

All submissions should refer to file number SR–MEMX–2023–26. 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 submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also 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–2023–26 and should be submitted on or before October 25, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁶

Sherry R. Haywood,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–98610; File No. SR–NASDAQ–2023–016]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change To List and Trade Shares of the iShares Bitcoin Trust Under Nasdaq Rule 5711(d), Commodity-Based Trust Shares

September 28, 2023.

On June 29, 2023, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b–4 thereunder,² a proposed rule change to list and trade shares (“Shares”) of the iShares Bitcoin Trust (“Trust”) under Nasdaq Rule 5711(d), Commodity-Based Trust Shares. The proposed rule change was published for comment in the **Federal Register** on July 19, 2023.³

On August 31, 2023, pursuant to Section 19(b)(2) of the Act,⁴ the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.⁵ This order institutes proceedings under Section 19(b)(2)(B) of the Act⁶ to determine whether to approve or disapprove the proposed rule change.

I. Summary of the Proposal

As described in more detail in the Notice,⁷ the Exchange proposes to list and trade the Shares of the Trust under Nasdaq Rule 5711(d), which governs the listing and trading of Commodity-Based Trust Shares on the Exchange.

The investment objective of the Trust is to reflect generally the performance of the price of bitcoin before payment of the Trust's expenses and liabilities.⁸

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ See Securities Exchange Act Release No. 97905 (July 13, 2023), 88 FR 46342 (“Notice”). Comments on the proposed rule change are available at: <https://www.sec.gov/comments/sr-nasdaq-2023-016/srnasdaq2023016.htm>.

⁴ 15 U.S.C. 78s(b)(2).

⁵ See Securities Exchange Act Release No. 98267, 88 FR 61652 (Sept. 7, 2023). The Commission designated October 17, 2023, as the date by which the Commission shall approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

⁶ 15 U.S.C. 78s(b)(2)(B).

⁷ See Notice, *supra* note 3.

⁸ See *id.* at 46342. iShares Delaware Trust Sponsor LLC (“Sponsor”), a Delaware limited

The assets of the Trust will consist primarily of bitcoin held by a custodian on behalf of the Trust.⁹ On each Business Day, as soon as practicable after 4:00 p.m. Eastern Time, the administrator of the Trust will evaluate the bitcoin held by the Trust as reflected by the CF Benchmarks Index and determine the net asset value of the Trust.¹⁰ The Trust will issue and redeem baskets of Shares on a continuous basis only in exchange for an amount of bitcoin determined by the trustee of the Trust.¹¹

II. Proceedings To Determine Whether To Approve or Disapprove SR–NASDAQ–2023–016 and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act¹² to determine whether the proposed rule change should be approved or disapproved. Institution of proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change, as discussed below. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide comments on the proposed rule change.

Pursuant to Section 19(b)(2)(B) of the Act,¹³ the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of the proposed rule change's consistency with Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be “designed to prevent fraudulent and manipulative acts and practices” and “to protect investors and the public interest.”¹⁴

The Commission asks that commenters address the sufficiency of the Exchange's statements in support of the proposal, which are set forth in the Notice, in addition to any other comments they may wish to submit about the proposed rule change. In particular, the Commission seeks comment on the following questions and asks commenters to submit data

liability company and an indirect subsidiary of BlackRock, Inc., is the sponsor of the Trust.

⁹ See *id.*

¹⁰ See *id.* at 46343.

¹¹ See *id.*

¹² 15 U.S.C. 78s(b)(2)(B).

¹³ *Id.*

¹⁴ 15 U.S.C. 78f(b)(5).

³⁶ 17 CFR 200.30–3(a)(12).

where appropriate to support their views:

1. What are commenters' views on whether the proposed Trust and Shares would be susceptible to manipulation? What are commenters' views generally on whether the Exchange's proposal is designed to prevent fraudulent and manipulative acts and practices? What are commenters' views generally with respect to the liquidity and transparency of the bitcoin markets and the bitcoin markets' susceptibility to manipulation?

2. Based on data and analysis provided by the Exchange,¹⁵ do commenters agree with the Exchange that the Chicago Mercantile Exchange ("CME"), on which CME bitcoin futures trade, represents a regulated market of significant size related to spot bitcoin? What are commenters' views on whether there is a reasonable likelihood that a person attempting to manipulate the Shares would also have to trade on the CME to manipulate the Shares? Do commenters agree with the Exchange that trading in the Shares would not be the predominant influence on prices in the CME bitcoin futures market?¹⁸

3. The Exchange states that bitcoin is resistant to price manipulation and that other means to prevent fraudulent and manipulative acts and practices "exist to justify dispensing with the requisite surveillance sharing agreement" with a regulated market of significant size related to spot bitcoin.¹⁹ In support, the Exchange states, among other things, that the geographically diverse and continuous nature of bitcoin trading make it difficult and prohibitively costly to manipulate the price of bitcoin, and that the fragmentation across bitcoin platforms, the relatively slow speed of transactions, and the capital necessary to maintain a significant presence on each trading platform make manipulation of bitcoin prices through continuous trading activity challenging.²⁰ The Exchange also states that offering only in-kind creations and redemptions provides "unique protections against potential attempts to manipulate the Shares" and that the price the Sponsor uses to value the Trust's bitcoin "is not particularly important."²¹ Do commenters agree with the Exchange's statements regarding the bitcoin market's resistance to price manipulation?

4. The Exchange also states that it will execute a surveillance-sharing agreement with Coinbase, Inc. ("Coinbase") that is intended to supplement the Exchange's market surveillance program.²² According to the Exchange, the agreement is "expected to have the hallmarks of a surveillance-sharing agreement between two members of the [Intermarket Surveillance Group], which would give the Exchange supplemental access to data regarding spot [bitcoin] trades on Coinbase where the Exchange determines it is necessary as part of its surveillance program for the Commodity-Based Trust Shares."²³ Based on the description of the surveillance-sharing agreement as provided by the Exchange, what are commenters' views of such an agreement if finalized and executed? Do commenters agree with the Exchange that such an agreement with Coinbase would be "helpful in detecting, investigating, and deterring fraud and manipulation in the Commodity-Based Trust Shares"?²⁴

5. Some sponsors of proposed spot bitcoin exchange-traded products have also provided data regarding the correlation between certain bitcoin spot markets and the CME bitcoin futures market.²⁵ What are commenters' views on the correlation between the bitcoin spot market and the CME bitcoin futures market? What are commenters' views on the extent to which that correlation provides evidence that the CME bitcoin futures market is "significant" related to spot bitcoin?

III. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues identified above, as well as any other concerns they may have with the

²² See *id.*

²³ See *id.* The Exchange states that "[t]his means that the Exchange expects to receive market data for orders and trades from Coinbase, which it will utilize in surveillance of the trading of Commodity-Based Trust Shares." *Id.*

²⁴ See *id.*

²⁵ See, e.g. Notice of Filing of Amendment No. 3 to, and Order Instituting Proceedings to Determine Whether to Approve or Disapprove, a Proposed Rule Change to List and Trade Shares of the ARK 21Shares Bitcoin ETF under BZX Rule 14.11(e)(4), Commodity-Based Trust Shares, Securities Exchange Act Release No. 98112 (Aug. 11, 2023), 88 FR 55743 (Aug. 16, 2023) (including data from sponsor 21Shares US LLC that purports to show correlations of returns across the two-year period from January 20, 2021, to February 1, 2023, of no less than 92% among certain spot bitcoin platforms and between the CME bitcoin futures market and such spot bitcoin platforms on an hourly basis, and no less than 78% on a minutely basis).

proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposal is consistent with Section 6(b)(5) or any other provision of the Act, and the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4, any request for an opportunity to make an oral presentation.²⁶

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change should be approved or disapproved by October 25, 2023. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by November 8, 2023.

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. Please include file number SR-NASDAQ-2023-016 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-NASDAQ-2023-016. 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 submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the

²⁶ Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Public Law 94-29 (June 4, 1975), grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

¹⁵ See Notice, 88 FR at 46349-53.

¹⁶ See *id.* at 46352.

¹⁷ See *id.* at 46352-53.

¹⁸ See *id.* at 46353.

¹⁹ See *id.* at 46352 n.23.

²⁰ See *id.*

²¹ See *id.* at 46353.

public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also 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-NASDAQ-2023-016 and should be submitted on or before October 25, 2023. Rebuttal comments should be submitted by November 8, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷

Sherry R. Hayward,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-98658; File No. SR-PEARL-2023-35]

Self-Regulatory Organizations; MIAX PEARL, LLC; Suspension of and Order Instituting Proceedings To Determine Whether To Approve or Disapprove Proposed Rule Change To Amend the Fee Schedule To Modify Certain Connectivity and Port Fees

September 29, 2023.

I. Introduction

On August 8, 2023, MIAX PEARL LLC ("MIAX Pearl Options" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change (File No. SR-PEARL-2023-35) to amend certain connectivity and port fees. The proposed rule change was immediately effective upon filing with the Commission pursuant to Section 19(b)(3)(A) of the Act.³ The proposed

rule change was published for comment in the **Federal Register** on August 25, 2023.⁴ Pursuant to Section 19(b)(3)(C) of the Act,⁵ the Commission is hereby: (1) temporarily suspending the proposed rule change; and (2) instituting proceedings to determine whether to approve or disapprove the proposed rule change.

II. Background and Description of the Proposed Rule Change

As described in more detail in the Notice, the Exchange proposes to: (1) increase fees for a 10 gigabit ("Gb") ultra-low latency ("ULL") fiber connection for Members⁶ and non-Members from \$10,000 to \$13,500 per month;⁷ (2) remove provisions in the Exchange's Fee Schedule that provide for a shared 10Gb ULL network with the Exchange's affiliate Miami International Securities Exchange, LLC ("MIAX");⁸ and (3) amend the calculation method and increase the amount of fees for MIAX Express Network Full Service⁹ ("MEO") Ports.¹⁰

or not the person is a member of the self-regulatory organization." 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ See Securities Exchange Act Release No. 98180 (August 21, 2023), 88 FR 58404 (SR-PEARL-2023-35) ("Notice"). Comment on the proposed rule change can be found at: <https://www.sec.gov/comments/sr-pearl-2023-35/srpearl202335.htm>.

⁵ 15 U.S.C. 78s(b)(3)(C).

⁶ The term "Member" means an individual or organization approved to exercise the trading rights associated with a Trading Permit. Members are deemed "members" under the Exchange Act. See Exchange Rule 100.

⁷ See Notice, *supra* note 4, at 58408.

⁸ On January 23, 2023, the Exchange bifurcated the Exchange and MIAX's 10Gb ULL network and stated that this bifurcation was due to ever-increasing capacity constraints and anticipated access needs for Members and market participants. See Securities Exchange Act Release Nos. 96545 (December 20, 2022), 87 FR 79393 (December 27, 2022) (SR-MIAX-2022-48); and 96553 (December 20, 2022), 87 FR 79379 (December 27, 2022) (SR-PEARL-2022-60). The instant filing would amend provisions in the Fee Schedule to reflect the bifurcation of the 10Gb ULL network and specify that only the 1Gb network provides access to both the Exchange and MIAX. See Notice, *supra* note 4, at 58408.

⁹ The term "MEO Interface" or "MEO" means a binary order interface for certain order types as set forth in Rule 516 into the MIAX Pearl System. See the Definitions Section of the Exchange Fee Schedule and Exchange Rule 100.

¹⁰ See Notice, *supra* note 4, at 58409-10. The Exchange initially filed the proposed fee change on December 30, 2022, with an effective date of January 1, 2023. See Securities Exchange Act Release No. 96632 (January 10, 2023), 88 FR 2707 (January 17, 2023) (SR-PEARL-2022-62). That filing was withdrawn by the Exchange and the Exchange filed a new proposed fee change with additional justification (SR-PEARL-2023-05) on February 23, 2023. See Securities Exchange Act Release No. 97082 (March 8, 2023), 88 FR 15825 (March 14, 2023). The Exchange subsequently withdrew that filing and replaced it with SR-PEARL-2023-19 on April 20, 2023. See Securities Exchange Act Release No. 97420 (May 2, 2023), 88 FR 29701 (May 8, 2023). The Exchange

The Exchange currently offers two types of Full Service MEO Ports—Bulk¹¹ and Single¹²—and, for one monthly price, a Member may be allocated two Full-Service MEO Ports of either type per Matching Engine.¹³ The Exchange now proposes to modify both the calculation method and amount of fees for each type of Full Service MEO Port.¹⁴ Notwithstanding these changes to the calculation method and amount of fees, all Members will continue to be entitled to two Full Service MEO Ports (Bulk or Single) for each Matching Engine for the applicable fee.¹⁵

With respect to the Full Service MEO Ports (Bulk), prior to the proposed fee change, all Members were charged a monthly fee pursuant to a volume tier-based fee structure with fees ranging from \$3,000 to \$5,000.¹⁶ The Exchange now proposes to amend the calculation and amount of Full Service MEO Port (Bulk) fees for all Members, with different fee structures depending on whether the Member is a Market Maker¹⁷ or an Electronic Exchange Member ("EEM").¹⁸ The Exchange proposes to charge all EEMs that utilize MIAX Pearl Full Service MEO Ports (Bulk) a flat monthly fee of \$7,500.¹⁹ For Market Makers, the Exchange proposes

subsequently withdrew that filing and replaced it with SR-PEARL-2023-27 on June 16, 2023. See Securities Exchange Act Release No. 97815 (June 27, 2023), 88 FR 42759 (July 3, 2023). The Exchange subsequently withdrew that filing and replaced it with the instant filing to provide additional information and a revised justification for the proposal, which is discussed herein. See Notice, *supra* note 4, at 58405.

¹¹ Full Service MEO Port (Bulk) means an MEO port that supports all MEO input message types and binary bulk order entry. See the Definitions Section of the Exchange Fee Schedule.

¹² Full Service MEO Port (Single) means an MEO port that supports all MEO input message types and binary order entry on a single order-by-order basis, but not bulk orders. See the Definitions Section of the Exchange Fee Schedule.

¹³ See Notice, *supra* note 4, at 58409. A "Matching Engine" is a part of the Exchange's electronic system that processes options orders and trades on a symbol-by-symbol basis. See the Definitions Section of the Fee Schedule.

¹⁴ See *id.*

¹⁵ See *id.* at 58409, 58411.

¹⁶ See *id.* at 58409.

¹⁷ The term "Market Maker" means a Member 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 Chapter VI of Exchange Rules. See the Definitions Section of the Exchange Fee Schedule and Exchange Rule 100.

¹⁸ See Notice, *supra* note 4, at 58409. The term "Electronic Exchange Member" or "EEM" means the holder of a Trading Permit who is a Member representing as agent Public Customer Orders or Non-Customer Orders on the Exchange and those non-Market Maker Members conducting proprietary trading. Electronic Exchange Members are deemed "members" under the Exchange Act. See the Definitions Section of the Exchange Fee Schedule and Exchange Rule 100.

¹⁹ See Notice, *supra* note 4, at 58409.

²⁷ 17 CFR 200.30-3(a)(57).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A). A proposed rule change may take effect upon filing with the Commission if it is designated by the exchange as "establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether