF was determined by multiplying a settlement price (IBIT – \$54.02, \$75.42 – GBTC, \$42.16 – BTC, \$51.70 – BITB) by the number of shares outstanding (IBIT – 866,040,000, GBTC – 273,950,100, BTC – 82,939,964, BITB – 79,950,100). IBIT data was acquired from <https://www.ishares.com/us/products/333011/ishares-bitcoin-trust-etf>, and GBTC, BTC, and BITB data acquired from FactSet.

<sup>18</sup> See <https://www.coingecko.com/en/coins/bitcoin>.

<sup>19</sup> This is the approximate price of Bitcoin from 4:00pm 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).

<sup>21</sup> This percentage is arrived at with this equation: (250,000 contract limit \* 100 shares per option / 273,950,100 shares outstanding).

<sup>22</sup> This percentage is arrived at with this equation: (250,000 contract limit \* 100 shares per option / 82,939,964 BTC shares outstanding).

<sup>23</sup> This percentage is arrived at with this equation: (250,000 contract limit \* 100 shares per option / 79,950,100 BITB shares outstanding).

extremely conservative.

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. These limits, which are described in Rules 18.7 and 18.9, 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.

To achieve this balance, the Exchange proposes to remove each Bitcoin ETF from the table of position limits in Rule 18.7, Interpretation and Policy .01 and the table of exercise limits in Rule 18.9, Interpretation and Policy .01 to permit options on each Bitcoin ETF to trade similar to all other ETF options for which the Exchange does not have other Rules that increase the position (and exercise) limits of ETF options to levels outside of the limits set forth in Rules 18.7 and 18.9. As a result of removing the Bitcoin ETFs from these tables, the position and exercise limits for each Bitcoin ETF option would increase from 25,000 to 250,000 contracts based on the current parameters in Rule 18.7. Like other options, each Bitcoin ETF would be subject to subsequent six-month reviews to determine future position and exercise limits similar to all other options subject to Rules 18.7 and 18.9.

With respect to IBIT options, in its filing proposing to amend the position and exercise limits of IBIT options,<sup>24</sup> ISE considered IBIT's market capitalization and ADV measured against those of other underlying securities, as well as the position limit of 250,000 contracts in relation to the position limits of other options. In measuring IBIT against other securities, ISE aggregated market capitalization and volume data for securities that have defined position limits utilizing

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<sup>24</sup> See Securities Exchange Act Release No. 102682 (March 14, 2025), 90 FR 13233, 13235 – 13237 (March 20, 2025) (SR-ISE-2024-62).

data from The Options Clearing Corporation (“OCC”).<sup>25</sup> This pool of data took into consideration 3,897 options on single stock securities, excluding broad based ETFs.<sup>26</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 90 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>27</sup> Rule 18.7 sets out position limits for various contracts. For example, on the Exchange, like ISE, a 25,000 contract position limit applies to options with an underlying security that does not meet the requirements for a higher options contract position limit. ISE performed an exercise to demonstrate the IBIT options 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>28</sup> with an ADV, for the preceding three months prior to November 25, 2024, of 39,421,877 shares. By comparison, if IBIT were compared to the 1,934 stocks underlying options that have position limits of 250,000 contracts (and less than 500,000 contracts), IBIT would rank in the 88th percentile for market capitalization and the 99th percentile for ADV.

ISE also analyzed a position limit of 250,000 contracts for IBIT by regressing the market capitalization figures and 90-day ADV of all non-ETF equities, against their respective position limit figures. From this regression, ISE indicated it determined the implied coefficients to create a formulaic method for determining an appropriate position limit. In this case, the modeled

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

<sup>26</sup> IBIT has one asset and therefore is not comparable to a broad-based ETF where there are typically multiple components.

<sup>27</sup> Rule 18.7(d) sets out position limits for various contracts. For example, at 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, ISE’s pool of data considered higher position limits than 250,000 contracts, where applicable.

<sup>28</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>.

position limit was 565,796 contracts.<sup>29</sup> Based on this analysis, the Exchange believes the proposed rule change that would result in a 250,000 contract position and exercise limit for IBIT 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. Utilizing data as of November 25, 2024, there were 19,787,762 Bitcoins in circulation.<sup>30</sup> ISE took a price of \$94,830,<sup>31</sup> which equates to a market capitalization of greater than \$1.876 trillion. If a position limit of 250,000 contracts were considered, the exercisable risk would represent only 2.89%<sup>32</sup> of the outstanding shares of IBIT. Since IBIT has a creation and redemption process managed through the issuer, the position limit sought to the total market capitalization of the entire Bitcoin market. In this case, the exercisable risk for options on IBIT would be less than 0.072% of the market capitalization of all outstanding Bitcoin.<sup>33</sup> Assuming a scenario where all options on IBIT shares were exercised given a 250,000 contract per same side position (and exercise) limit, this would have a virtually unnoticed impact on the entire Bitcoin market. This ISE analysis demonstrates that a position (and exercise) limit of 250,000 same side contracts for IBIT is appropriate for IBIT options given its liquidity.

Third, ISE reviewed a position (and exercise) limit of 250,000 contracts for IBIT options 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

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<sup>29</sup> ISE stated it utilized this formula to arrive at the number of contracts:  $((46,783,380,800 \text{ mkt cap} * 0.0000002630 \text{ market cap coefficient}) + (39,421,877 \text{ ADV} * 0.0140402219 \text{ ADV coefficient}))$ .

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

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

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

<sup>33</sup> This number was arrived at with this calculation:  $((250,000 \text{ limit} * 100 \text{ shares per option} * \$54.02 \text{ settle}) / (19,787,762 \text{ Bitcoin outstanding} * \$94,830 \text{ Bitcoin price}))$ .

the CME Bitcoin futures contract 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 is 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 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 ISE analysis, the Exchange believes that the proposed 250,000 contracts for position and exercise limits is appropriate.

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<sup>34</sup> See CME Rulebook Chapter 350 (description of CME Bitcoin Futures) and Chapter 5, Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices. Each CME Bitcoin futures contract is valued at five Bitcoins as defined by the CME CF Bitcoin Reference Rate ("BRR"). See CME Rule 35001.

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

<sup>37</sup> Id.

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”), iShares Silver Trust (“SLV”), 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 contracts. 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 IBIT. Consequently, a 250,000 position and exercise limit is more conservative than the standard applied to GLD, SLV and BITO, and thus appropriate.

Fifth, ISE noted that IBIT options began trading in penny increments as of January 2, 2025 pursuant to the Penny Interval Program.<sup>42</sup> The Commission noted that evidence contained in both the Exchanges’ Report and the Cornerstone analysis demonstrates that the Penny Pilot

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<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>.

<sup>42</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 Rule 21.5(d). 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 21.5(d). See Rule 21.5(d).

has benefitted investors and other market participants in the form of narrower spreads.<sup>43</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 experienced 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>44</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.

With respect to GBTC, BTC, and BITB, the Exchange reviewed data presented by NYSE Arca, Inc. (“NYSE Arca”) in its filings to amend the position and exercise limits for GBTC, BTC, and BITB options.<sup>45</sup> First, the Exchange reviewed NYSE Arca’s comparison of the market capitalization of each of these three Bitcoin ETFs relative to the market capitalization of the entire Bitcoin market in terms of exercise risk and availability of deliverables. As noted above, as of November 25, 2024, there were 19,787,762 Bitcoins in circulation.<sup>46</sup> At a price of \$94,830 per Bitcoin,<sup>47</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, the exercisable risk would represent

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<sup>43</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>44</sup> *Id.* at 19548.

<sup>45</sup> See Securities Exchange Act Release Nos. 102402 (February 11, 2025), 90 FR 9765, 9767 (SR-NYSEArca-2025-07) (notice of filing regarding position and exercise limits for GBTC options); and 102441 (February 18, 2025), 90 FR 10518, 10520 – 10521 (notice of filing regarding position and exercise limits for BTC and BITB options).

<sup>46</sup> See <https://www.coingecko.com/en/coins/bitcoin>.

<sup>47</sup> This is the approximate price of Bitcoin from 4:00pm ET on November 25, 2024.

9.13%,<sup>48</sup> 30.14%,<sup>49</sup> and 31.27%<sup>50</sup> of GBTC, BTC, and BITB shares outstanding, respectively. Since each of GBTC, BTC, and BITB has a creation and redemption process managed through the issuer (whereby Bitcoin is used to create shares of each such Bitcoin ETF), the position and exercise limit can be compared to the total market capitalization of the entire Bitcoin market, and in that case, the exercisable risk for options on GBTC, BTC, and BITB would represent less than 0.10%,<sup>51</sup> 0.06%,<sup>52</sup> and 0.07%,<sup>53</sup> respectively, of all Bitcoin outstanding. The Exchange notes that if each of GBTC, BTC, and BITB options were subject to a 250,000-contract position and exercise limit (based on each ETF's trading volume), and if all options on GBTC, BTC, or BITB shares were exercised at once, this occurrence would have a virtually unnoticed impact on the entire Bitcoin market. This NYSE Arca analysis demonstrates that a 250,000-contract position (and exercise) limit for each of GBTC, BTC, and BITB options would be appropriate given each of these Bitcoin ETF's liquidity.

As ISE did with respect to IBIT options, NYSE Arca compared a position and exercise limit of 250,000 contracts to the position limit of CME Bitcoin futures, which as noted above, have a position limit of 2,000 futures. On October 22, 2024, CME Bitcoin futures settled at \$94,945. On October 22, 2024, GBTC settled at \$53.64, BTC settled at \$29.90, and BITB settled at \$36.74, which would equate to greater than 17,700,410 shares of GBTC, 31,754,180 shares of BTC, and 25,842,406 shares of BITB, if the CME notional position limit was utilized.<sup>54</sup> Since

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<sup>48</sup> This percentage is arrived at with this equation:  $(250,000 \text{ contract limit} * 100 \text{ shares per option} / 273,950,100 \text{ shares outstanding})$ .

<sup>49</sup> This percentage is arrived at with this equation:  $(250,000 \text{ contract limit} * 100 \text{ shares per option} / 82,939,964 \text{ shares outstanding})$ .

<sup>50</sup> This percentage is arrived at with this equation:  $(250,000 \text{ contract limit} * 100 \text{ shares per option} / 79,950,100 \text{ BITB shares outstanding})$ .

<sup>51</sup> This number was arrived at with this calculation:  $((250,000 \text{ limit} * 100 \text{ shares per option} * \$75.42 \text{ settle}) / (19,787,762 \text{ Bitcoin outstanding} * \$94,830 \text{ Bitcoin price}))$ .

<sup>52</sup> This number was arrived at with this calculation:  $((250,000 \text{ limit} * 100 \text{ shares per option} * \$42.16 \text{ settle}) / (19,787,762 \text{ Bitcoin outstanding} * \$94,830 \text{ Bitcoin price}))$ .

<sup>53</sup> This number was arrived at with this calculation:  $((250,000 \text{ limit} * 100 \text{ shares per option} * \$51.70 \text{ settle}) / (19,787,762 \text{ Bitcoin outstanding} * \$94,830 \text{ Bitcoin price}))$ .

<sup>54</sup> 2,000 futures at a 5-Bitcoin multiplier (per the contract specifications) equates to \$949,450,000  $(2000 \text{ contracts} * 5 \text{ Bitcoin per contract} * \$94,945 \text{ price of November Bitcoin future})$  of notional value.

substantial portions of any distributed options portfolio are likely to be out of the money at 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.

The Exchange notes, 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>55</sup> Therefore, if a portfolio includes positions in 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>56</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. Considering CME's position limits on futures for Bitcoin, the Exchange believes that the proposed position and exercise limits for GBTC, BTC, and BITB options are appropriate.

Finally, as ISE did, NYSE Arca also compared a position and exercise limit of 250,000 contracts for GBTC, BTC, and BITB against the position and exercise limits for GLD and SLV options. GLD has a float of 306.1 million shares<sup>57</sup> and a position and exercise limit of 250,000 contracts. SLV has a float of 520.7 million shares<sup>58</sup> and a position and exercise limit of 250,000

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<sup>55</sup> See CME Rulebook Chapter 5, Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices.

<sup>56</sup> Id.

<sup>57</sup> See <https://www.ssga.com/us/en/intermediary/etfs/spdr-gold-shares-gld>.

<sup>58</sup> See <https://www.ishares.com/us/products/239855/ishares-silver-trust-fund>.

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; and a position limit exercise in SLV would represent 4.8% of the float of SLV. In comparison, a 250,000-contract position limit would represent 9.13% of the GBTC float, 30.14% of the BTC float, and 31.27% of the BITB float. A 250,000 contract position and exercise limit for each of GBTC, BTC, and BITB is comparable with the standard applied to GLD and SLV and is therefore appropriate.

The Exchange believes the above information demonstrates that each Bitcoin ETF option 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 each Bitcoin ETF. 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 the proposed rule change would lead to a more liquid and competitive market environment for the Bitcoin ETF 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 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 would continue to be exempt from this reporting requirement, however, the Exchange may access Market-Maker position information.<sup>59</sup> Moreover, the

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<sup>59</sup> OCC through the Large Option Position Reporting ("LOPR") system acts as a centralized service provider for member compliance with position reporting requirements by collecting data from each member, consolidating the information, and ultimately providing detailed listings of each member'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").

Exchange's requirement that Members file reports with the Exchange for any customer who held aggregate large long or short positions on the same side of the market of 200 or more option contracts of any single class for the previous day will remain at this level and will continue to serve as an important part of the Exchange's surveillance efforts.<sup>60</sup>

The Exchange also has no reason to believe that the growth in trading volume in Bitcoin ETF options will not continue. Rather, the Exchange expects continued options volume growth in the Bitcoin ETFs as opportunities for investors to participate in the options markets increase and evolve. The Exchange believes that the current position and exercise limits applicable to the Bitcoin ETF options are restrictive and may 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 Bitcoin ETF options, market participants will find the 25,000 contract position and exercise 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 each Bitcoin ETF option's position (and exercise) limits would be reviewed on a six-month basis, pursuant to Rule 18.7(e), similar to other options.

Today, the Exchange has an adequate surveillance program in place for options.<sup>61</sup> Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under

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<sup>60</sup> See Rule 18.10(a).

<sup>61</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).

the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. Further, the Exchange has an RSA with 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>62</sup> The Exchange also has reviews in place to identify continued compliance with the Exchange's listing standards.

## 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>63</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>64</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 consistent with the Section 6(b)(5)<sup>65</sup> requirement that the rules of an exchange not be designed to

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<sup>62</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.

<sup>63</sup> 15 U.S.C. 78f(b).

<sup>64</sup> 15 U.S.C. 78f(b)(5).

<sup>65</sup> Id.

permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change will remove impediments to and perfect the mechanism of 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 each Bitcoin ETF option may allow Market-Makers to maintain their liquidity in these options in amounts commensurate with the continued high consumer demand in each Bitcoin ETF option. Subjecting the Bitcoin ETF options to the position limits in Rule 18.7 and corresponding exercise limits in Rule 18.9 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. The Exchange notes the proposed rule change would further allow institutional investors to utilize Bitcoin ETF options for prudent risk management purposes.

In support of the proposed rule change, the Exchange cites the in-depth analysis of each of ISE and NYSE Arca did in their respective filings, as noted above, each of ISE and NYSE Arca considered, among other things: (1) applicable Bitcoin ETF's market capitalization and ADV, and a 250,000 contract position and exercise limit in relation to the position limits of options on other securities; (2) market capitalization of the entire Bitcoin market in terms of exercise risk and availability of deliverables; and (3) comparing a 250,000 contract position limit to position limits for derivative products regulated by the CFTC. Based on the Exchange's review of these analyses, the Exchange believes that subjecting the Bitcoin ETF options to the position (and exercise) limits set forth in Rule 18.7 (which may go up to 250,000 contracts) is more than appropriate. The proposed position and exercise limits reasonably and appropriately balance the liquidity provisioning in the market against the prevention of manipulation. The Exchange believes these proposed limits are effectively designed to prevent an individual

customer or entity from establishing options positions that could be used to manipulate the market of the underlying as well as the Bitcoin market.<sup>66</sup>

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 the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because all Members would be subject to the same position and exercise limit for each Bitcoin ETF option, as set by Rules 18.7 and 18.9. The Exchange does not believe the proposed rule change will impose any burden on intermarket competition, and may benefit competition, as the proposed rule change is identical to proposed rule changes of other options exchanges recently approved by the Commission.<sup>67</sup> The Exchange believes that the proposed rule change may provide additional opportunities for market participants to continue to efficiently achieve their investment and trading objectives for the Bitcoin ETF option.

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.

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>68</sup> and Rule 19b-4(f)(6) thereunder.<sup>69</sup> Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant

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<sup>66</sup> See Securities Exchange Act Release No. 39489 (December 24, 1997), 63 FR 276 (January 5, 1998) (SR-CBOE-1997-11).

<sup>67</sup> See Securities Exchange Act Release Nos. 103564 (July 29, 2025) (SR-ISE-2024-62) (order approving ISE proposed rule change to amend position and exercise limits for IBIT options); 103567 (July 29, 2025) (SR-NYSEARCA-2025-07) (order approving NYSE Arca proposed rule change to amend position and exercise limits for GBTC options); and 103568 (July 29, 2025) (SRNYSEARCA-2025-10) (order approving NYSE Arca proposed rule change to amend position and exercise limits for BTC and BITB options).

<sup>68</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

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

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<sup>70</sup> and Rule 19b-4(f)(6)(iii) thereunder.<sup>71</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>72</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>73</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 Bitcoin ETFs, 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 otherwise established on that exchange.<sup>74</sup> The Exchange is proposing similarly to remove of the 25,000 contract position and exercise limit for Bitcoin ETFs, such that those funds will be subject to the position and exercise limits as determined by the position and exercise limit rules at Rules 18.7 and 18.9. The Exchange has provided information regarding Bitcoin ETFs, including, among other things, information regarding trading volume, and the market capitalization of Bitcoin ETFs 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 Bitcoin ETFs with position and exercise limits that may be higher

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<sup>70</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>71</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, along with a brief description and text of 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 this requirement.

<sup>72</sup> 17 CFR 240.19b-4(f)(6).

<sup>73</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>74</sup> See supra notes 8 and 10.

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>75</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>76</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 (<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-MEMX-2025-26 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.

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<sup>75</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>76</sup> 15 U.S.C. 78s(b)(2)(B).

All submissions should refer to file number SR-MEMX-2025-26. 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-MEMX-2025-26 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>77</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>77</sup> 17 CFR 200.30-3(a)(12).