

1. Text of the Proposed Rule Change

(a) MEMX LLC (“MEMX” or the “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (the “Commission”) a proposal to amend Rule 19.3 (Criteria for Underlying Securities) to list and trade options on the iShares Ethereum Trust (the “Trust”). The Exchange has designated this proposal as non-controversial pursuant to Section 19(b)(3)(A) of the Act³ and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) thereunder.⁴

A notice of the proposed rule change for publication in the Federal Register is provided as Exhibit 1. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by Exchange staff pursuant to authority delegated to it by the Board of Directors of the Exchange (the “Board”). Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the proposed rule change.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Anders Franzon
General Counsel

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Counsel

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6)(iii).

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

a. Purpose

The Exchange proposes to amend Rule 19.3 regarding the criteria for underlying securities. Specifically, the Exchange proposes to amend Rule 19.3(i) to allow the Exchange to list and trade options on shares or other securities ("Fund Shares") that are principally traded on a national securities exchange and are defined as an "NMS stock" under Rule 600 of Regulation NMS and that represent interests in the Trust. This is a competitive filing based on a similar proposal submitted by Nasdaq ISE, LLC ("ISE"), which was recently approved by the Securities and Exchange Commission (the "Commission").⁵ Current Rule 19.3(i) provides that, subject to certain other criteria set forth in that Rule, securities deemed appropriate for options trading include Fund Shares that represent certain types of interests,⁶ including interests in certain specific trusts that

⁵ See Securities Exchange Act Release No. 100661 (August 6, 2024), 89 FR 65690 (August 12, 2024) (SR-ISE-2024-35); and Securities Exchange Act Release No. 102798 (April 9, 2025) ("ISE Approval").

⁶ See Rule 19.3(i), which permits options trading on Fund Shares that (1) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities, and that hold portfolios of securities comprising or otherwise based on or representing investments in indexes or portfolios of securities (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities) ("Funds") and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, 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") constituting or otherwise based on or representing an investment in an index or portfolio of securities and/or Financial Instruments and Money Market Instruments, or (2) 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 (3) represent interests in a

hold financial instruments, money market instruments, precious metals (which are deemed commodities), or Bitcoin (which is another crypto currency and deemed a commodity). In addition, Rule 19.3(i) requires that Fund Shares (1) meet the criteria and standards set forth in Rule 19.3(a) and (b),⁷ or (2) be available for creation or redemption each business day from or through the issuer in cash or in kind at a price related to net asset value, and the issuer must be obligated to issue Fund Shares even if some or all of the investment assets required to be deposited have not been received by the issuer, subject to the condition that the person obligated to deposit the investments has undertaken to deliver the investment assets as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the issuer, as provided in the respective prospectus.

The Exchange proposes to add the Trust to the list of Fund Shares on which the Exchange may list options in Rule 19.3(i).⁸ The shares are issued by the Trust, a

trust or similar entity that holds a specified non- U.S. currency or currencies deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust 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 (4) represent interests in the SPDR Gold Trust or are issued by the iShares COMEX Gold Trust, the iShares Silver Trust, Aberdeen Standard Physical Silver Trust, Aberdeen Standard Physical Gold Trust, Aberdeen Standard Physical Palladium Trust, Aberdeen Standard Physical Platinum Trust, Sprott Physical Gold Trust, Goldman Sachs Physical Gold ETF, Fidelity Wise Origin Bitcoin Fund, ARK 21Shares Bitcoin ETF, iShares Bitcoin Trust, Grayscale Bitcoin Trust, Grayscale Bitcoin Mini Trust, or Bitwise Bitcoin ETF.

⁷ Rule 19.3(a) and (b) sets forth the criteria that underlying securities must satisfy for option contracts on those underlying securities to be eligible for listing and trading on the Exchange.

⁸ The Exchange is also proposing a technical amendment to Rule 19.3(i) to amend the names "Aberdeen Standard Physical Silver Trust, Aberdeen Standard Physical Gold Trust, Aberdeen Standard Physical Palladium Trust, and Aberdeen Standard Physical Platinum Trust" to "abrdn Standard Physical Silver Trust, abrdn Standard Physical Gold Trust, abrdn Standard Physical Palladium Trust, and abrdn Standard Physical Platinum Trust" to amend the names of these ETFs to reflect their current names. These were renamed effective March 31, 2022. See <https://www.sec.gov/Archives/edgar/data/1459862/000138713122003305/pall-424b3-030822.htm>, <https://www.sec.gov/Archives/edgar/data/1450923/000138713122003311/sgol->

Delaware statutory trust. The Trust will operate pursuant to a trust agreement (the “Trust Agreement”) between the Sponsor, BlackRock Fund Advisors (the “Trustee”) as the trustee of the Trust and will appoint Wilmington Trust, National Association, as Delaware Trustee of the Trust (the “Delaware Trustee”) by such time that the Registration Statement is effective. The Trust issues Fund Shares representing fractional undivided beneficial interests in its net assets. The assets of the Trust will consist only of ether (“ether” or “ETH”) held by a custodian on behalf of the Trust, except under limited circumstances when transferred through the Trust’s prime broker temporarily (described below), and cash. Neither the Trust, nor the Sponsor, nor the Ether Custodian (as defined below), nor any other person associated with the Trust will, directly or indirectly, engage in action where any portion of the Trust’s ETH becomes subject to the Ethereum proof-of-stake validation or is used to earn additional ETH or generate income or other earnings. Coinbase Custody Trust Company, LLC (the “Ether Custodian”), is the custodian for the Trust’s ether holdings, and maintains a custody account for the Trust (“Custody Account”); Coinbase, Inc. (the “Prime Execution Agent”), an affiliate of the Ether Custodian, is the prime broker for the Trust and maintains a trading account for the Trust (“Trading Account”); and The Bank of New York Mellon is the custodian for the Trust’s cash holdings (the “Cash Custodian” and together with the Ether Custodian, the “Custodians”) and the administrator of the Trust (the “Trust Administrator”). Under the Trust Agreement, the Trustee may delegate all or a portion of its duties to any agent, and has delegated the bulk of the day-to-day responsibilities to the Trust Administrator and

[424b3_030822.htm](https://www.sec.gov/Archives/edgar/data/1450922/000138713122003309/sivr-424b3_030822.htm),
https://www.sec.gov/Archives/edgar/data/1450922/000138713122003309/sivr-424b3_030822.htm
and https://www.sec.gov/Archives/edgar/data/1460235/000138713122003303/pplt-424b3_030822.htm.

certain other administrative and record-keeping functions to its affiliates and other agents. The Trust is not an investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”).

The investment objective of the Trust is to reflect generally the performance of the price of ether. The Trust seeks to reflect such performance before payment of the Trust’s expenses and liabilities. The Fund Shares are intended to constitute a simple means of making an investment similar to an investment in ether through the public securities market rather than by acquiring, holding and trading ether directly on a peer-to-peer or other basis or via a digital asset platform. The Fund Shares have been designed to remove the obstacles represented by the complexities and operational burdens involved in a direct investment in ether, while at the same time having an intrinsic value that reflects, at any given time, the investment exposure to the ether owned by the Trust at such time, less the Trust’s expenses and liabilities. Although the Fund Shares are not the exact equivalent of a direct investment in ether, they provide investors with an alternative method of achieving investment exposure to ether through the public securities market, which may be more familiar to them.

An investment in the Fund Shares is backed by ether held by the Ether Custodian on behalf of the Trust. All of the Trust’s ether will be held in the Custody Account, other than the Trust’s ether which is temporarily maintained in the Trading Account under limited circumstances, i.e., in connection with creation and redemption Basket⁹ activity or sales of ether deducted from the Trust’s holdings in payment of Trust expenses or the

⁹ The Trust issues and redeems Shares only in blocks of 40,000 or integral multiples thereof. A block of 40,000 Shares is called a “Basket.” These transactions take place in exchange for ether.

Sponsor's fee (or, in extraordinary circumstances, upon liquidation of the Trust). The Custody Account includes all of the Trust's ether held at the Ether Custodian, but does not include the Trust's ether temporarily maintained at the Prime Execution Agent in the Trading Account from time to time. The Ether Custodian will keep all of the private keys associated with the Trust's ether held in the Custody Account in "cold storage".¹⁰ The hardware, software, systems, and procedures of the Ether Custodian may not be available or cost-effective for many investors to access directly.

The Exchange believes that offering options on the Trust will benefit investors by providing them with an additional, relatively lower cost investing tool to gain exposure to spot ether as well as a hedging vehicle to meet their investment needs in connection with ether products and positions. Similar to other commodity ETFs in which options may be listed on the Exchange (e.g. SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, or the Aberdeen Standard Physical Gold Trust),¹¹ the proposed ETF is a trust that essentially offers the same objectives and benefits to investors.

Options on the Trust will trade in the same manner as options on other ETFs on the Exchange. Exchange Rules that currently apply to the listing and trading of all options on ETFs on the Exchange, including, for example, Rules that govern listing criteria, expirations, exercise prices, minimum increments, position and exercise limits, margin requirements, customer accounts and trading halt procedures, will apply to the listing and trading of options on the Trust on the Exchange. Today, these rules apply to

¹⁰ The term "cold storage" refers to a safeguarding method by which the private keys corresponding to the Trust's ether are generated and stored in an offline manner, subject to layers of procedures designed to enhance security. Private keys are generated by the Ether Custodian in offline computers that are not connected to the internet so that they are more resistant to being hacked.

¹¹ See Rule 19.3(i).

options on the various commodities ETFs deemed appropriate for options trading on the Exchange pursuant to Rule 19.3(i).

Pursuant to Rule 19.3(a), a security (which includes a Fund Share) on which options may be listed and traded on the Exchange must be registered (with the Commission) and be an NMS stock (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934, as amended (the “Act”)), and be characterized by a substantial number of outstanding shares that are widely held and actively traded.¹² Additionally, Rule 19.3(i)(1) requires that Fund Shares either (1) meet the criteria and standards set forth in Rule 19.3(a) and (b),¹³ or (2) are available for creation or redemption each business day in cash or in kind from the investment company, commodity pool or other entity at a price related to net asset value, and the investment company, commodity pool or other entity is obligated to provide that Fund Shares may be created even if some or all of the securities and/or cash required to be deposited have not been received by the Fund, the unit investment trust or the management investment company, provided the authorized creation participant has undertaken to deliver the securities and/or cash as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the Fund, all as described in the Fund’s or unit trust’s prospectus. The Trust satisfies Rule 19.3(i)(1)(B), as each is subject to this creation and redemption process.

¹² The criteria and guidelines for a security to be considered widely held and actively traded are set forth in Rule 19.3(b), subject to exceptions.

¹³ Rule 19.3(a) and (b) sets forth the criteria an underlying security must meet for the Exchange to be able to list options on the underlying.

Options on the Trust will be subject to the Exchange's continued listing standards set forth in Rule 19.4(g) for Fund Shares deemed appropriate for options trading pursuant to Rule 19.3(i). Specifically, 19.4(g) provides that Fund Shares that were initially approved for options trading pursuant to Rule 19.3 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 Fund Shares if the security ceases to be an NMS stock (see Rule 19.4(b)(4)). Additionally, the Exchange will not open for trading any additional series of option contracts of the class covering Fund Shares in any of the following circumstances: (1) in the case of options covering Fund Shares approved for trading under Rule 19.3(i)(1)(A), in accordance with the terms of Rule 19.4(b)(1), (2) and (3); (2) in the case of options covering Fund Shares approved pursuant to Rule 19.3(i)(1)(B), following the initial 12-month period beginning upon the commencement of trading in the Fund Shares on a national securities exchange and are defined as NMS stock under Rule 600 of Regulation NMS, there were fewer than 50 record and/or beneficial holders of such Fund Shares for 30 consecutive days; (3) the value of the index, non-U.S. currency, portfolio of commodities including commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or Financial Instruments or Money Market Instruments, or portfolio of securities on which the Fund Shares are based is no longer calculated or available; or (4) such other event occurs or condition exists that in the opinion of the Exchange makes further dealing in such options on the Exchange inadvisable.

Options on the Trust will be physically settled contracts with American-style exercise.¹⁴ Consistent with current Rule 19.5, which governs the opening of options series on a specific underlying security (including Fund Shares), the Exchange will open at least one expiration month for options on the Trust¹⁵ at the commencement of trading on the Exchange and may also list series of options on the Trust for trading on a weekly,¹⁶ monthly,¹⁷ or quarterly¹⁸ basis. The Exchange may also list long-term equity option series (“LEAPS”) that expire from 12 to 39 months from the time they are listed.¹⁹

Pursuant to Rule 19.5, Interpretation and Policy .01, which governs strike prices of series of options on Fund Shares, the interval of strike prices for series of options on the Trust will be \$1 or greater when the strike price is \$200 or less and \$5 or greater

¹⁴ See Rule 19.2, which provides that the rights and obligations of holders and writers are set forth in the Rules of the Options Clearing Corporation (“OCC”); see also OCC Rules, Chapters VIII (which governs exercise and assignment) and Chapter IX (which governs the discharge of delivery and payment obligations arising out of the exercise of physically settled stock option contracts).

¹⁵ See Rule 19.5(b) and (c). The monthly expirations are subject to certain listing criteria for underlying securities described within Rule 19.3. Monthly listings expire the third Friday of the month. The term “expiration date” (unless separately defined elsewhere in the OCC By-Laws), when used in respect of an option contract (subject to certain exceptions), means the third Friday of the expiration month of such option contract, or if such Friday is a day on which the exchange on which such option is listed is not open for business, the preceding day on which such exchange is open for business. See OCC By-Laws Article I, Section 1. Pursuant to Rule 19.5(c), additional series of options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to expiration.

¹⁶ See Rule 19.5, Interpretation and Policy .05.

¹⁷ See Rule 19.5, Interpretation and Policy .08.

¹⁸ See Rule 19.5, Interpretation and Policy .04.

¹⁹ See Rule 19.7.

where the strike price is over \$200.²⁰ Additionally, the Exchange may list series of options pursuant to the \$1 Strike Price Interval Program,²¹ the \$0.50 Strike Program,²² the \$2.50 Strike Price Program,²³ and the \$5 Strike Program.²⁴ Pursuant to Rule 21.5, where the price of a series of a Trust option is less than \$3.00, the minimum increment will be \$0.05, and where the price is \$3.00 or higher, the minimum increment will be \$0.10.²⁵ Any and all new series of Trust options that the Exchange lists will be consistent and comply with the expirations, strike prices, and minimum increments set forth in Rules 19.5 and 21.5, as applicable.

Trust options will trade in the same manner as any other Fund Share options on the Exchange. The Exchange Rules that currently apply to the listing and trading of all Fund Share options on the Exchange, including, for example, Rules that govern listing criteria, expirations, exercise prices, minimum increments, margin requirements, customer accounts, and trading halt procedures will apply to the listing and trading of Trust options on the Exchange in the same manner as they apply to other options on all other Fund Shares that are listed and traded on the Exchange, including the precious-

²⁰ The Exchange notes that for options listed pursuant to the Short Term Option Series Program, the Monthly Options Series Program, and the Quarterly Options Series Program, Rule 19.5, Interpretations and Policies .05, .08, and .04, specifically sets forth intervals between strike prices on Quarterly Options Series, Short Term Option Series, and Monthly Options Series, respectively.

²¹ See Rule 19.5, Interpretations and Policies .01 and .02.

²² See Rule 19.5, Interpretation and Policy .06.

²³ See Rule 19.5, Interpretation and Policy .03.

²⁴ See Rule 19.5(d)(5).

²⁵ If options on an Ethereum Fund are eligible to participate in the Penny Interval Program, the minimum increment will be \$0.01 for series with a price below \$3.00 and \$0.05 for series with a price at or above \$3.00. See Rule 21.5(d) (which describes the requirements for the Penny Interval Program).

metal and Bitcoin-backed commodity Fund Shares already deemed appropriate for options trading on the Exchange pursuant to current Rule 19.3(i).²⁶

Position and exercise limits for options on ETFs, including options on the Trust, are determined pursuant to Exchange Rules 18.7 and 18.9, respectively.²⁷ Position and exercise limits for ETF options vary according to the number of outstanding shares and the trading volumes of the underlying ETF over the past six months, where the largest in capitalization and the most frequently traded ETFs have an option position and exercise limits of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; and smaller capitalization ETFs have position and exercise limits of 200,000, 75,000, 50,000 or 25,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market.

Notwithstanding the position limits in Exchange Rule 18.7 and exercise limits in Exchange Rule 18.9, the Exchange proposes the position and exercise limits for the options on the Trust to be 25,000 contracts on the same side. The Exchange believes these proposed position and exercise limits are reasonable and appropriate. In considering the appropriate position and exercise limits for the Trust options, the Exchange reviewed the data presented by ISE in the ISE Approval. In the ISE Approval, ISE considered the

²⁶ See, e.g., SPDR Gold Trust, iShares COMEX Gold Trust or iShares Silver Trust, the Aberdeen Standard Physical Silver Trust, the Aberdeen Standard Physical Gold Trust, the Aberdeen Standard Physical Palladium Trust, the Aberdeen Standard Physical Platinum Trust, the Sprott Physical Gold Trust, the Goldman Sachs Physical Gold ETF or the Fidelity Wise Origin Bitcoin Fund, the ARK 21Shares Bitcoin ETF, the iShares Bitcoin Trust, the Grayscale Bitcoin Trust, the Grayscale Bitcoin Mini Trust, or the Bitwise Bitcoin ETF.

²⁷ See Regulatory Notice 23-12, available at: <https://info.memxtrading.com/wp-content/uploads/2023/09/RegNotice-23-12-Options-Position-Limits.pdf>, which informed Exchange members of the specific position limits applicable to options trading on MEMX Options, pursuant to Rule 18.7, as those position limits calculated and disseminated by the OCC, published daily and which can be found at: <https://www.theocc.com/market-data/market-data-reports/series-and-trading-data/position-limits>.

Trust's market capitalization and average daily volume ("ADV") against those of other underlying securities, as well as the proposed position and exercise limit in relation to other options. In measuring the Trust against other securities, ISE aggregated market capitalization and volume data for securities that have defined position limits utilizing data from the OCC.²⁸ ISE also considered the trading volume for the Trust in terms of daily and notional volumes during the period of time the Trust has been trading from July 23, 2024 through December 14, 2024. The average daily volume for this time period is 5,302,533 shares and the average notional volume for this time period is \$127,825,276.00. The Trust had 93,352 shareholders.²⁹ ISE indicated both the average daily volume and the average notional volume experienced an uptick at launch (which can be typical for anticipated product launches) then levelled off for several months. Renewed growth in the cryptocurrency market caused increased growth beginning in early November 2024.

ISE reviewed the market capitalization and ADV of 3,930 options on single stock securities excluding ETFs.³⁰ Next, ISE aggregated this data based on market capitalization and ADV and grouped option symbols by position limit utilizing statistical thresholds for ADV and market capitalization 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 less than 500,000, 500,000 to 1,000,000 and greater than 1,000,000). Exchange Rule 18.7 sets out

²⁸ ISE represented these computations were based on OCC data from October 22, 2024, and that data displaying zero values in market capitalization or ADV were removed.

²⁹ ISE represented it obtained this number from Broadridge Financial Solutions, Inc. on December 19, 2024.

³⁰ The Trust has one asset and therefore is not comparable to a broad based ETF where there are typically multiple components.

position limits for various contracts. For example, like ISE, 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. ISE indicated it performed this exercise to demonstrate the Trust's position limit relative to other options symbols in terms of market capitalization and ADV. For reference the market capitalization for the Trust was 1.16 billion³¹ with an ADV, for the preceding three months prior to October 22, 2024, of greater than 2.99 million shares. By comparison, other options symbols with similar market capitalization and ADV have a position limit of 50,000 contracts or 75,000 contracts.³² From a 90-day ADV perspective, ISE reviewed statistics that indicated that the Trust had a 90- day ADV greater than each of the stocks in the 100,000 contracts to 249,000 contracts range. Therefore, the proposed 25,000 same side position and exercise limits for options on the Trust are conservative.

Second, ISE reviewed the Trust's data relative to the market capitalization of the entire ether market in terms of exercise risk and availability of deliverables. Utilizing data as of October 22, 2024, there were 120,392,960 Ethereum in circulation. The price of Ethereum on October 22, 2024, was \$2,620 per coin which equates to a market capitalization of greater than \$315 billion US dollars. If a position limit of 25,000 options were considered (the position limit that would be typically assigned based upon data), the exercisable risk would represent less than 4.3524% of the outstanding shares of the

³¹ ISE acquired this figure as of October 22, 2024. See <https://www.ishares.com/us/products/337614/isharesethereum-trust-etf>. The global supply of ether grows each day ether are minted.

³² ISE determined the median market capitalization for 50,000 contracts was 788,000,000 million and the median market capitalization for 75,000 contracts was 1,037,000 billion. Further, placing the Trust at 50,000 contracts would rank it in the 59th percentile in market capitalization and placing the Trust at 75,000 contracts would rank it in the 46th percentile in market capitalization.

Trust.³³ Since the Trust has a creation and redemption process managed through the issuer, ISE additionally compared the position limit sought to the total market capitalization of the entire Ethereum market. In this case, the exercisable risk represented by 25,000 options on the Trust would be less than 0.03% of the market capitalization of all outstanding ether. Assuming a scenario where all 25,000 options on ether shares were exercised given the proposed 25,000 per same side position limit, this would have a virtually unnoticed impact on the entire ether market. This analysis demonstrates that the proposed 25,000 per same side position limit (and exercise limit) is conservative and appropriate for options on the Trust.

Third, ISE reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the Commodity Futures Trading Commission (“CFTC”). While the CFTC, through the relevant Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), ISE examined equivalent ether futures position limits. In particular, ISE looked at the CME Ethereum futures contract³⁴ that has a position limit of 8,000 futures.³⁵ On October 22, 2024, CME ether futures settled at \$2,629. Using a contract multiplier of \$50, a position limit of 8,000 futures would have a notional value \$1.0516 billion (8,000 x \$50 x \$2,629). Using an October 22, 2024, share price of \$19.91 for shares of the Trust, a futures position of 8,000 contracts, with a notional value of \$1.0516 billion dollars would equate to an options position of 528,176 contracts (\$1.0516 billion (notional value

³³ The 4.4% was calculated as follows: 2,500,000 (exercisable stock from position limit) / 57,440,000 (shares outstanding on October 22, 2024) = 4.35237%.

³⁴ CME Ether Futures are described in Chapter 350 of CME’s Rulebook.

³⁵ See CME Rulebook, Chapter 5, Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices.

of 8,000 Ethereum futures contracts)/\$19.91 (price of the Trust shares) =52,817,679
(Trust shares)/100 (the number of shares represented by one options contract)) =528,176
options contracts. Because substantial sums of any distributed options portfolio are likely
to be out of the money on expiration, an options position limit equivalent to the CME
position limit for Ethereum (considering that all options deltas are ≤ 1.00) should be a bit
higher than the CME implied 528,176 contract 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).³⁶ 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.³⁷ 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 Ethereum, the Exchange believes that that the proposed same side position limits are more than appropriate for the Trust options.

³⁶ Id.

³⁷ Id.

In analyzing the proposed position limit for options on the Trust, ISE also considered the supply of ether. Specifically, ISE examined the number of market participants with a position limit of 25,000 contracts that would need to exercise in unison to put the underlying asset under stress. In the case of options on ether, the proposed 25,000 same side position and exercise limit effectively restricts a market participant from holding positions that could be exercised in excess of 2,500,000 shares of the Trust. Utilizing data from October 22, 2024, the Trust had 57,440,000 shares outstanding, therefore 22.976 participants would have to simultaneously exercise their position limits in order to create a scenario that may put the underlying asset (shares of the Trust) under stress. The Exchange notes that historically, from observation only, it appears that no more than five market participants holding options positions in any single security have exercised in unison in any option. As unlikely an occurrence as all market participants exercising their positions in unison would be, if it were to occur, it should be noted that even such an occurrence would not likely put the Trust under stress as economic incentives, would induce the creation of more shares through the ETF creation and redemption process.

Further, given that the current global supply of Ethereum, the underlying asset of the Trust, is 120,392,960³⁸ coins and each Ethereum coin can currently be exchanged (Ethereum to USD and then USD to Trust shares) for 131.6 shares of the Trust another 15,843,979,598 shares of the Trust could be created by the underlying ETF. In addition, as of October 22, 2024, a 25,000 contract position limit for options on the Trust would

³⁸ This figure was acquired as of October 22, 2024. See <https://www.ishares.com/us/products/337614/isharesethereum-trust-etf>. The global supply of ether grows each day ether are minted.

represent less than 4.3524% of the outstanding shares of the Trust (2,500,000 (position limit exercise)/ 57,440,000 (shares outstanding of the Trust on October 22, 2024)) = 4.3524%.³⁹ Also, as of October 22, 2024, a 25,000 contract position limit for options on the Trust would represent less than .01578% of the global supply of ether (2,500,000 (position limit exercise)/120,392,960 (number of ether) x 131.6 (Trust shares per ether)) = .01578%.

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply those same program procedures to options on the Trust that it applies to the Exchange's other options products, including options on Fund Shares.⁴⁰ The Exchange's market surveillance staff would have access to the surveillances conducted by the Exchange's affiliated equities exchange, MEMX, LLC, with respect to the Trust and would review activity in the underlying Trust when conducting surveillances for market abuse or manipulation in the options on the Trust. Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition to obtaining information from its affiliated market, the Exchange would be able to obtain information regarding trading in shares of the Trust from their primary listing markets and from other markets that trade shares of the Trust through ISG. In addition, the Exchange has a Regulatory Services Agreement with the Financial Industry Regulatory Authority ("FINRA") for certain market surveillance,

³⁹ See <https://coinmarketcap.com/currencies/ethereum/>.

⁴⁰ 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).

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.⁴¹

The underlying shares of spot Ethereum ETPs, including the Trust, are also subject to safeguards related to addressing market abuse and manipulation. As the Commission stated in its order approving proposals of several exchanges to list and trade shares of spot Ethereum-based ETPs,⁴² “[e]ach Exchange has a comprehensive surveillance-sharing agreement with the [CME] via their common membership in ISG. This facilitates the sharing of information that is available to the CME through its surveillance of its markets, including its surveillance of the CME Ether futures market.”⁴³ The Exchange states that, given the consistently high correlation between the CME Ethereum futures market and the spot Ethereum market, as confirmed by the Commission through robust correlation analysis, the Commission was able to conclude that such

⁴¹ 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.

⁴² See Securities Exchange Act Release Nos. 100224 (May 23, 2024), 89 FR 46937 (May 30, 2024) (SR-NYSEArca-2023-70; SR-NYSEArca-2024-31; SR-NASDAQ-2023-045; SR-CboeBZX-2023-069; SR-CboeBZX-2023-070; SR-CboeBZX-2023-087; SR-CboeBZX-2023-095; and SR-CboeBZX-2024-018) (Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, to List and Trade Shares of Ether-Based Exchange-Traded Products) (“Ethereum ETP Approval Order”).

⁴³ See Ethereum ETP Approval Order, at 46938 (footnotes excluded).

surveillance sharing agreements could reasonably be “expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the [Ethereum ETPs].”⁴⁴ In light of surveillance measures related to both options and futures as well as the underlying Trust,⁴⁵ the Exchange believes that existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed options on the Trust. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on the Trust.

Finally, quotation and last sale information for ETFs is available via the Consolidated Tape Association (“CTA”) high speed line. Quotation and last sale information for such securities is also available from the exchange on which such securities are listed. Quotation and last sale information for options on the Trust will be available via Options Price Reporting Authority (“OPRA”) and major market data vendors. The Exchange has also analyzed its capacity and represents that it believes the Exchange and OPRA have the necessary systems capacity to handle the additional traffic associated with the listing of new series that may result from the introduction of options on the Trust up to the number of expirations currently permissible under the Rules.

The Exchange believes that offering options on the Trust will benefit investors by providing them with an additional, relatively lower cost investing tool to gain exposure to the price of Ethereum and hedging vehicle to meet their investment needs in connection with Ethereum-related products and positions. The Exchange expects investors will

⁴⁴ See Ethereum ETP Approval Order, at 46941 (footnote excluded).

⁴⁵ See Ethereum ETP Approval Order.

transact in options on the Trust in the unregulated over-the-counter (“OTC”) options market,⁴⁶ but may prefer to trade such options in a listed environment to receive the benefits of trading listing options, including (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of all listed options. The Exchange believes that listing Trust options may cause investors to bring this liquidity to the Exchange, would increase market transparency and enhance the process of price discovery conducted on the Exchange through increased order flow. The Fund Shares that hold financial instruments, money market instruments, precious metal commodities, or Bitcoin on which the Exchange may already list and trade options are trusts structured in substantially the same manner as the Trust and essentially offer the same objectives and benefits to investors, just with respect to different assets. The Exchange notes that it has not identified any issues with the continued listing and trading of any Fund Share options, including Fund Shares that hold commodities (i.e., precious metals and Bitcoin) that it currently lists and trades on the Exchange.

Finally, the Exchange notes that applicable Exchange rules will require that customers receive appropriate disclosure before trading options in the Trust.⁴⁷ Further, brokers opening accounts and recommending options transactions must comply with relevant customer suitability standards.⁴⁸

b. Statutory Basis

⁴⁶ The Exchange understands from customers that investors have historically transacted in options on Fund Shares in the OTC options market if such options were not available for trading in a listed environment.

⁴⁷ See Rules 26.2(b) and (e).

⁴⁸ See Rule 26.4.

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.⁴⁹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁵⁰ 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)⁵¹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposal to list and trade options on the Trust will remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors because offering options on the Trust will provide investors with a greater opportunity to realize the benefits of utilizing options on an ETF based on spot Ethereum, including cost efficiencies and increased hedging strategies. The Exchange believes that offering options on a competitively priced ETF based on spot Ethereum will benefit investors by providing them with an additional, relatively lower-cost risk management tool, allowing

⁴⁹ 15 U.S.C. 78f(b).

⁵⁰ 15 U.S.C. 78f(b)(5).

⁵¹ Id.

them to manage, more easily, their positions and associated risks in their portfolios in connection with exposure to spot Ethereum. Additionally, the Exchange's offering of Trust options will provide investors with the ability to transact in such options in a listed market environment as opposed to in the unregulated OTC options market, which would increase market transparency and enhance the process of price discovery conducted on the Exchange through increased order flow to the benefit of all investors. Today, the Exchange lists options on other commodity (including Ethereum) ETFs structured as a trust, which essentially offer the same objectives and benefits to investors, and for which the Exchange has not identified any issues with the continued listing and trading of options on those ETFs.

The Exchange also believes the proposal to permit options on the Trust will remove impediments to and perfect the mechanism of a free and open market and a national market system, because options on the Trust will comply with current Exchange Rules. Options on the Trust must satisfy the initial listing standards and continued listing standards currently in the Rules, applicable to options on all ETFs, including options on other commodity ETFs already deemed appropriate for options trading on the Exchange pursuant to Rule 19.3(i). Position and exercise limits for options on ETFs, including options on the Trust, are determined pursuant to Rules 18.7 and 18.9.⁵²

Additionally, as demonstrated above, the Trust is characterized by a substantial number of shares that are widely held and actively traded. Further, Rules that currently govern the listing and trading of options on ETFs, including permissible expirations,

⁵² See supra note 26.

strike prices, minimum increments, position and exercise limits (as proposed herein), and margin requirements, will govern the listing and trading of options on the Trust.

The Exchange believes the proposed position and exercise limits are designed to prevent fraudulent and manipulative acts and practices and promote just and equitable principles of trade, as they are designed to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as disrupting the market in the security underlying the options. The proposed position and exercise limits for options on each of the Trust are 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, ADV, 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, as demonstrated above, the position limit (and exercise limit) is extremely conservative and more than appropriate given the Trust is actively traded. In support of the proposed position and exercise limits for options on the Trust are 25,000 contracts, the Exchange is citing the in depth analysis ISE did in the ISE Approval. As noted above, in ISE Approval, ISE considered the: (1) Trust's market capitalization and ADV, and proposed position limit in relation to other securities; (2) market capitalization of the entire Ethereum market in terms of exercise risk and availability of deliverables; (3) proposed position limit by comparing it to position limits for derivative products regulated by the CFTC; and (4) supply of Ethereum. Based on the Exchange's review of these analyses, the Exchange believes that setting position and exercise limits for options on the Trust at 25,000 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 Ethereum market.

The Exchange represents that it has the necessary systems capacity to support the new Trust options. As discussed above, the Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading Fund Share options, including Trust options. The Exchange's existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading options on ETFs and ETPs, such as (existing) precious metal-commodity backed ETP options as well as the proposed options on the Trust. The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of options on the Trust in all trading sessions and to deter and detect violations of Exchange rules. Specifically, the Exchange's market surveillance staff will have access to surveillances that it conducts, and that FINRA conducts on its behalf, with respect to the Trust and, as appropriate, would review activity in the underlying Fund when conducting surveillances for market abuse or manipulation in the options on the Trust. Additionally, the Exchange is a member of the ISG under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition, the Exchange has a Regulatory Services Agreement with the FINRA and as noted herein, pursuant to a

multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to FINRA to conduct certain options-related market surveillances. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on the Trust.

The underlying shares of spot Ethereum ETPs, including the Trust, are also subject to safeguards related to addressing market abuse and manipulation. As the Commission stated in its order approving proposals of several exchanges to list and trade shares of spot Ethereum-based ETPs, “[e]ach Exchange has a comprehensive surveillance-sharing agreement with the CME via their common membership in the Intermarket Surveillance Group. This facilitates the sharing of information that is available to the CME through its surveillance of its markets, including its surveillance of the CME ether futures market.”⁵³ The Exchange states that, given the consistently high correlation between the CME Ethereum futures market and the spot Ethereum market, as confirmed by the Commission through robust correlation analysis, the Commission was able to conclude that such surveillance sharing agreements could reasonably be “expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the [Ether ETPs].”⁵⁴ In light of the foregoing, the Exchange believes that existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed options on the Trust. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on Ethereum ETPs.

⁵³ See Ethereum ETP Approval Order, 89 FR at 46938

⁵⁴ See Ethereum ETP Approval Order, 89 FR at 46941.

Finally, the Exchange notes that this proposal will remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors because applicable Exchange rules will require that customers receive appropriate disclosure before trading options in the Trust⁵⁵ and will require that brokers opening accounts and recommending options transactions must comply with relevant customer suitability standards.⁵⁶

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that 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 as Trust options will be equally available to all market participants who wish to trade such options and will trade generally in the same manner as other options. The Rules that currently apply to the listing and trading of all Fund Share options on the Exchange, including, for example, Rules that govern listing criteria, expirations, exercise prices, minimum increments, margin requirements, customer accounts, and trading halt procedures will apply to the listing and trading of the Trust options on the Exchange in the same manner as they apply to other options on all other Fund Shares that are listed and traded on the Exchange. Also, and as stated above, the Exchange already lists options on other commodity-based Fund Shares (including Bitcoin-based).⁵⁷ Further, the Trust would need to satisfy the maintenance listing

⁵⁵ See Rules 26.2(b) and (e).

⁵⁶ See Rule 26.4.

⁵⁷ See Rule 19.3(i).

standards set forth in the Exchange Rules in the same manner as any other Fund Share for the Exchange to continue listing options on them.

The Exchange does not believe that the proposal to list and trade options on the Trust will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the extent that the advent of the Trust options trading on the Exchange may make the Exchange a more attractive marketplace to market participants at other exchanges, such market participants are free to elect to become market participants on the Exchange. The Exchange notes that listing and trading Trust options on the Exchange will subject such options to transparent exchange-based rules as well as price discovery and liquidity, as opposed to alternatively trading such options in the OTC market.

The Exchange believes that the proposed rule change may relieve any burden on, or otherwise promote, competition, as it is designed to increase competition for order flow on the Exchange in a manner that is beneficial to investors by providing them with a lower-cost option to hedge their investment portfolios. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues that offer similar products. Ultimately, the Exchange believes that offering Trust options for trading on the Exchange will promote competition by providing investors with an additional, relatively low cost means to hedge their portfolios and meet their investment needs in connection with Ethereum prices and Ethereum-related products and positions on a listed options exchange.

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act⁵⁸ and Rule 19b-4(f)(6)⁵⁹ thereunder. The Exchange has designated this proposal as one that effects a change that rule does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) by its terms, does not become operative for 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 Exchange believes that the proposed rule change to permit the Exchange to list and trade options on the Trust would not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition because the proposal is substantively similar to a proposal by ISE that was recently approved by the Commission.⁶⁰ The ISE Approval Order provides that ISE may list and trade options on the same Ether ETF as proposed by the Exchange herein on substantively similar terms and conditions (i.e., 25,000 position and exercise limits).

Accordingly, the Exchange believes this proposal does not raise any new, unique or novel

⁵⁸ 15 U.S.C. 78s(b)(3)(A).

⁵⁹ 17 CFR 240.19b-4(f)(6).

⁶⁰ See supra note 5.

substantive issues from those raised by ISE to list and trade options on the Trust, which proposal was approved by the Commission.

Therefore, the Exchange believes that the proposed rule change is well-suited for, and meets the standards applicable to, the Commission's treatment of non-controversial proposals under Section 19(b)(3)(A) of the Act⁶¹ and Rule 19b-4(f)(6) thereunder.⁶² Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file a 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. Furthermore, a proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act⁶³ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)⁶⁴ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest.

The Exchange respectfully requests that the Commission waive the five business day notice of the Exchange's intent to file this proposed rule change, as well as the 30-day operative delay, so that the proposed rule change may become immediately operative pursuant to Section 19(b)(3)(A) and Rule 19b-4(f)(6) thereunder. Waiver of these periods will allow the Exchange to immediately implement the proposed rule change upon its filing with the Commission, allowing the Exchange to immediately provide investors an additional source of liquidity for the Trust. The Exchange believes that waiver of both the operative delay and the requirement to provide five-days' written notice of the proposed

⁶¹ 15 U.S.C. 78s(b)(3)(A).

⁶² 17 CFR 240.19b-4(f)(6).

⁶³ Id.

⁶⁴ Id.

rule change would be consistent with the protection of investors and the public interest because the Exchange believes that most, if not all, other competing exchanges filed to list (or plan to file to list) options on the Trust subject to this proposal, effective immediately. The requested waivers would, therefore, allow the Exchange to immediately compete with other options exchanges for options order flow based on the Trust subject to this filing. Investors and the public interest will benefit by the trading of these option contracts on additional exchanges, via increased price competition. Accordingly, the proposed waivers do not give rise to any novel investor protection concerns, as the Exchange's listing rules for these products are substantially similar to the listing exchange's rules for such products, which has been subject to Commission review and approval.⁶⁵

The Exchange respectfully requests that the Commission waive the 30-day operative delay. Waiver of the operative delay is consistent with the protection of investors and the public interest because it will ensure fair competition among the exchanges by allowing the Exchange to list options on the Trust at or near the same time as ISE.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such 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 will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

⁶⁵ See supra note 5.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is based on the ISE Approval.⁶⁶

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1. Form of Notice of the Proposed Rule Change for Publication in the Federal Register.

Exhibit 5. Text of Proposed Rule Change.

⁶⁶ See supra note 5.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-MEMX-2025-11]

[Insert date]

Self-Regulatory Organizations; MEMX LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Allow the Exchange to List and Trade Options on the iShares Ethereum Trust

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on [insert date], MEMX LLC (“MEMX” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 19.3, Criteria for Underlying Securities to allow the Exchange to list and trade options on the iShares Ethereum Trust (the “Trust”) as Fund Shares deemed appropriate for options trading on the Exchange. The text of the proposed rule change is provided in Exhibit 5 and is available on the Exchange’s website at

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4.

<https://info.memxtrading.com/regulation/rules-and-filings/>.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend Rule 19.3 regarding the criteria for underlying securities. Specifically, the Exchange proposes to amend Rule 19.3(i) to allow the Exchange to list and trade options on shares or other securities ("Fund Shares") that are principally traded on a national securities exchange and are defined as an "NMS stock" under Rule 600 of Regulation NMS and that represent interests in the Trust. This is a competitive filing based on a similar proposal submitted by Nasdaq ISE, LLC ("ISE"), which was recently approved by the Securities and Exchange Commission (the "Commission").⁵ Current Rule 19.3(i) provides that, subject to certain other criteria set forth in that Rule, securities deemed appropriate for options trading include Fund Shares that represent certain types of interests,⁶ including interests in certain specific trusts that

⁵ See Securities Exchange Act Release No. 100661 (August 6, 2024), 89 FR 65690 (August 12, 2024) (SR-ISE-2024-35); and Securities Exchange Act Release No. 102798 (April 9, 2025) ("ISE Approval").

⁶ See Rule 19.3(i), which permits options trading on Fund Shares that (1) represent interests in registered investment companies (or series thereof) organized as open-end management

hold financial instruments, money market instruments, precious metals (which are deemed commodities), or Bitcoin (which is another crypto currency and deemed a commodity). In addition, Rule 19.3(i) requires that Fund Shares (1) meet the criteria and standards set forth in Rule 19.3(a) and (b),⁷ or (2) be available for creation or redemption each business day from or through the issuer in cash or in kind at a price related to net asset value, and the issuer must be obligated to issue Fund Shares even if some or all of the investment assets required to be deposited have not been received by the issuer, subject to the condition that the person obligated to deposit the investments has undertaken to deliver the investment assets as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the issuer, as provided in the respective prospectus.

investment companies, unit investment trusts or similar entities, and that hold portfolios of securities comprising or otherwise based on or representing investments in indexes or portfolios of securities (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities) (“Funds”) and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, 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”) constituting or otherwise based on or representing an investment in an index or portfolio of securities and/or Financial Instruments and Money Market Instruments, or (2) 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 (3) represent interests in a trust or similar entity that holds a specified non- U.S. currency or currencies deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust 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 (4) represent interests in the SPDR Gold Trust or are issued by the iShares COMEX Gold Trust, the iShares Silver Trust, Aberdeen Standard Physical Silver Trust, Aberdeen Standard Physical Gold Trust, Aberdeen Standard Physical Palladium Trust, Aberdeen Standard Physical Platinum Trust, Sprott Physical Gold Trust, Goldman Sachs Physical Gold ETF, Fidelity Wise Origin Bitcoin Fund, ARK 21Shares Bitcoin ETF, iShares Bitcoin Trust, Grayscale Bitcoin Trust, Grayscale Bitcoin Mini Trust, or Bitwise Bitcoin ETF.

⁷ Rule 19.3(a) and (b) sets forth the criteria that underlying securities must satisfy for option contracts on those underlying securities to be eligible for listing and trading on the Exchange.

The Exchange proposes to add the Trust to the list of Fund Shares on which the Exchange may list options in Rule 19.3(i).⁸ The shares are issued by the Trust, a Delaware statutory trust. The Trust will operate pursuant to a trust agreement (the “Trust Agreement”) between the Sponsor, BlackRock Fund Advisors (the “Trustee”) as the trustee of the Trust and will appoint Wilmington Trust, National Association, as Delaware Trustee of the Trust (the “Delaware Trustee”) by such time that the Registration Statement is effective. The Trust issues Fund Shares representing fractional undivided beneficial interests in its net assets. The assets of the Trust will consist only of ether (“ether” or “ETH”) held by a custodian on behalf of the Trust, except under limited circumstances when transferred through the Trust’s prime broker temporarily (described below), and cash. Neither the Trust, nor the Sponsor, nor the Ether Custodian (as defined below), nor any other person associated with the Trust will, directly or indirectly, engage in action where any portion of the Trust’s ETH becomes subject to the Ethereum proof-of-stake validation or is used to earn additional ETH or generate income or other earnings. Coinbase Custody Trust Company, LLC (the “Ether Custodian”), is the custodian for the Trust’s ether holdings, and maintains a custody account for the Trust (“Custody Account”); Coinbase, Inc. (the “Prime Execution Agent”), an affiliate of the Ether Custodian, is the prime broker for the Trust and maintains a trading account for the

⁸ The Exchange is also proposing a technical amendment to Rule 19.3(i) to amend the names "Aberdeen Standard Physical Silver Trust, Aberdeen Standard Physical Gold Trust, Aberdeen Standard Physical Palladium Trust, and Aberdeen Standard Physical Platinum Trust" to "abrdn Standard Physical Silver Trust, abrdn Standard Physical Gold Trust, abrdn Standard Physical Palladium Trust, and abrdn Standard Physical Platinum Trust" to amend the names of these ETFs to reflect their current names. These were renamed effective March 31, 2022. See https://www.sec.gov/Archives/edgar/data/1459862/000138713122003305/pall-424b3_030822.htm, https://www.sec.gov/Archives/edgar/data/1450923/000138713122003311/sgol-424b3_030822.htm, https://www.sec.gov/Archives/edgar/data/1450922/000138713122003309/sivr-424b3_030822.htm and https://www.sec.gov/Archives/edgar/data/1460235/000138713122003303/pplt-424b3_030822.htm.

Trust (“Trading Account”); and The Bank of New York Mellon is the custodian for the Trust’s cash holdings (the “Cash Custodian” and together with the Ether Custodian, the “Custodians”) and the administrator of the Trust (the “Trust Administrator”). Under the Trust Agreement, the Trustee may delegate all or a portion of its duties to any agent, and has delegated the bulk of the day-to-day responsibilities to the Trust Administrator and certain other administrative and record-keeping functions to its affiliates and other agents. The Trust is not an investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”).

The investment objective of the Trust is to reflect generally the performance of the price of ether. The Trust seeks to reflect such performance before payment of the Trust’s expenses and liabilities. The Fund Shares are intended to constitute a simple means of making an investment similar to an investment in ether through the public securities market rather than by acquiring, holding and trading ether directly on a peer-to-peer or other basis or via a digital asset platform. The Fund Shares have been designed to remove the obstacles represented by the complexities and operational burdens involved in a direct investment in ether, while at the same time having an intrinsic value that reflects, at any given time, the investment exposure to the ether owned by the Trust at such time, less the Trust’s expenses and liabilities. Although the Fund Shares are not the exact equivalent of a direct investment in ether, they provide investors with an alternative method of achieving investment exposure to ether through the public securities market, which may be more familiar to them.

An investment in the Fund Shares is backed by ether held by the Ether Custodian on behalf of the Trust. All of the Trust’s ether will be held in the Custody Account, other

than the Trust's ether which is temporarily maintained in the Trading Account under limited circumstances, i.e., in connection with creation and redemption Basket⁹ activity or sales of ether deducted from the Trust's holdings in payment of Trust expenses or the Sponsor's fee (or, in extraordinary circumstances, upon liquidation of the Trust). The Custody Account includes all of the Trust's ether held at the Ether Custodian, but does not include the Trust's ether temporarily maintained at the Prime Execution Agent in the Trading Account from time to time. The Ether Custodian will keep all of the private keys associated with the Trust's ether held in the Custody Account in "cold storage".¹⁰ The hardware, software, systems, and procedures of the Ether Custodian may not be available or cost-effective for many investors to access directly.

The Exchange believes that offering options on the Trust will benefit investors by providing them with an additional, relatively lower cost investing tool to gain exposure to spot ether as well as a hedging vehicle to meet their investment needs in connection with ether products and positions. Similar to other commodity ETFs in which options may be listed on the Exchange (e.g. SPDR® Gold Trust, the iShares COMEX Gold Trust, the iShares Silver Trust, or the Aberdeen Standard Physical Gold Trust),¹¹ the proposed ETF is a trust that essentially offers the same objectives and benefits to investors.

Options on the Trust will trade in the same manner as options on other ETFs on the Exchange. Exchange Rules that currently apply to the listing and trading of all

⁹ The Trust issues and redeems Shares only in blocks of 40,000 or integral multiples thereof. A block of 40,000 Shares is called a "Basket." These transactions take place in exchange for ether.

¹⁰ The term "cold storage" refers to a safeguarding method by which the private keys corresponding to the Trust's ether are generated and stored in an offline manner, subject to layers of procedures designed to enhance security. Private keys are generated by the Ether Custodian in offline computers that are not connected to the internet so that they are more resistant to being hacked.

¹¹ See Rule 19.3(i).

options on ETFs on the Exchange, including, for example, Rules that govern listing criteria, expirations, exercise prices, minimum increments, position and exercise limits, margin requirements, customer accounts and trading halt procedures, will apply to the listing and trading of options on the Trust on the Exchange. Today, these rules apply to options on the various commodities ETFs deemed appropriate for options trading on the Exchange pursuant to Rule 19.3(i).

Pursuant to Rule 19.3(a), a security (which includes a Fund Share) on which options may be listed and traded on the Exchange must be registered (with the Commission) and be an NMS stock (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934, as amended (the “Act”)), and be characterized by a substantial number of outstanding shares that are widely held and actively traded.¹² Additionally, Rule 19.3(i)(1) requires that Fund Shares either (1) meet the criteria and standards set forth in Rule 19.3(a) and (b),¹³ or (2) are available for creation or redemption each business day in cash or in kind from the investment company, commodity pool or other entity at a price related to net asset value, and the investment company, commodity pool or other entity is obligated to provide that Fund Shares may be created even if some or all of the securities and/or cash required to be deposited have not been received by the Fund, the unit investment trust or the management investment company, provided the authorized creation participant has undertaken to deliver the securities and/or cash as soon as possible and such undertaking is secured by the delivery

¹² The criteria and guidelines for a security to be considered widely held and actively traded are set forth in Rule 19.3(b), subject to exceptions.

¹³ Rule 19.3(a) and (b) sets forth the criteria an underlying security must meet for the Exchange to be able to list options on the underlying.

and maintenance of collateral consisting of cash or cash equivalents satisfactory to the Fund, all as described in the Fund's or unit trust's prospectus. The Trust satisfies Rule 19.3(i)(1)(B), as each is subject to this creation and redemption process.

Options on the Trust will be subject to the Exchange's continued listing standards set forth in Rule 19.4(g) for Fund Shares deemed appropriate for options trading pursuant to Rule 19.3(i). Specifically, 19.4(g) provides that Fund Shares that were initially approved for options trading pursuant to Rule 19.3 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 Fund Shares if the security ceases to be an NMS stock (see Rule 19.4(b)(4)). Additionally, the Exchange will not open for trading any additional series of option contracts of the class covering Fund Shares in any of the following circumstances: (1) in the case of options covering Fund Shares approved for trading under Rule 19.3(i)(1)(A), in accordance with the terms of Rule 19.4(b)(1), (2) and (3); (2) in the case of options covering Fund Shares approved pursuant to Rule 19.3(i)(1)(B), following the initial 12-month period beginning upon the commencement of trading in the Fund Shares on a national securities exchange and are defined as NMS stock under Rule 600 of Regulation NMS, there were fewer than 50 record and/or beneficial holders of such Fund Shares for 30 consecutive days; (3) the value of the index, non-U.S. currency, portfolio of commodities including commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or Financial Instruments or Money Market Instruments, or portfolio of securities on which the Fund Shares are based is no longer calculated or available; or (4) such other event occurs or condition exists that in the

opinion of the Exchange makes further dealing in such options on the Exchange inadvisable.

Options on the Trust will be physically settled contracts with American-style exercise.¹⁴ Consistent with current Rule 19.5, which governs the opening of options series on a specific underlying security (including Fund Shares), the Exchange will open at least one expiration month for options on the Trust¹⁵ at the commencement of trading on the Exchange and may also list series of options on the Trust for trading on a weekly,¹⁶ monthly,¹⁷ or quarterly¹⁸ basis. The Exchange may also list long-term equity option series (“LEAPS”) that expire from 12 to 39 months from the time they are listed.¹⁹

Pursuant to Rule 19.5, Interpretation and Policy .01, which governs strike prices of series of options on Fund Shares, the interval of strike prices for series of options on the Trust will be \$1 or greater when the strike price is \$200 or less and \$5 or greater

¹⁴ See Rule 19.2, which provides that the rights and obligations of holders and writers are set forth in the Rules of the Options Clearing Corporation (“OCC”); see also OCC Rules, Chapters VIII (which governs exercise and assignment) and Chapter IX (which governs the discharge of delivery and payment obligations arising out of the exercise of physically settled stock option contracts).

¹⁵ See Rule 19.5(b) and (c). The monthly expirations are subject to certain listing criteria for underlying securities described within Rule 19.3. Monthly listings expire the third Friday of the month. The term “expiration date” (unless separately defined elsewhere in the OCC By-Laws), when used in respect of an option contract (subject to certain exceptions), means the third Friday of the expiration month of such option contract, or if such Friday is a day on which the exchange on which such option is listed is not open for business, the preceding day on which such exchange is open for business. See OCC By-Laws Article I, Section 1. Pursuant to Rule 19.5(c), additional series of options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to expiration.

¹⁶ See Rule 19.5, Interpretation and Policy .05.

¹⁷ See Rule 19.5, Interpretation and Policy .08.

¹⁸ See Rule 19.5, Interpretation and Policy .04.

¹⁹ See Rule 19.7.

where the strike price is over \$200.²⁰ Additionally, the Exchange may list series of options pursuant to the \$1 Strike Price Interval Program,²¹ the \$0.50 Strike Program,²² the \$2.50 Strike Price Program,²³ and the \$5 Strike Program.²⁴ Pursuant to Rule 21.5, where the price of a series of a Trust option is less than \$3.00, the minimum increment will be \$0.05, and where the price is \$3.00 or higher, the minimum increment will be \$0.10.²⁵ Any and all new series of Trust options that the Exchange lists will be consistent and comply with the expirations, strike prices, and minimum increments set forth in Rules 19.5 and 21.5, as applicable.

Trust options will trade in the same manner as any other Fund Share options on the Exchange. The Exchange Rules that currently apply to the listing and trading of all Fund Share options on the Exchange, including, for example, Rules that govern listing criteria, expirations, exercise prices, minimum increments, margin requirements, customer accounts, and trading halt procedures will apply to the listing and trading of Trust options on the Exchange in the same manner as they apply to other options on all other Fund Shares that are listed and traded on the Exchange, including the precious-metal and Bitcoin-backed commodity Fund Shares already deemed appropriate for

²⁰ The Exchange notes that for options listed pursuant to the Short Term Option Series Program, the Monthly Options Series Program, and the Quarterly Options Series Program, Rule 19.5, Interpretations and Policies .05, .08, and .04, specifically sets forth intervals between strike prices on Quarterly Options Series, Short Term Option Series, and Monthly Options Series, respectively.

²¹ See Rule 19.5, Interpretations and Policies .01 and .02.

²² See Rule 19.5, Interpretation and Policy .06.

²³ See Rule 19.5, Interpretation and Policy .03.

²⁴ See Rule 19.5(d)(5).

²⁵ If options on an Ethereum Fund are eligible to participate in the Penny Interval Program, the minimum increment will be \$0.01 for series with a price below \$3.00 and \$0.05 for series with a price at or above \$3.00. See Rule 21.5(d) (which describes the requirements for the Penny Interval Program).

options trading on the Exchange pursuant to current Rule 19.3(i).²⁶

Position and exercise limits for options on ETFs, including options on the Trust, are determined pursuant to Exchange Rules 18.7 and 18.9, respectively.²⁷ Position and exercise limits for ETF options vary according to the number of outstanding shares and the trading volumes of the underlying ETF over the past six months, where the largest in capitalization and the most frequently traded ETFs have an option position and exercise limits of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; and smaller capitalization ETFs have position and exercise limits of 200,000, 75,000, 50,000 or 25,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market.

Notwithstanding the position limits in Exchange Rule 18.7 and exercise limits in Exchange Rule 18.9, the Exchange proposes the position and exercise limits for the options on the Trust to be 25,000 contracts on the same side. The Exchange believes these proposed position and exercise limits are reasonable and appropriate. In considering the appropriate position and exercise limits for the Trust options, the Exchange reviewed the data presented by ISE in the ISE Approval. In the ISE Approval, ISE considered the Trust's market capitalization and average daily volume ("ADV") against those of other

²⁶ See, e.g., SPDR Gold Trust, iShares COMEX Gold Trust or iShares Silver Trust, the Aberdeen Standard Physical Silver Trust, the Aberdeen Standard Physical Gold Trust, the Aberdeen Standard Physical Palladium Trust, the Aberdeen Standard Physical Platinum Trust, the Sprott Physical Gold Trust, the Goldman Sachs Physical Gold ETF or the Fidelity Wise Origin Bitcoin Fund, the ARK 21Shares Bitcoin ETF, the iShares Bitcoin Trust, the Grayscale Bitcoin Trust, the Grayscale Bitcoin Mini Trust, or the Bitwise Bitcoin ETF.

²⁷ See Regulatory Notice 23-12, available at: <https://info.memxtrading.com/wp-content/uploads/2023/09/RegNotice-23-12-Options-Position-Limits.pdf>, which informed Exchange members of the specific position limits applicable to options trading on MEMX Options, pursuant to Rule 18.7, as those position limits calculated and disseminated by the OCC, published daily and which can be found at: <https://www.theocc.com/market-data/market-data-reports/series-and-trading-data/position-limits>.

underlying securities, as well as the proposed position and exercise limit in relation to other options. In measuring the Trust against other securities, ISE aggregated market capitalization and volume data for securities that have defined position limits utilizing data from the OCC.²⁸ ISE also considered the trading volume for the Trust in terms of daily and notional volumes during the period of time the Trust has been trading from July 23, 2024 through December 14, 2024. The average daily volume for this time period is 5,302,533 shares and the average notional volume for this time period is \$127,825,276.00. The Trust had 93,352 shareholders.²⁹ ISE indicated both the average daily volume and the average notional volume experienced an uptick at launch (which can be typical for anticipated product launches) then levelled off for several months. Renewed growth in the cryptocurrency market caused increased growth beginning in early November 2024.

ISE reviewed the market capitalization and ADV of 3,930 options on single stock securities excluding ETFs.³⁰ Next, ISE aggregated this data based on market capitalization and ADV and grouped option symbols by position limit utilizing statistical thresholds for ADV and market capitalization 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 less than 500,000, 500,000 to 1,000,000 and greater than 1,000,000). Exchange Rule 18.7 sets out position limits for various contracts. For example, like ISE, a 25,000 contract limit

²⁸ ISE represented these computations were based on OCC data from October 22, 2024, and that data displaying zero values in market capitalization or ADV were removed.

²⁹ ISE represented it obtained this number from Broadridge Financial Solutions, Inc. on December 19, 2024.

³⁰ The Trust has one asset and therefore is not comparable to a broad based ETF where there are typically multiple components.

applies to those options having an underlying security that does not meet the requirements for a higher options contract limit. ISE indicated it performed this exercise to demonstrate the Trust's position limit relative to other options symbols in terms of market capitalization and ADV. For reference the market capitalization for the Trust was 1.16 billion³¹ with an ADV, for the preceding three months prior to October 22, 2024, of greater than 2.99 million shares. By comparison, other options symbols with similar market capitalization and ADV have a position limit of 50,000 contracts or 75,000 contracts.³² From a 90-day ADV perspective, ISE reviewed statistics that indicated that the Trust had a 90-day ADV greater than each of the stocks in the 100,000 contracts to 249,000 contracts range. Therefore, the proposed 25,000 same side position and exercise limits for options on the Trust are conservative.

Second, ISE reviewed the Trust's data relative to the market capitalization of the entire ether market in terms of exercise risk and availability of deliverables. Utilizing data as of October 22, 2024, there were 120,392,960 Ethereum in circulation. The price of Ethereum on October 22, 2024, was \$2,620 per coin which equates to a market capitalization of greater than \$315 billion US dollars. If a position limit of 25,000 options were considered (the position limit that would be typically assigned based upon data), the exercisable risk would represent less than 4.3524% of the outstanding shares of the

³¹ ISE acquired this figure as of October 22, 2024. See <https://www.ishares.com/us/products/337614/isharesethereum-trust-etf>. The global supply of ether grows each day ether are minted.

³² ISE determined the median market capitalization for 50,000 contracts was 788,000,000 million and the median market capitalization for 75,000 contracts was 1,037,000 billion. Further, placing the Trust at 50,000 contracts would rank it in the 59th percentile in market capitalization and placing the Trust at 75,000 contracts would rank it in the 46th percentile in market capitalization.

Trust.³³ Since the Trust has a creation and redemption process managed through the issuer, ISE additionally compared the position limit sought to the total market capitalization of the entire Ethereum market. In this case, the exercisable risk represented by 25,000 options on the Trust would be less than 0.03% of the market capitalization of all outstanding ether. Assuming a scenario where all 25,000 options on ether shares were exercised given the proposed 25,000 per same side position limit, this would have a virtually unnoticed impact on the entire ether market. This analysis demonstrates that the proposed 25,000 per same side position limit (and exercise limit) is conservative and appropriate for options on the Trust.

Third, ISE reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the Commodity Futures Trading Commission (“CFTC”). While the CFTC, through the relevant Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), ISE examined equivalent ether futures position limits. In particular, ISE looked at the CME Ethereum futures contract³⁴ that has a position limit of 8,000 futures.³⁵ On October 22, 2024, CME ether futures settled at \$2,629. Using a contract multiplier of \$50, a position limit of 8,000 futures would have a notional value \$1.0516 billion (8,000 x \$50 x \$2,629). Using an October 22, 2024, share price of \$19.91 for shares of the Trust, a futures position of 8,000 contracts, with a notional value of \$1.0516 billion dollars would equate to an options position of 528,176 contracts (\$1.0516 billion (notional value

³³ The 4.4% was calculated as follows: 2,500,000 (exercisable stock from position limit) / 57,440,000 (shares outstanding on October 22, 2024) = 4.35237%.

³⁴ CME Ether Futures are described in Chapter 350 of CME’s Rulebook.

³⁵ See CME Rulebook, Chapter 5, Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices.

of 8,000 Ethereum futures contracts)/\$19.91 (price of the Trust shares) =52,817,679
(Trust shares)/100 (the number of shares represented by one options contract)) =528,176
options contracts. Because substantial sums of any distributed options portfolio are likely
to be out of the money on expiration, an options position limit equivalent to the CME
position limit for Ethereum (considering that all options deltas are ≤ 1.00) should be a bit
higher than the CME implied 528,176 contract 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).³⁶ 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.³⁷ 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 Ethereum, the Exchange believes that that the proposed same side position
limits are more than appropriate for the Trust options.

³⁶ Id.

³⁷ Id.

In analyzing the proposed position limit for options on the Trust, ISE also considered the supply of ether. Specifically, ISE examined the number of market participants with a position limit of 25,000 contracts that would need to exercise in unison to put the underlying asset under stress. In the case of options on ether, the proposed 25,000 same side position and exercise limit effectively restricts a market participant from holding positions that could be exercised in excess of 2,500,000 shares of the Trust. Utilizing data from October 22, 2024, the Trust had 57,440,000 shares outstanding, therefore 22.976 participants would have to simultaneously exercise their position limits in order to create a scenario that may put the underlying asset (shares of the Trust) under stress. The Exchange notes that historically, from observation only, it appears that no more than five market participants holding options positions in any single security have exercised in unison in any option. As unlikely an occurrence as all market participants exercising their positions in unison would be, if it were to occur, it should be noted that even such an occurrence would not likely put the Trust under stress as economic incentives, would induce the creation of more shares through the ETF creation and redemption process.

Further, given that the current global supply of Ethereum, the underlying asset of the Trust, is 120,392,960³⁸ coins and each Ethereum coin can currently be exchanged (Ethereum to USD and then USD to Trust shares) for 131.6 shares of the Trust another 15,843,979,598 shares of the Trust could be created by the underlying ETF. In addition, as of October 22, 2024, a 25,000 contract position limit for options on the Trust would

³⁸ This figure was acquired as of October 22, 2024. See <https://www.ishares.com/us/products/337614/isharesethereum-trust-etf>. The global supply of ether grows each day ether are minted.

represent less than 4.3524% of the outstanding shares of the Trust (2,500,000 (position limit exercise)/ 57,440,000 (shares outstanding of the Trust on October 22, 2024)) = 4.3524%.³⁹ Also, as of October 22, 2024, a 25,000 contract position limit for options on the Trust would represent less than .01578% of the global supply of ether (2,500,000 (position limit exercise)/120,392,960 (number of ether) x 131.6 (Trust shares per ether)) = .01578%.

Today, the Exchange has an adequate surveillance program in place for options. The Exchange intends to apply those same program procedures to options on the Trust that it applies to the Exchange's other options products, including options on Fund Shares.⁴⁰ The Exchange's market surveillance staff would have access to the surveillances conducted by the Exchange's affiliated equities exchange, MEMX, LLC, with respect to the Trust and would review activity in the underlying Trust when conducting surveillances for market abuse or manipulation in the options on the Trust. Additionally, the Exchange is a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition to obtaining information from its affiliated market, the Exchange would be able to obtain information regarding trading in shares of the Trust from their primary listing markets and from other markets that trade shares of the Trust through ISG. In addition, the Exchange has a Regulatory Services Agreement with the Financial Industry Regulatory Authority ("FINRA") for certain market surveillance,

³⁹ See <https://coinmarketcap.com/currencies/ethereum/>.

⁴⁰ 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).

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.⁴¹

The underlying shares of spot Ethereum ETPs, including the Trust, are also subject to safeguards related to addressing market abuse and manipulation. As the Commission stated in its order approving proposals of several exchanges to list and trade shares of spot Ethereum-based ETPs,⁴² “[e]ach Exchange has a comprehensive surveillance-sharing agreement with the [CME] via their common membership in ISG. This facilitates the sharing of information that is available to the CME through its surveillance of its markets, including its surveillance of the CME Ether futures market.”⁴³ The Exchange states that, given the consistently high correlation between the CME Ethereum futures market and the spot Ethereum market, as confirmed by the Commission through robust correlation analysis, the Commission was able to conclude that such

⁴¹ 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.

⁴² See Securities Exchange Act Release Nos. 100224 (May 23, 2024), 89 FR 46937 (May 30, 2024) (SR-NYSEArca-2023-70; SR-NYSEArca-2024-31; SR-NASDAQ-2023-045; SR-CboeBZX-2023-069; SR-CboeBZX-2023-070; SR-CboeBZX-2023-087; SR-CboeBZX-2023-095; and SR-CboeBZX-2024-018) (Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, to List and Trade Shares of Ether-Based Exchange-Traded Products) (“Ethereum ETP Approval Order”).

⁴³ See Ethereum ETP Approval Order, at 46938 (footnotes excluded).

surveillance sharing agreements could reasonably be “expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the [Ethereum ETPs].”⁴⁴ In light of surveillance measures related to both options and futures as well as the underlying Trust,⁴⁵ the Exchange believes that existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed options on the Trust. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on the Trust.

Finally, quotation and last sale information for ETFs is available via the Consolidated Tape Association (“CTA”) high speed line. Quotation and last sale information for such securities is also available from the exchange on which such securities are listed. Quotation and last sale information for options on the Trust will be available via Options Price Reporting Authority (“OPRA”) and major market data vendors. The Exchange has also analyzed its capacity and represents that it believes the Exchange and OPRA have the necessary systems capacity to handle the additional traffic associated with the listing of new series that may result from the introduction of options on the Trust up to the number of expirations currently permissible under the Rules.

The Exchange believes that offering options on the Trust will benefit investors by providing them with an additional, relatively lower cost investing tool to gain exposure to the price of Ethereum and hedging vehicle to meet their investment needs in connection with Ethereum-related products and positions. The Exchange expects investors will

⁴⁴ See Ethereum ETP Approval Order, at 46941 (footnote excluded).

⁴⁵ See Ethereum ETP Approval Order.

transact in options on the Trust in the unregulated over-the-counter (“OTC”) options market,⁴⁶ but may prefer to trade such options in a listed environment to receive the benefits of trading listing options, including (1) enhanced efficiency in initiating and closing out positions; (2) increased market transparency; and (3) heightened contra-party creditworthiness due to the role of OCC as issuer and guarantor of all listed options. The Exchange believes that listing Trust options may cause investors to bring this liquidity to the Exchange, would increase market transparency and enhance the process of price discovery conducted on the Exchange through increased order flow. The Fund Shares that hold financial instruments, money market instruments, precious metal commodities, or Bitcoin on which the Exchange may already list and trade options are trusts structured in substantially the same manner as the Trust and essentially offer the same objectives and benefits to investors, just with respect to different assets. The Exchange notes that it has not identified any issues with the continued listing and trading of any Fund Share options, including Fund Shares that hold commodities (i.e., precious metals and Bitcoin) that it currently lists and trades on the Exchange.

Finally, the Exchange notes that applicable Exchange rules will require that customers receive appropriate disclosure before trading options in the Trust.⁴⁷ Further, brokers opening accounts and recommending options transactions must comply with relevant customer suitability standards.⁴⁸

2. Statutory Basis

⁴⁶ The Exchange understands from customers that investors have historically transacted in options on Fund Shares in the OTC options market if such options were not available for trading in a listed environment.

⁴⁷ See Rules 26.2(b) and (e).

⁴⁸ See Rule 26.4.

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.⁴⁹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁵⁰ 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)⁵¹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposal to list and trade options on the Trust will remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors because offering options on the Trust will provide investors with a greater opportunity to realize the benefits of utilizing options on an ETF based on spot Ethereum, including cost efficiencies and increased hedging strategies. The Exchange believes that offering options on a competitively priced ETF based on spot Ethereum will benefit investors by providing them with an additional, relatively lower-cost risk management tool, allowing

⁴⁹ 15 U.S.C. 78f(b).

⁵⁰ 15 U.S.C. 78f(b)(5).

⁵¹ Id.

them to manage, more easily, their positions and associated risks in their portfolios in connection with exposure to spot Ethereum. Additionally, the Exchange's offering of Trust options will provide investors with the ability to transact in such options in a listed market environment as opposed to in the unregulated OTC options market, which would increase market transparency and enhance the process of price discovery conducted on the Exchange through increased order flow to the benefit of all investors. Today, the Exchange lists options on other commodity (including Ethereum) ETFs structured as a trust, which essentially offer the same objectives and benefits to investors, and for which the Exchange has not identified any issues with the continued listing and trading of options on those ETFs.

The Exchange also believes the proposal to permit options on the Trust will remove impediments to and perfect the mechanism of a free and open market and a national market system, because options on the Trust will comply with current Exchange Rules. Options on the Trust must satisfy the initial listing standards and continued listing standards currently in the Rules, applicable to options on all ETFs, including options on other commodity ETFs already deemed appropriate for options trading on the Exchange pursuant to Rule 19.3(i). Position and exercise limits for options on ETFs, including options on the Trust, are determined pursuant to Rules 18.7 and 18.9.⁵²

Additionally, as demonstrated above, the Trust is characterized by a substantial number of shares that are widely held and actively traded. Further, Rules that currently govern the listing and trading of options on ETFs, including permissible expirations, strike prices, minimum increments, position and exercise limits (as proposed herein), and

⁵² See supra note 26.

margin requirements, will govern the listing and trading of options on the Trust.

The Exchange believes the proposed position and exercise limits are designed to prevent fraudulent and manipulative acts and practices and promote just and equitable principles of trade, as they are designed to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as disrupting the market in the security underlying the options. The proposed position and exercise limits for options on each of the Trust are 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, ADV, 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, as demonstrated above, the position limit (and exercise limit) is extremely conservative and more than appropriate given the Trust is actively traded. In support of the proposed position and exercise limits for options on the Trust are 25,000 contracts, the Exchange is citing the in depth analysis ISE did in the ISE Approval. As noted above, in ISE Approval, ISE considered the: (1) Trust's market capitalization and ADV, and proposed position limit in relation to other securities; (2) market capitalization of the entire Ethereum market in terms of exercise risk and availability of deliverables; (3) proposed position limit by comparing it to position limits for derivative products regulated by the CFTC; and (4) supply of Ethereum. Based on the Exchange's review of these analyses, the Exchange believes that setting position and exercise limits for options on the Trust at 25,000 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 Ethereum market.

The Exchange represents that it has the necessary systems capacity to support the new Trust options. As discussed above, the Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading Fund Share options, including Trust options. The Exchange's existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading options on ETFs and ETPs, such as (existing) precious metal-commodity backed ETP options as well as the proposed options on the Trust. The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of options on the Trust in all trading sessions and to deter and detect violations of Exchange rules. Specifically, the Exchange's market surveillance staff will have access to surveillances that it conducts, and that FINRA conducts on its behalf, with respect to the Trust and, as appropriate, would review activity in the underlying Fund when conducting surveillances for market abuse or manipulation in the options on the Trust. Additionally, the Exchange is a member of the ISG under the Intermarket Surveillance Group Agreement. ISG members work together to coordinate surveillance and investigative information sharing in the stock, options, and futures markets. In addition, the Exchange has a Regulatory Services Agreement with the FINRA and as noted herein, pursuant to a multi-party 17d-2 joint plan, all options exchanges allocate regulatory responsibilities to

FINRA to conduct certain options-related market surveillances. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on the Trust.

The underlying shares of spot Ethereum ETPs, including the Trust, are also subject to safeguards related to addressing market abuse and manipulation. As the Commission stated in its order approving proposals of several exchanges to list and trade shares of spot Ethereum-based ETPs, “[e]ach Exchange has a comprehensive surveillance-sharing agreement with the CME via their common membership in the Intermarket Surveillance Group. This facilitates the sharing of information that is available to the CME through its surveillance of its markets, including its surveillance of the CME ether futures market.”⁵³ The Exchange states that, given the consistently high correlation between the CME Ethereum futures market and the spot Ethereum market, as confirmed by the Commission through robust correlation analysis, the Commission was able to conclude that such surveillance sharing agreements could reasonably be “expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the [Ether ETPs].”⁵⁴ In light of the foregoing, the Exchange believes that existing surveillance procedures are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading the proposed options on the Trust. Further, the Exchange will implement any new surveillance procedures it deems necessary to effectively monitor the trading of options on Ethereum ETPs.

Finally, the Exchange notes that this proposal will remove impediments to and

⁵³ See Ethereum ETP Approval Order, 89 FR at 46938

⁵⁴ See Ethereum ETP Approval Order, 89 FR at 46941.

perfect the mechanism of a free and open market and a national market system and, in general, protect investors because applicable Exchange rules will require that customers receive appropriate disclosure before trading options in the Trust⁵⁵ and will require that brokers opening accounts and recommending options transactions must comply with relevant customer suitability standards.⁵⁶

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that 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 as Trust options will be equally available to all market participants who wish to trade such options and will trade generally in the same manner as other options. The Rules that currently apply to the listing and trading of all Fund Share options on the Exchange, including, for example, Rules that govern listing criteria, expirations, exercise prices, minimum increments, margin requirements, customer accounts, and trading halt procedures will apply to the listing and trading of the Trust options on the Exchange in the same manner as they apply to other options on all other Fund Shares that are listed and traded on the Exchange. Also, and as stated above, the Exchange already lists options on other commodity-based Fund Shares (including Bitcoin-based).⁵⁷ Further, the Trust would need to satisfy the maintenance listing standards set forth in the Exchange Rules in the same manner as any other Fund Share for

⁵⁵ See Rules 26.2(b) and (e).

⁵⁶ See Rule 26.4.

⁵⁷ See Rule 19.3(i).

the Exchange to continue listing options on them.

The Exchange does not believe that the proposal to list and trade options on the Trust will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the extent that the advent of the Trust options trading on the Exchange may make the Exchange a more attractive marketplace to market participants at other exchanges, such market participants are free to elect to become market participants on the Exchange. The Exchange notes that listing and trading Trust options on the Exchange will subject such options to transparent exchange-based rules as well as price discovery and liquidity, as opposed to alternatively trading such options in the OTC market.

The Exchange believes that the proposed rule change may relieve any burden on, or otherwise promote, competition, as it is designed to increase competition for order flow on the Exchange in a manner that is beneficial to investors by providing them with a lower-cost option to hedge their investment portfolios. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues that offer similar products. Ultimately, the Exchange believes that offering Trust options for trading on the Exchange will promote competition by providing investors with an additional, relatively low cost means to hedge their portfolios and meet their investment needs in connection with Ethereum prices and Ethereum-related products and positions on a listed options exchange.

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 proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act⁵⁸ and Rule 19b-4(f)(6)⁵⁹ thereunder. The Exchange has designated this proposal as one that effects a change that rule does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) by its terms, does not become operative for 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 Exchange believes that the proposed rule change to permit the Exchange to list and trade options on the Trust would not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition because the proposal is substantively similar to a proposal by ISE that was recently approved by the Commission.⁶⁰ The ISE Approval Order provides that ISE may list and trade options on the same Ether ETF as proposed by the Exchange herein on substantively similar terms and conditions (i.e., 25,000 position and exercise limits). Accordingly, the Exchange believes this proposal does not raise any new, unique or novel substantive issues from those raised by ISE to list and trade options on the Trust, which proposal was approved by the Commission.

Therefore, the Exchange believes that the proposed rule change is well-suited for, and meets the standards applicable to, the Commission's treatment of non-controversial

⁵⁸ 15 U.S.C. 78s(b)(3)(A).

⁵⁹ 17 CFR 240.19b-4(f)(6).

⁶⁰ See supra note 5.

proposals under Section 19(b)(3)(A) of the Act⁶¹ and Rule 19b-4(f)(6) thereunder.⁶²

Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file a 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. Furthermore, a proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act⁶³ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)⁶⁴ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest.

The Exchange respectfully requests that the Commission waive the five business day notice of the Exchange's intent to file this proposed rule change, as well as the 30-day operative delay, so that the proposed rule change may become immediately operative pursuant to Section 19(b)(3)(A) and Rule 19b-4(f)(6) thereunder. Waiver of these periods will allow the Exchange to immediately implement the proposed rule change upon its filing with the Commission, allowing the Exchange to immediately provide investors an additional source of liquidity for the Trust. The Exchange believes that waiver of both the operative delay and the requirement to provide five-days' written notice of the proposed rule change would be consistent with the protection of investors and the public interest because the Exchange believes that most, if not all, other competing exchanges filed to list (or plan to file to list) options on the Trust subject to this proposal, effective immediately. The requested waivers would, therefore, allow the Exchange to

⁶¹ 15 U.S.C. 78s(b)(3)(A).

⁶² 17 CFR 240.19b-4(f)(6).

⁶³ Id.

⁶⁴ Id.

immediately compete with other options exchanges for options order flow based on the Trust subject to this filing. Investors and the public interest will benefit by the trading of these option contracts on additional exchanges, via increased price competition.

Accordingly, the proposed waivers do not give rise to any novel investor protection concerns, as the Exchange's listing rules for these products are substantially similar to the listing exchange's rules for such products, which has been subject to Commission review and approval.⁶⁵

The Exchange respectfully requests that the Commission waive the 30-day operative delay. Waiver of the operative delay is consistent with the protection of investors and the public interest because it will ensure fair competition among the exchanges by allowing the Exchange to list options on the Trust at or near the same time as ISE.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such 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 will institute proceedings 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:

⁶⁵ See supra note 5.

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-MEMX-2025-11 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-MEMX-2025-11. 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-2025-11 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.⁶⁶

Sherry R. Haywood,

Assistant Secretary.

⁶⁶ 17 CFR 200.30-3(a)(12).

Exhibit 5

Proposed new language is underlined; Proposed deletions are in [brackets].

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CHAPTER 19. SECURITIES TRADED ON MEMX OPTIONS

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Rule 19.3. Criteria for Underlying Securities

(a) – (h) No change.

(i) Securities deemed appropriate for options trading shall include shares or other securities (“Fund Shares”), including but not limited to Partnership Units as defined in this Rule, that are principally traded on a national securities exchange and are defined as an “NMS stock” under Rule 600 of Regulation NMS, and that (1) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities, and that hold portfolios of securities comprising or otherwise based on or representing investments in indexes or portfolios of securities (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities) (“Funds”) and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, 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”) constituting or otherwise based on or representing an investment in an index or portfolio of securities and/or Financial Instruments and Money Market Instruments, or (2) 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 (3) represent interests in a trust or similar entity that holds a specified non-U.S. currency or currencies deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust 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 (4) represent interests in the SPDR Gold Trust or are issued by the iShares COMEX Gold Trust, the iShares Silver Trust, [Aberdeen]abrdn Standard Physical Silver Trust, [Aberdeen]abrdn Standard Physical Gold Trust, [Aberdeen]abrdn Standard Physical Palladium Trust, [Aberdeen]abrdn Standard Physical Platinum Trust, Sprott Physical Gold Trust, Goldman Sachs Physical Gold ETF, iShares Bitcoin Trust, Fidelity Wise Origin Bitcoin Fund, ARK 21Shares Bitcoin ETF, Grayscale Bitcoin Trust, Grayscale Bitcoin Mini Trust, [or]Bitwise Bitcoin ETF, or the iShares Ethereum Trust; provided that all of the following conditions are met:

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