

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 21

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Form 19b-4

File No. \* SR 2024 - \* 03

Amendment No. (req. for Amendments \*) 3

Filing by Nasdaq ISE, LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010  
Section 806(e)(1) \*

Section 806(e)(2) \*

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934  
Section 3C(b)(2) \*

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

[Redacted description area]

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \* Angela Last Name \* Dunn

Title \* Principal Associate General Counsel

E-mail \* angela.dunn@nasdaq.com

Telephone \* (215) 496-5692 Fax


**Signature**

Pursuant to the requirements of the Securities Exchange of 1934, Nasdaq ISE, LLC has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 09/12/2024 (Title \*)

By John Zecca EVP and Chief Legal Officer  
(Name \*)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

 Date: 2024.09.12 11:37:53 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2- Notices, Written Comments, Transcripts, Other Communications**

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

**Partial Amendment**

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[SR-ISE-2024-03\\_Amendment\\_3.pdf](#)

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**Partial Amendment No. 3 to SR-ISE-2024-03**

At this time, ISE submits this Partial Amendment No. 3 to SR-ISE-2024-03. On August 21, 2024, ISE filed a comment letter to SR-ISE-2024-03 wherein it proposed to set the position limit for options on the Trust at 25,000 contracts.<sup>1</sup> ISE is filing this Partial Amendment No. 3 to SR-ISE-2024-03 to reflect the proposed 25,000 contracts as a position and exercise limit for options on the Trust.<sup>2</sup>

With this Partial Amendment No. 3, the Exchange is including a new Exhibit 3 which contains the ISE Comment Letter, an Exhibit 4, which reflects changes to the proposed rule text pursuant to this Partial Amendment No. 3 from Amendment No. 1, and a new Exhibit 5, which reflects the changes to the current rule text that are proposed herein, as modified by Partial Amendment No. 3. Specifically, Partial Amendment No. 3 amends Options 9, Section 13 at Supplementary Material .01 and Options 9, Section 15 at Supplementary Material .01 to provide that options on the Trust shall have a 25,000 contract position and exercise limit. In addition, the Exchange represents that the data and analysis in the ISE Comment Letter also supports setting exercise limits, in addition to position limits, at 25,000 contracts. The Exchange proposes the following amendments:

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<sup>1</sup> See letter to Vanessa Countryman, Secretary, Commission, from Angela Dunn, Nasdaq ISE, LLC, dated August 21, 2024 (“ISE Comment Letter”). The ISE Comment Letter is attached as Exhibit 3. Exercise limits are determined in the same manner [as position limits] described in ISE Options 9, Section 13. See ISE Options 9, Section 15(d). While ISE did not explicitly discuss setting exercise limits at 25,000 contracts in the ISE Comment Letter, it was intended that the position and exercise limits for options on the Trust both be set at 25,000 contracts.

<sup>2</sup> On September 12, 2024, the Exchange withdrew Partial Amendment No. 2 and filed this Partial Amendment No. 3 to make clear that exercise limits would also be set to 25,000 contracts along with other amendments. Partial Amendment No. 3 also attaches the ISE Comment Letter as Exhibit 3.

Position and Exercise Limits

- 1) The first full paragraph on page 13 in the 19b4 and page 32 in the Exhibit 1 of Amendment No. 1 describes position and exercise limits. The Exchange proposes to add the following sentence to the end of that paragraph, “Notwithstanding the position limits in Options 9, Section 13(d) and exercise limits in Options 9, Section 15(c), ISE proposes the position and exercise limits for the options on the Trust to be 25,000 contracts on the same side pursuant to proposed Supplementary Material .01 to Options 9, Section 13 and proposed Supplementary Material .01 to Options 9, Section 15.”
- 2) The Exchange proposes to amend the first full sentence on page 16 in the 19b4 and page 35 in the Exhibit 1 of Amendment No. 1 to state, “Further, Exchange Rules that currently govern the listing and trading of options on ETFs, including permissible expirations, strike prices, minimum increments, and margin requirements, will govern the listing and trading of options on the Trust.” The Exchange proposes to add the following sentences immediately following the aforementioned amended sentence, “The proposed position and exercise limits for options on the Trust is 25,000 contracts. These position and exercise limits are the lowest position and exercise limits available in the options industry, are extremely conservative and more than appropriate given the Trust’s market capitalization, average daily volume, and high number of outstanding shares. The proposed position limit, and exercise limit, is consistent with the Act as it addresses concerns related to manipulation and protection of investors because the position limit (and exercise limit) is extremely conservative and more than appropriate given the Trust is actively traded.”

3) Furthermore, ISE proposes to amend Exhibit 5 at Supplementary Material .01 to Options 9, Section 13 and Supplementary Material .01 to Options 9, Section 15 to include iShares Bitcoin Trust in the list of securities underlying options and note a position and exercise limit, respectively, of 25,000 contracts for this security.

4) ISE proposes to attach the ISE Comment Letter as new Exhibit 3. The ISE Comment Letter provides data and analysis regarding a position limit for options on the Trust. Specifically, the ISE Comment Letter measures the Trust's market capitalization and ADV against other industry data. While the ISE Comment Letter did not explicitly refer to exercise limits, the ISE Comment Letter supports both position and exercise limits of 25,000 contracts for options on the Trust. ISE proposes to amend Section 11 of the 19b4 at page 21 to note an Exhibit 3 and identify this exhibit as "ISE Comment Letter dated August 21, 2024."

\* \* \* \* \*

The Exchange requests that the Commission find good cause to grant accelerated approval of SR-ISE-2024-03, as amended by this Partial Amendment No. 3, pursuant to Section 19(b)(2) of the Act. On January 9, 2024, ISE filed with the Commission a proposed rule change to amend ISE's Options 4, Section 3, Criteria for Underlying Securities and on January 11, 2024, ISE filed Amendment No. 1 to the proposal, which superseded the original filing in its entirety. The Commission published the Proposal in the Federal Register for notice and comment on January 25, 2024.<sup>3</sup> On March 6, 2024,

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<sup>3</sup> See Securities Exchange Act Release No. 99396 (January 19, 2024), 89 FR 5047 (January 25, 2024) (SR-ISE-2024-03) (Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, To List and Trade Options on iShares Bitcoin Trust).

the staff extended the time to review the Proposal.<sup>4</sup> On April 24, 2024, the staff issued an Order Instituting Proceedings.<sup>5</sup> On July 19, 2024, the staff utilized its second extension.<sup>6</sup>

Accelerated approval would allow the Exchange to implement, without delay, the proposed position and exercise limit amendment at the same time that Amendment No. 1 goes into effect. Partial Amendment No. 3 merely makes clear the position and exercise limits for options on the Trust that would apply in lieu of the position limits described in Options 9, Section 13(d) and exercise limits described in Options 9, Section 15(c). The proposed position and exercise limits are the lowest position and exercise limit available in the options industry and would assure fair and orderly trading for this product. ISE believes that there is good cause to grant accelerated approval of this Partial Amendment No. 3 because it would promote transparency and clarity in Exchange rules as to the applicable position and exercise limits for options on the Trust.

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<sup>4</sup> See Securities Exchange Act Release No. 99681 (March 6, 2024), 89 FR 17886 (March 12, 2024) (SR-ISE-2024-03) (Notice of Designation of a Longer Period for Commission Action on a Proposed Rule Change, as Modified by Amendment No. 1, To List and Trade Options on iShares Bitcoin Trust).

<sup>5</sup> See Securities Exchange Act Release No. 100024 (April 24, 2024), 89 FR 34290 (April 30, 2024) (SR-ISE-2024-03) (Order Instituting Proceedings To Determine Whether To Approve or Disapprove Proposed Rule Changes To Permit the Listing and Trading of Options on Trusts That Hold Bitcoin).

<sup>6</sup> See Securities Exchange Act Release No. 1000567 (July 19, 2024), 89 FR 60482 (July 25, 2024) (SR-ISE-204-03) (Notice of Designation of a Longer Period for Commission Action on Proceedings To Determine Whether To Approve or Disapprove Proposed Rule Changes To Permit the Listing and Trading of Options on Trusts That Hold Bitcoin).

**Exhibit 3**

*Exhibit 3 contains a comment letter filed by ISE on August 21, 2024.*



August 21, 2024

Ms. Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F. Street NE.  
Washington, DC 20549

**Re: Additional Comment and Limited Partial Amendment to SR-ISE-2024-03,  
Proposal To List and Trade Options on iShares Bitcoin Trust ETF**

Dear Ms. Countryman:

Nasdaq ISE, LLC (“ISE”) respectfully submits this comment letter to further supplement its proposal to list and trade options on iShares Bitcoin Trust or “IBIT” (“Proposal”)<sup>7</sup> with a position limit of 25,000 contracts. ISE’s proposed position limit on iShares Bitcoin Trust, the lowest position limit available in the options industry, is extremely conservative and more than appropriate given the market capitalization and average daily volume (“ADV”) of IBIT.

It is important to fair and orderly trading of IBIT that the Commission approve ISE’s Proposal and permit market participants to utilize options on IBIT to hedge the underlying Exchange Traded Fund (“ETF”). Permitting the trading of IBIT options will provide more liquidity, better price efficiency, and less volatility with respect to the underlying ETF.

### Background

#### ***The procedural background is as follows:***

- On January 9, 2024, ISE filed its Proposal. The Commission staff provided no comments to ISE during the initial 45 day timeframe.

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<sup>7</sup> See Securities Exchange Act Release No. 99396 (January 19, 2024), 89 FR 5047 (January 25, 2024) (SR-ISE-2024-03) (Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, To List and Trade Options on iShares Bitcoin Trust) (“Proposal”).

- On March 6, 2024, the staff extended the time to review the Proposal.<sup>8</sup> The staff again provided no comments.
- On April 24, 2024, the staff issued an Order Instituting Proceedings (“OIP”).<sup>9</sup> The OIP raised several substantive questions, including whether the proposal related to options on Bitcoin ETPs should be subject to the same position limits as options on stock, and whether the available supply in the markets for bitcoin should be considered in establishing position limits.
- On May 23, 2024, ISE submitted a comment letter that addressed questions in the OIP. ISE provided data regarding position limits, among other things. There were no other comments to the OIP.
- On July 19, 2024, the staff utilized its second extension.<sup>10</sup> The staff provided no comments in response to ISE’s May 23, 2024 comment letter.
- There have been seven comments in support of the Proposal<sup>11</sup> and two comments against the Proposal.<sup>12</sup> The staff has not rebutted or refuted the seven comments supporting ISE’s proposal.
- There is no data or analysis by the staff in the administrative record.
- The Commission’s statutory deadline to act upon the filing is September 21, 2024. If no action is taken at that time, the Proposal is deemed

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<sup>8</sup> See also Securities Exchange Act Release No. 99681 (March 6, 2024), 89 FR 17886 (March 12, 2024) (SR-ISE-2024-03) (Notice of Designation of a Longer Period for Commission Action on a Proposed Rule Change, as Modified by Amendment No. 1, To List and Trade Options on iShares Bitcoin Trust).

<sup>9</sup> See also Securities Exchange Act Release No. 100024 (April 24, 2024), 89 FR 34290 (April 30, 2024) (SR-ISE-2024-03) (Order Instituting Proceedings To Determine Whether To Approve or Disapprove Proposed Rule Changes To Permit the Listing and Trading of Options on Trusts That Hold Bitcoin).

<sup>10</sup> See also Securities Exchange Act Release No. 1000567 (July 19, 2024), 89 FR 60482 (July 25, 2024) (SR-ISE-204-03) (Notice of Designation of a Longer Period for Commission Action on Proceedings To Determine Whether To Approve or Disapprove Proposed Rule Changes To Permit the Listing and Trading of Options on Trusts That Hold Bitcoin).

<sup>11</sup> The following comment letters were submitted supporting the proposal: Steve Crutchfield of CTC, LLC; Mike Flood and Wiley Nickel, Members of Congress; Joseph Ferrucci, an individual; Benjamin Pincock, Method and Theory Capital Management; Derek Jerina, an individual; Xplorer Trading; and one anonymous letter.

<sup>12</sup> The following comment letters were submitted against the proposal: Benjamin L. Schiffrin, Better Markets, Inc.; and one anonymous letter. ISE addressed Better Markets’ argument in its prior comment letter, dated May 23, 2024, as well as in this letter by providing data demonstrating that Bitcoin ETPs are widely held and actively traded and that IBIT has ample liquidity. The comment letters against the Proposal should not be weighted heavily.



approved under the Exchange Act, as amended by the Dodd-Frank Act of 2010.<sup>13</sup>

At this time, ISE is supplementing its Proposal with added data and analysis regarding an appropriate position limit for IBIT options. With this analysis, plus the information contained in ISE's first comment letter, plus the information set forth in the original filing, ISE respectfully asserts that it has presented compelling evidence that the Proposal is consistent with the Exchange Act. Any action other than approval of the Proposal would be inconsistent with the Exchange Act.

### ***Position Limits***

Position 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 ISE Options 9, Section 13, 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 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, ISE proposes to set IBIT's position limit at 25,000 contracts.<sup>14</sup> Capping the position limit at 25,000 contracts, the lowest limit available in options, would address concerns related to manipulation and protection of investors as this number is extremely conservative for IBIT and is more than appropriate given its liquidity. While ISE believes that the proposed 25,000 contract position limit is extremely conservative for IBIT options, we believe that IBIT's market capitalization and ADV would support a much higher position limit. In the future, ISE would file a rule change to amend the position limit for IBIT options after it has gathered additional data based on trading activity to continue to balance any concerns regarding manipulation. A higher position limit would allow institutional investors to utilize IBIT options for prudent risk management purposes.

For purposes of addressing position limits, ISE applies position limits for options for each underlying security and does not aggregate position limits. In considering the appropriate position limit for IBIT, ISE measured IBIT's market capitalization and ADV against other industry data as explained further below. The Commission should consider the position limits for options on IBIT exclusive of other options on bitcoin.

First, ISE considered IBIT's market capitalization and ADV, and prospective position limit in relation to other securities. In measuring IBIT against other securities, we aggregated market capitalization and volume data for securities that have defined

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<sup>13</sup> See 15 U.S.C. 78s(b)(2)(D).

<sup>14</sup> ISE's proposal to cap the position limit of IBIT options at 25,000 contracts does not require republication in the Federal Register because at the time of filing the Proposal, the position limit would have been 25,000 contracts for options on IBIT. Commenters have already had two full comment periods to address position limits. ISE submitted the only comment concerning position limits.

position limits utilizing data from The Options Clearing Corporations (“OCC”).<sup>15</sup> This pool of data took into consideration 3,984 options on single stock securities, excluding broad based ETFs.<sup>16</sup> Next, we aggregated the data based on market capitalization and ADV and grouped option symbols by position limit utilizing statistical thresholds for ADV 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, 250,000 to 400,000, 450,000 to 1,000,000, and greater than or equal to 1,000,000). ISE Options 9, Section 13(d) 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. This exercise was performed 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 19,789,068 billion<sup>17</sup> with an ADV, for the preceding three months prior to August 7, 2024, of greater than 26 million shares. Today, by comparison, other options symbols with similar market capitalization and ADV have a position limit in excess of 400,000. Therefore, the proposed 25,000 same side position limit for options on IBIT is extremely conservative relative to these options symbols which are a full standard deviation above the mean in comparison.

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 August 3, 2024, there were 19,737,193 bitcoins in circulation. We took a price of \$57,000 that equates to a market capitalization of greater than 1.125 trillion US dollars, and applied that to a position limit of 400,000 for options on IBIT. If a position limit of 400,000 options were considered (the position limit that would be typically assigned based upon data) the exercisable risk would represent only 6.6% of the outstanding shares of IBIT. The 25,000 position limit being sought only represents 0.4% of the outstanding shares of IBIT. Since IBIT has a creation and redemption process managed through the issuer, we can additionally compare 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 0.01% of the market capitalization of all outstanding bitcoin. Assuming a scenario where all options on IBIT shares were exercised given the proposed 25,000 per same side position limit, this would have a virtually unnoticed impact on the entire bitcoin market. This analysis demonstrates that the proposed 25,000 per same side position limit is also extremely conservative and more than appropriate for options on IBIT.

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<sup>15</sup> The computations are based on OCC data from August 6, 2024. Data displaying zero values in market capitalization or ADV were removed.

<sup>16</sup> IBIT has one asset and therefore is not comparable to a broad based ETF where there are typically multiple components.

<sup>17</sup> This figure was acquired as of August 13, 2024. See <https://www.ishares.com/us/products/333011/ishares-bitcoin-trust>. The global supply of bitcoin grows each day bitcoin are minted.

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), we examined equivalent bitcoin futures position limits. In particular, we looked at the CME bitcoin futures contract<sup>18</sup> that has a position limit of 2,000 futures.<sup>19</sup> On August 7, 2024, CME bitcoin futures settled at \$55,000. Taking the position limit of 2,000 futures at a \$5 multiplier<sup>20</sup> equates to \$550 million of notional value for bitcoin futures. By way of comparison, on August 7, 2024, IBIT settled at \$31.19, which would equate to 17,633,857 shares of IBIT<sup>21</sup> if the CME notional position limit were 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 176,338 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>22</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>23</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, ISE believes that that the proposed 25,000 per same side position limit is conservative and more than appropriate for options on IBIT.

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<sup>18</sup> CME Bitcoin Futures are described in Chapter 350 of CME’s Rulebook.

<sup>19</sup> See the Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5 of CME’s Rulebook.

<sup>20</sup> Each bitcoin futures contract is valued at 5 bitcoins as defined by the CME CF Bitcoin Reference Rate (“BRR”). See CME Rule 35001.

<sup>21</sup> If IBIT is worth \$31.19 on August 7, 2024, then the notional at risk from position limits on CME bitcoin futures is 550,000,000 (275,000 x 2000) which is equivalent to 17,633,857 shares (550,000,000/31.19) which would be an equivalent options position limit of 176,338 contracts. On August 7, 2024, CME bitcoin futures settled at \$55,000.

<sup>22</sup> See <https://www.cmegroup.com/education/courses/market-regulation/position-limits/position-limits-aggregation-of-contracts-and-table.htm>.

<sup>23</sup> Id.

In analyzing the proposed position limit for options on IBIT, ISE also considered the supply of bitcoin. Specifically, ISE examined the number of market participants with position limits that would need to exercise in unison to put the underlying asset under stress. In the case of options on IBIT, the proposed 25,000 same side position limit effectively restricts a market participant from holding positions that could be exercised in excess of 2,500,000 shares of IBIT. Utilizing data from August 12, 2024, IBIT had 611,040,000 shares outstanding, therefore 244 market participants would have to simultaneously exercise position limits in order to create a scenario that may put the underlying asset (IBIT) under stress. Historically, from observation only, it appears that no more than five market participants holding position limits in any security have exercised in unison in any option. As unlikely an occurrence as all market participants exercising their position limits in unison would be, if it were to occur, it should be noted that even such an occurrence would not likely put IBIT under stress as economic incentives, would induce the creation of more shares through the ETF creation and redemption process.

By way of example, given that the current global supply of bitcoin, the underlying asset of IBIT, is 19,789,068<sup>24</sup> and that each bitcoin can currently be redeemed for 1,755 shares of IBIT, another 34,729,814,340 shares of IBIT could be created by the underlying ETF. To exhaust this supply of IBIT, 13,891 market participants would have to simultaneously exercise their position limit. If we compare IBIT to the SPDR Gold Shares (“GLD”) ETF or the iShares Silver Trust (“SLV”) ETF, which have position limits of 250,000 or ten times the proposed position limit for IBIT as well as lower shares outstanding in both products,<sup>25</sup> it is unjustified to mandate a different level of stringency with respect to a position limit for options on IBIT.

The supply of bitcoin does have a limit, which will take years to fully mint.<sup>26</sup> The Exchange notes that bitcoin is a viable economic alternative to traditional assets. The price of goods denominated by bitcoin has actually declined. This dynamic not only makes a fixed supply desirable, but a necessary condition of the value added by this asset in the broader economy. Further, the Exchange notes that corporations have a limited number of outstanding shares. Corporations may authorize additional shares, repurchase shares or split their shares. Similarly, ETFs, like IBIT, may also create, redeem, or split shares to suit the demand of the marketplace.

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<sup>24</sup> This figure was acquired as of August 13, 2024. See <https://www.ishares.com/us/products/333011/ishares-bitcoin-trust>. The global supply of bitcoin grows each day bitcoin are minted.

<sup>25</sup> As of August 13, 2024, GLD has 294,000,000 shares outstanding and SLV has 510,200,000 shares outstanding. See <https://www.ssga.com/us/en/intermediary/etfs/funds/spdr-gold-shares-gld> and <https://www.ishares.com/us/products/239855/ishares-silver-trust-fund>.

<sup>26</sup> A recent article suggested that the remaining supply will take over 100 years to fully mint. See Sen, Vivek. “94% of Bitcoin's Supply Has Now Been Issued.” *Bitcoin Magazine*, <https://bitcoinmagazine.com/business/94-of-bitcoins-supply-has-now-been-issued>. August 19, 2024.

Importantly, because the supply of bitcoin is much larger than the available supply of most securities and the proposed 25,000 contract position limit is so conservative, the Exchange believes that evaluating the available supply of bitcoin in establishing a position limit for options on IBIT would demonstrate that the proposed limit is safe for investors and the market.<sup>27</sup> IBIT constitutes less than 2% of the entire bitcoin supply. When comparing the market capitalization of bitcoin against the largest securities, bitcoin would rank 7<sup>th</sup> among those securities.<sup>28</sup> Further, the Exchange believes that its proposal to list options on IBIT with a position limit of 25,000 on the same side is a conservative position limit that does not lend itself to manipulation in the market given the ample market capitalization and liquidity in IBIT. If we look to the liquidity statistics of similar instruments and their concomitant position limits, we are able to extrapolate a reasonable standard for arriving at a position limit for a new product. In this case we can look to GLD, SLV, and the ProShares Bitcoin Strategy ETF (“BITO”). These products have volume statistics and “float” statistics, which gauge liquidity, which are in line, yet slightly lower than IBIT. All three of these reference products have position limits of 250,000 contracts. These reference products are remarkably similar in nature to IBIT; they are ETPs holding one asset in a trust.

In conclusion, ISE’s proposal to list options on IBIT with a position limit of 25,000 on the same side, the lowest position limit available in the options industry, is extremely conservative given the data presented and more than appropriate. The Commission should approve ISE’s Proposal given the data presented in the Proposal and the supplemental data provided in its comment letters. Options on IBIT would permit hedging, and allow for more liquidity, better price efficiency, and less volatility with respect to the underlying ETF. Further, approving ISE’s Proposal would enhance the transparency and efficiency of markets in these and correlated products.

Thank you for your consideration of this comment letter. If you have any additional questions, please do not hesitate to contact us.

Respectfully,



Angela Dunn

cc: Haoxiang Zhu, Director, Trading and Markets  
David Shillman, Associate Director, Trading and Markets

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<sup>27</sup> A supply consideration would likely be valuable for an option symbol that had far less liquidity than IBIT.

<sup>28</sup> See <https://companiesmarketcap.com/usa/largest-companies-in-the-usa-by-market-cap/>.

**Exhibit 4**

*Exhibit 4 shows the changes proposed in this Partial Amendment No. 3, with the proposed changes in Amendment No. 1 shown as if adopted. Proposed additions in this Partial Amendment No. 3 appear underlined; proposed deletions appear in brackets.*

**Nasdaq ISE, LLC Rules**

\* \* \* \* \*

**Options Rules**

\* \* \* \* \*

**Options 4 Options Listing Rules**

\* \* \* \* \*

**Section 3. Criteria for Underlying Securities**

\* \* \* \* \*

(h) Securities deemed appropriate for options trading shall include shares or other securities (“Exchange-Traded Fund Shares”) that are traded on a national securities exchange and are defined as an “NMS” stock under Rule 600 of Regulation NMS, and that (i) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that hold portfolios of securities and/or financial instruments, including, but not limited to, stock index futures contracts, options on futures, options on securities and indices, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements (the “Financial Instruments”), and money market instruments, including, but not limited to, U.S. government securities and repurchase agreements (the “Money Market Instruments”) comprising or otherwise based on or representing investments in broad-based indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments) or (ii) represent interests in a trust or similar entity that holds a specified non-U.S. currency or currencies deposited with the trust when aggregated in some specified minimum number may be surrendered to the trust or similar entity by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust (“Currency Trust Shares”) or (iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency (“Commodity Pool ETFs”) or (iv) represent interests in the SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, the Aberdeen Standard Physical Gold Trust, or the iShares Bitcoin Trust or (v) represents an interest in a registered investment company (“Investment Company”) organized as an open-end management company or similar entity, that invests in a portfolio of securities selected by the Investment Company’s investment adviser consistent with the Investment Company’s

investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value (“NAV”), and when aggregated in the same specified minimum number, may be redeemed at a holder's request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined NAV (“Managed Fund Share”); provided that:

\* \* \* \* \*

#### **Section 4. Withdrawal of Approval of Underlying Securities**

\* \* \* \* \*

(g) Exchange-Traded Fund Shares approved for options trading pursuant to Options 4, Section 3(h) will not be deemed to meet the requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such Exchange-Traded Fund Shares if the Exchange-Traded Fund Shares are delisted from trading as provided in subparagraph (b)(5) of this Rule or the Exchange-Traded Fund Shares are halted or suspended from trading on their primary market. In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Exchange-Traded Fund Shares in any of the following circumstances:

(1) In the case of options covering Exchange-Traded Fund Shares approved pursuant to Options 4, Section 3(h)(i), in accordance with the terms of subparagraphs (b)(1), (2), (3) and (4) of this Rule;

(2) In the case of options covering Fund Shares approved pursuant to Options 4, Section 3(h)(ii), following the initial twelve-month period beginning upon the commencement of trading in the Exchange-Traded Fund Shares on a national securities exchange and are defined as an “NMS stock” under Rule 600 of Regulation NMS, there were fewer than 50 record and/or beneficial holders of such Exchange-Traded Fund Shares for 30 or more consecutive trading days;

\* \* \* \* \*

#### **Options 9 Business Conduct**

\* \* \* \* \*

#### **Section 13. Position Limits**

\* \* \* \* \*

#### **Supplementary Material to Options 9, Section 13**

.01 The position limits applicable to option contracts on the securities listed in the chart below are as follows:

<b>Security Underlying Option</b>	<b>Position Limit</b>
SPDR Dow Jones® Industrial Average ETF Trust (DIA)	300,000 contracts
SPDR® S&P 500® ETF Trust (SPY)	3,600,000 contracts
iShares® Russell 2000® ETF (IWM)	1,000,000 contracts
INVESCO QQQ Trust <sup>SM</sup> , Series 1 (QQQ)	1,800,000 contracts
iShares MSCI Emerging Markets ETF (EEM)	1,000,000 contracts
iShares China Large-Cap ETF (FXI)	1,000,000 contracts
iShares MSCI EAFE ETF (EFA)	1,000,000 contracts
iShares MSCI Brazil Capped ETF (EWZ)	500,000 contracts
iShares 20+ Year Treasury Bond Fund ETF (TLT)	500,000 contracts
iShares MSCI Japan ETF (EWJ)	500,000 contracts
iShares iBoxx High Yield Corporate Bond Fund (HYG)	500,000 contracts
Financial Select Sector SPDR Fund (XLF)	500,000 contracts
iShares iBoxx \$ Investment Grade Corporate Bond ETF (“LQD”)	500,000 contracts
VanEck Vectors Gold Miners ETF (“GDX”)	500,000 contracts
<u>iShares Bitcoin Trust</u>	<u>25,000 contracts</u>

\* \* \* \* \*

**Section 15. Exercise Limits**

\* \* \* \* \*

**Supplementary Material to Option 9, Section 15**

.01 The exercise limits applicable to option contracts on the securities listed in the chart below is as follows:

<b>Security Underlying Option</b>	<b>Position Limit</b>
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SPDR Dow Jones® Industrial Average ETF Trust (DIA)	300,000 contracts
SPDR® S&P 500® ETF Trust (SPY)	3,600,000 contracts
iShares® Russell 2000® ETF (IWM)	1,000,000 contracts
INVESCO QQQTrust <sup>SM</sup> , Series 1 (QQQ)	1,800,000 contracts
iShares MSCI Emerging Markets ETF (EEM)	1,000,000 contracts
iShares China Large-Cap ETF (FXI)	1,000,000 contracts
iShares MSCI EAFE ETF (EFA)	1,000,000 contracts
iShares MSCI Brazil Capped ETF (EWZ)	500,000 contracts
iShares 20+ Year Treasury Bond Fund ETF (TLT)	500,000 contracts
iShares MSCI Japan ETF (EWJ)	500,000 contracts
iShares iBoxx High Yield Corporate Bond Fund (HYG)	500,000 contracts
Financial Select Sector SPDR Fund (XLF)	500,000 contracts
iShares iBoxx \$ Investment Grade Corporate Bond ETF (“LQD”)	500,000 contracts
VanEck Vectors Gold Miners ETF (“GDX”)	500,000 contracts
<u>iShares Bitcoin Trust</u>	<u>25,000 contracts</u>

\* \* \* \* \*

**Exhibit 5**

*New text is underlined; deleted text is in brackets.*

**Nasdaq ISE, LLC Rules**

\* \* \* \* \*

**Options Rules**

\* \* \* \* \*

**Options 4 Options Listing Rules**

\* \* \* \* \*

**Section 3. Criteria for Underlying Securities**

\* \* \* \* \*

(h) Securities deemed appropriate for options trading shall include shares or other securities (“Exchange-Traded Fund Shares”) that are traded on a national securities exchange and are defined as an “NMS” stock under Rule 600 of Regulation NMS, and that (i) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that hold portfolios of securities and/or financial instruments, including, but not limited to, stock index futures contracts, options on futures, options on securities and indices, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements (the “Financial Instruments”), and money market instruments, including, but not limited to, U.S. government securities and repurchase agreements (the “Money Market Instruments”) comprising or otherwise based on or representing investments in broad-based indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments) or (ii) represent interests in a trust or similar entity that holds a specified non-U.S. currency or currencies deposited with the trust when aggregated in some specified minimum number may be surrendered to the trust or similar entity by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust (“Currency Trust Shares”) or (iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency (“Commodity Pool ETFs”) or (iv) represent interests in the SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, [or the ETFS Gold Trust] the Aberdeen Standard Physical Gold Trust, or the iShares Bitcoin Trust or (v) represents an interest in a registered investment company (“Investment Company”) organized as an open-end management company or similar entity, that invests in a

portfolio of securities selected by the Investment Company's investment adviser consistent with the Investment Company's investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value ("NAV"), and when aggregated in the same specified minimum number, may be redeemed at a holder's request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined NAV ("Managed Fund Share"); provided that:

\* \* \* \* \*

#### **Section 4. Withdrawal of Approval of Underlying Securities**

\* \* \* \* \*

(g) Exchange-Traded Fund Shares approved for options trading pursuant to Options 4, Section 3(h) will not be deemed to meet the requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such Exchange-Traded Fund Shares if the Exchange-Traded Fund Shares are delisted from trading as provided in subparagraph (b)(5) of this Rule or the Exchange-Traded Fund Shares are halted or suspended from trading on their primary market. In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Exchange-Traded Fund Shares in any of the following circumstances:

(1) In the case of options covering Exchange-Traded Fund Shares approved pursuant to Options 4, Section 3(h)[(A)](i), in accordance with the terms of subparagraphs (b)(1), (2), (3) and (4) of this Rule;

(2) In the case of options covering Fund Shares approved pursuant to Options 4, Section 3(h)[(A)](ii), following the initial twelve-month period beginning upon the commencement of trading in the Exchange-Traded Fund Shares on a national securities exchange and are defined as an "NMS stock" under Rule 600 of Regulation NMS, there were fewer than 50 record and/or beneficial holders of such Exchange-Traded Fund Shares for 30 or more consecutive trading days;

\* \* \* \* \*

#### **Options 9 Business Conduct**

\* \* \* \* \*

#### **Section 13. Position Limits**

\* \* \* \* \*

#### **Supplementary Material to Options 9, Section 13**

.01 The position limits applicable to option contracts on the securities listed in the chart below are as follows:

<b>Security Underlying Option</b>	<b>Position Limit</b>
SPDR Dow Jones® Industrial Average ETF Trust (DIA)	300,000 contracts
SPDR® S&P 500® ETF Trust (SPY)	3,600,000 contracts
iShares® Russell 2000® ETF (IWM)	1,000,000 contracts
INVESCO QQQ Trust <sup>SM</sup> , Series 1 (QQQ)	1,800,000 contracts
iShares MSCI Emerging Markets ETF (EEM)	1,000,000 contracts
iShares China Large-Cap ETF (FXI)	1,000,000 contracts
iShares MSCI EAFE ETF (EFA)	1,000,000 contracts
iShares MSCI Brazil Capped ETF (EWZ)	500,000 contracts
iShares 20+ Year Treasury Bond Fund ETF (TLT)	500,000 contracts
iShares MSCI Japan ETF (EWJ)	500,000 contracts
iShares iBoxx High Yield Corporate Bond Fund (HYG)	500,000 contracts
Financial Select Sector SPDR Fund (XLF)	500,000 contracts
iShares iBoxx \$ Investment Grade Corporate Bond ETF (“LQD”)	500,000 contracts
VanEck Vectors Gold Miners ETF (“GDX”)	500,000 contracts
<u>iShares Bitcoin Trust</u>	<u>25,000 contracts</u>

\* \* \* \* \*

### **Section 15. Exercise Limits**

\* \* \* \* \*

### **Supplementary Material to Option 9, Section 15**

.01 The exercise limits applicable to option contracts on the securities listed in the chart below is as follows:

<b>Security Underlying Option</b>	<b>Position Limit</b>
SPDR Dow Jones® Industrial Average ETF Trust (DIA)	300,000 contracts
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INVESCO QQQTrust <sup>SM</sup> , Series 1 (QQQ)	1,800,000 contracts
iShares MSCI Emerging Markets ETF (EEM)	1,000,000 contracts
iShares China Large-Cap ETF (FXI)	1,000,000 contracts
iShares MSCI EAFE ETF (EFA)	1,000,000 contracts
iShares MSCI Brazil Capped ETF (EWZ)	500,000 contracts
iShares 20+ Year Treasury Bond Fund ETF (TLT)	500,000 contracts
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Financial Select Sector SPDR Fund (XLF)	500,000 contracts
iShares iBoxx \$ Investment Grade Corporate Bond ETF (“LQD”)	500,000 contracts
VanEck Vectors Gold Miners ETF (“GDX”)	500,000 contracts
<u>iShares Bitcoin Trust</u>	<u>25,000 contracts</u>

\* \* \* \* \*