





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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> is filing with the Securities and Exchange Commission (the “Commission”) a proposal to amend Rule 18.7, Position Limits, and Rule 18.9, Exercise Limits, regarding the position and exercise limits for options on the iShares Bitcoin Trust ETF (“IBIT”). The Exchange has designated this proposal as non-controversial pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) thereunder.<sup>4</sup>

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:

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

<sup>2</sup> 17 CFR 240.19b-4.

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

<sup>4</sup> 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 Rules 18.7 (Position Limits) and 18.9 (Exercise Limits)<sup>5</sup> to permit an increase in position and exercise limits for options on IBIT. This is a competitive filing based on a similar proposal submitted by Nasdaq ISE, LLC ("ISE") and approved by the Commission.<sup>6</sup>

IBIT is an Exchange-Traded Fund ("ETF") that holds bitcoin and is listed on the Nasdaq Stock Market LLC.<sup>7</sup> In November 2024, the Exchange received approval to list options on IBIT.<sup>8</sup> The position and exercise limits for IBIT options are stated in Exchange Rule 18.7, Position Limits, and Exchange Rule 18.9, Exercise Limits.<sup>9</sup> Position limits and exercise limits, are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with

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<sup>5</sup> The Exchange notes that all the rules of Chapter 18 of MEMX, including Rule 18.7 and 18.9, are incorporated by reference into the rulebook of MX2, LLC.

<sup>6</sup> See Securities Exchange Act Release No. 105317 (April 27, 2026), 91 FR 23333 (April 30, 2026) (SR-ISE2025-26) (Self-Regulatory Organizations; Nasdaq ISE, LLC; Order Approving a Proposed Rule Change, as Modified by Amendment No. 5, to Amend the Position and Exercise Limits for IBIT Options) ("ISE Approval Order").

<sup>7</sup> Nasdaq received approval to list and trade Bitcoin-Based Commodity-Based Trust Shares in IBIT pursuant to Rule 5711(d) of Nasdaq. See Securities Exchange Act Release No. 99306 (January 10, 2024), 89 FR 3008 (January 17, 2024) (SR-NASDAQ-2023-016) (Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, To List and Trade Bitcoin-Based Commodity-Based Trust Shares and Trust Units). IBIT started trading on January 11, 2024.

<sup>8</sup> See Securities Exchange Act Release No. 101778 (November 27, 2024), 89 FR 95871 (December 3, 2024) (SR-MEMX-2024-45).

<sup>9</sup> IBIT currently has a position and exercise limit of 250,000 contracts.

others directly or indirectly may control. These limits are intended to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as disrupting the market in the security underlying the options. Position and exercise limits must balance concerns regarding mitigating potential manipulation and the cost of inhibiting potential hedging activity that could be used for legitimate economic purposes. To achieve this balance, the Exchange proposes to increase the position limits and exercise limits for options on IBIT to 1,000,000 contracts by noting the proposed position limit in Rule 18.7, Interpretation and Policy .01, Position Limits, and the proposed exercise limit in Rule 18.9, Interpretation and Policy .01, Exercise Limits. The position limit for options on IBIT is currently set pursuant to Rule 18.7(d) where the largest in capitalization and the most frequently traded stocks and ETFs have an option position limit of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; and smaller capitalization stocks and ETFs have position limits of 200,000, 75,000, 50,000 or 25,000 contracts (with adjustments for splits, recapitalizations, etc.) on the same side of the market. The Exchange notes that the proposed position limits and exercise limits for options on IBIT are consistent with existing position limits and exercise limits for options on iShares MSCI Emerging Markets, iShares China Large-Cap ETF, and iShares MSCI EAFE ETF.

*Composition and Growth Analysis for Underlying ETFs*

As stated above, position (and exercise) limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate the underlying market so as to benefit options positions. The Commission has recognized that these limits are designed to minimize the potential for mini-

manipulations and for corners or squeezes of the underlying market, as well as serve to reduce the possibility for disruption of the options market itself, especially in illiquid classes.<sup>10</sup>

Per the Commission, “rules regarding position and exercise limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options positions.”<sup>11</sup> For this reason, the Commission requires that “position and exercise limits must be sufficient to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security.”<sup>12</sup> The Exchange has observed an ongoing increase in demand in options on IBIT in 2025.<sup>13</sup> The Exchange believes the current position limit and exercise limit of 250,000 contracts (the highest position limit available pursuant to Rule 18.7 and exercise limit pursuant to Rule 18.9) will impede trading activity and strategies of investors, such as use of effective hedging vehicles or income generating strategies (e.g., buy-write or put-write), and the ability of Market Makers to make liquid markets with tighter spreads in IBIT options.

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<sup>10</sup> See Securities Exchange Act Release No. 67672 (August 15, 2012), 77 FR 50750 (August 22, 2012) (SR-NYSEAmex-2012-29).

<sup>11</sup> See Securities Exchange Act Release No. 101128 (September 20, 2024), 89 FR 78942 (September 26, 2024) (SR-ISE-2024-03) (Notice of Filing of Amendment Nos. 4 and 5 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1, 4, and 5, To Permit the Listing and Trading of Options on the iShares Bitcoin Trust) (“ISE IBIT Approval Order”).

<sup>12</sup> See id.

<sup>13</sup> In 2025 the Exchange filed to eliminate the 25,000 contract position and exercise limits for IBIT options and apply the position and exercise limits in Exchange Rules 18.7 and 18.9, respectively, to IBIT options utilizing November 25, 2024 data. See Securities Exchange Act Release No. 103752 (August 20, 2025), 90 FR 41436 (August 25, 2025) (SR-MEMX-2025-26).

The Exchange believes that increasing the position limit (and exercise limit) for options on IBIT to 1,000,000 contracts would enable liquidity providers to provide additional liquidity to the Exchange, as well as other options exchange on which they participate. As described in further detail below, the Exchange believes that the continuously increasing market capitalization of IBIT options, as well as the highly liquid markets for those securities, reduces the concerns for potential market manipulation and/or disruption in the underlying markets upon increasing position limits, while the rising demand for trading options on IBIT for legitimate economic purposes compels an increase in position limits (and corresponding exercise limits).

IBIT currently qualifies for a 250,000 contract position limit pursuant to the criteria in Rule 18.7(d), which requires that, for the most recent six-month period, trading volume for the underlying security be at least 100 million shares.<sup>14</sup> As of February 11, 2026, the market capitalization for IBIT was 52,661,063,818<sup>15</sup> with an average daily volume (“ADV”), for the preceding 6 months prior to February 11, 2026 of 61,803,035 shares. By comparison on the same day, the iShares MSCI Emerging Markets (“EEM”) has an ADV of 29,459,889 shares and an AUM of 27,761,941,292 the iShares China Large-Cap ETF (“FXI”) has an ADV 31,656,532 and an AUM of 6,594,337,253, and the

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<sup>14</sup> Exchange Rule 18.7(d) provides at subparagraph (5) that to be eligible for the 250,000 contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least 100 million shares or the most recent six-month trading volume of the underlying security must have totaled at least seventy-five (75) million shares and the underlying security must have at least 300 million shares currently outstanding.

<sup>15</sup> The market capitalization was determined by multiplying a Net Asset Value of \$38.29 by the number of shares outstanding 1,337,920,000 This figure was acquired as of February 11, 2026. See <https://www.ishares.com/us/products/333011/ishares-Bitcoin-trust-etf>.

iShares MSCI EAFE ETF (“EFA”) has an ADV of 17,215,037 shares and an AUM of 76,788,457,200.<sup>16</sup>

In addition to IBIT’s Rule 18.7(d) eligibility for 250,000 contracts, ISE performed additional analysis with respect to IBIT. First, ISE considered IBIT’s market capitalization and ADV, and prospective position limit in relation to other securities. In measuring IBIT against other securities, ISE aggregated market capitalization and volume data for securities that have defined position limits utilizing data from The Options Clearing Corporations (“OCC”).<sup>17</sup> This pool of data took into consideration 3,797 options on single stock securities, excluding broad based ETFs.<sup>18</sup> Next, the data was aggregated based on market capitalization and ADV and grouped by option symbol and position limit utilizing statistical thresholds for ADV, based on 180 days, and market capitalization that were one standard deviation<sup>19</sup> above the mean for each position limit category (i.e. 25,000, 50,000 to 52,000, 75,000, 200,000, 250,000 to 375,000, 450,000 to 650,000, 750,000 to 1,250,000 and, and greater than or equal to 2,000,000).<sup>20</sup> This exercise was performed to demonstrate IBIT’s position limit relative to other options symbols in terms of market capitalization and ADV. For reference, the market

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<sup>16</sup> These figures are from February 11, 2026.

<sup>17</sup> The computations are based on OCC data from February 11, 2026. Data displaying zero values in market capitalization or ADV were removed.

<sup>18</sup> IBIT has one asset and therefore is not comparable to a broad-based ETF where there are typically multiple components.

<sup>19</sup> The standard deviation added limited utility to the analysis given the heavily skewed distribution of market capitalizations in the single stock securities.

<sup>20</sup> These buckets are based on OCC’s current positions limits. [See https://www.theocc.com/marketdata/market-data-reports/series-and-trading-data/position-limits.](https://www.theocc.com/marketdata/market-data-reports/series-and-trading-data/position-limits) Rule 18.7(d) sets out position limits for various contracts. For example, a 25,000 contract limit applies to those options having an underlying security that does not meet the requirements for a higher options contract limit. The Exchange notes that position limits may also be higher due to corporate actions in the underlying equities, such as a stock split.

capitalization for IBIT was \$52,661,063,818<sup>21</sup> with an ADV for the preceding 180 days prior to February 11, 2026, of 61,803,035 shares.

According to the ISE Approval Order, if IBIT were compared to the 10 stocks that have position limits of 750,000 contracts to 1.25 million contracts it would rank in the 45th percentile for market capitalization and the 89th percentile for ADV. ISE also analyzed the position limits for IBIT by regressing the median elements from each bucket of market capitalization and 180-day ADV of all non-ETF equities, against their respective position limit figures. From this regression, ISE was able to determine the implied coefficients to create a formulaic method for determining an appropriate position limit.<sup>22</sup> ISE utilized a linear model approach which incorporated the median metric from each bucket given the data at both the lower end of each position limit bucket and the higher end of each position limit bucket could be considered significant outliers, thereby skewing the results.

ISE utilized IBIT's market capitalization of 52,661,063,818 to arrive at a modeled position limit of 1,707,654. Additionally, ISE utilized IBIT's ADV of 61,803,035 to arrive at a modeled position limit of 5,672,081. Based on the aforementioned analysis, the Exchange believes that the proposed 1,000,000 contracts position and exercise limit is appropriate.

Second, ISE reviewed IBIT's data relative to the market capitalization of the entire Bitcoin market in terms of exercise risk and availability of deliverables. Also, as of

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<sup>21</sup> Net Asset Value of \$38.29 by the number of shares outstanding 1,337,920,000 This figure was acquired as of February 11, 2026. See <https://www.ishares.com/us/products/333011/ishares-Bitcoin-trust-etf>.

<sup>22</sup> ISE utilized Excel's Data Analysis Package to model the position limit.

February 11, 2026, there were approximately 20.5 million Bitcoins in circulation.<sup>23</sup> At a price of \$66,938,<sup>24</sup> that equates to a market capitalization of greater than \$1.374 trillion US. If a position limit of 1,000,000 contracts were considered, the exercisable risk would represent 7.474%<sup>25</sup> of the outstanding shares outstanding of IBIT. Since IBIT has a creation and redemption process managed through the issuer, the position limit can be compared to the total market capitalization of the entire Bitcoin market and in that case, the exercisable risk for options on IBIT would represent 0.278% of all Bitcoin outstanding.<sup>26</sup> Assuming a scenario where all options on IBIT shares were exercised given the proposed 1,000,000-contract position limit (and exercise limit), this would have a virtually unnoticed impact on the entire Bitcoin market. This analysis demonstrates that the proposed 1,000,000 per same side position and exercise limit is appropriate for options on IBIT given its liquidity.

Third, ISE reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the Commodity Futures Trading Commission (“CFTC”). While the CFTC, through the relevant Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), ISE examined equivalent bitcoin futures position limits. In particular, ISE

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<sup>23</sup> See <https://www.coingecko.com/en/coins/Bitcoin>.

<sup>24</sup> This is the approximate price of Bitcoin from February 11, 2026.

<sup>25</sup> This percentage is arrived at with this equation:  $(1,000,000 \text{ contract limit} * 100 \text{ share per option} / 1,337,920,000 \text{ shares outstanding})$ .

<sup>26</sup> This number was arrived at with this calculation:  $(1,000,000 \text{ limit} * 100 \text{ shares per option} * \$38.29 \text{ IBIT NAV}) / (20,528,687 \text{ BTC outstanding} * \$66,938 \text{ BTC price})$ .

looked to the CME bitcoin futures contract<sup>27</sup> that has a position limit of 2,000 futures.<sup>28</sup> On February 11, 2026, CME bitcoin futures settled at \$677,150,406.33.<sup>29</sup> On February 11, 2026, IBIT settled at \$38.29, which would equate to greater than 17,684,774 shares of IBIT if the CME notional position limit was utilized. Since substantial portions of any distributed options portfolio is likely to be out of the money on expiration, an options position limit equivalent to the CME position limit for bitcoin futures (considering that all options deltas are  $\leq 1.00$ ) should be a bit higher than the CME implied 176,848 limit. Of note, unlike options contracts, CME position limits are calculated on a net futures-equivalent basis by contract and include contracts that aggregate into one or more base contracts according to an aggregation ratio(s).<sup>30</sup> Therefore, if a portfolio includes positions in options on futures, CME would aggregate those positions into the underlying futures contracts in accordance with a table published by CME on a delta equivalent value for the relevant spot month, subsequent spot month, single month and all month position limits.<sup>31</sup> If a position exceeds position limits because of an option assignment, CME permits market participants to liquidate the excess position within one business day without being considered in violation of its rules. Additionally, if at the close of trading, a position that includes options exceeds position limits for futures contracts, when evaluated using the delta factors as of that day's close of trading, but does not exceed the

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<sup>27</sup> CME Bitcoin Futures are described in Chapter 350 of CME's Rulebook.

<sup>28</sup> See the Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5 of CME's Rulebook.

<sup>29</sup> 2,000 futures at a 5 bitcoin multiplier (per the contract specifications) equates to \$677,150,000 (2,000 contracts \* 5 BTC per contract \* \$67,715 price of February BTC future) of notional value.

<sup>30</sup> See <https://www.cmegroup.com/education/courses/market-regulation/position-limits/position-limitsaggregation-of-contracts-and-table.htm>.

<sup>31</sup> Id.

limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation. Based on the aforementioned analysis, the Exchange believes that the proposed 1,000,000 contracts position and exercise limit is appropriate.

Fourth, ISE analyzed a position limit and exercise limit of 1,000,000 for IBIT options against other options on ETFs with an underlying commodity, namely SPDR Gold Shares ("GLD"), iShares Silver Trust ("SLV"), and ProShares Bitcoin ETF ("BITO").<sup>32</sup> GLD has a float of 377 million shares<sup>33</sup> and a position limit of 250,000 contract. SLV has a float of 552 million shares,<sup>34</sup> and a position limit of 250,000 contracts. Finally, BITO has 200.89 million shares outstanding<sup>35</sup> and a position limit of 250,000 contracts. As previously noted, position limits and exercise limits are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or indirectly, may control. A position limit exercise in GLD would represent 6.63% of the float of GLD; a position limit exercise in SLV would represent 4.53% of the float of SLV, and a position limit exercise of BITO would represent 12.44% of the float of BITO. In comparison, a 1,000,000-contract position limit in IBIT options would represent 7.474%<sup>36</sup> of the float of IBIT. Consequently, the 1,000,000 proposed IBIT options position and exercise limit is more conservative than the standard applied to GLD, SLV and BITO, and appropriate.

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<sup>32</sup> GLD, SLV and BITO each hold one asset in trust similar to IBIT.

<sup>33</sup> See <https://www.ssga.com/us/en/intermediary/etfs/spdr-gold-shares-gld>.

<sup>34</sup> See <https://www.ishares.com/us/products/239855/ishares-silver-trust-fund>

<sup>35</sup> See <https://www.marketwatch.com/investing/fund/bit0>.

<sup>36</sup> This percentage is arrived at with this equation: (1,000,000 contract limit \* 100 share per option / 1,337,920,000 shares outstanding). This information was captured on February 11, 2026.

Fifth, ISE notes that IBIT began trading in penny increments as of January 2, 2025 pursuant to the Penny Interval Program.<sup>37</sup> The Commission noted that evidence and analysis provided in connection with the Penny Pilot demonstrated that the Pilot benefited investors and other market participants in the form of narrower spreads.<sup>38</sup> The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests). As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class experienced a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.<sup>39</sup> IBIT options is among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments. Failing to increase position and exercise limits for IBIT options, now that it is trading in finer increments, may artificially inhibit liquidity and create price inefficiency. The Exchange notes that options on iShares MSCI Emerging Markets, iShares China Large-Cap ETF and iShares MSCI EAFE ETF also trade in penny increments based on their liquidity.

The Exchange believes that IBIT options have more than sufficient liquidity to garner an increased position and exercise limit of 1,000,000 contracts. The Exchange believes that any concerns related to manipulation and protection of investors are

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<sup>37</sup> See Rule 21.5.

<sup>38</sup> See Securities Exchange Act Release No. 88532 (April 1, 2020), 85 FR 19545, 19548 (April 7, 2020) (File No. 4-443) (Joint Industry Plan; Order Approving Amendment No. 5 to the Plan for the Purpose of Developing and Implementing Procedures Designed To Facilitate the Listing and Trading of Standardized Options To Adopt a Penny Interval Program) (“Penny Approval Order”).

<sup>39</sup> Id. at 19548

mollified by the significant liquidity provision in IBIT. The Exchange states that, as a general principle, increases in active trading volume and deep liquidity of the underlying securities do not lead to manipulation and/or disruption.

The Exchange believes that increasing the position (and exercise) limits for IBIT options would lead to a more liquid and competitive market environment for IBIT options, which will benefit customers that trade these options. Further, the reporting requirement for such options would remain unchanged. Thus, the Exchange will still require that each Participant that maintains positions in impacted options on the same side of the market, for its own account or for the account of a customer, report certain information to the Exchange. This information includes, but would not be limited to, the options' positions, whether such positions are hedged and, if so, a description of the hedge(s). Market Makers would continue to be exempt from this reporting requirement, however, the Exchange may access Market Maker position information.<sup>40</sup> Moreover, the Exchange's requirement that Participants file reports with the Exchange for any customer who held aggregate large long or short positions on the same side of the market of 200 or more option contracts of any single class for the previous day will remain at this level and will continue to serve as an important part of the Exchange's surveillance efforts.<sup>41</sup>

The Exchange also has no reason to believe that the growth in trading volume in IBIT will not continue. Rather, the Exchange expects continued options volume growth in IBIT as opportunities for investors to participate in the options markets increase and

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<sup>40</sup> OCC through the Large Option Position Reporting ("LOPR") system acts as a centralized service provider for Participant compliance with position reporting requirements by collecting data from each Participant, consolidating the information, and ultimately providing detailed listings of each Participant's report to the Exchange, as well as Financial Industry Regulatory Authority, Inc. ("FINRA"), acting as its agent pursuant to a regulatory services agreement ("RSA").

<sup>41</sup> See Rule 18.10.

evolve. The Exchange believes that the current position and exercise limits in IBIT options are restrictive and will hamper the listed options markets from being able to compete fairly and effectively with the over-the-counter (“OTC”) markets. OTC transactions occur through bilateral agreements, the terms of which are not publicly disclosed to the marketplace. As such, OTC transactions do not contribute to the price discovery process on a public exchange or other lit markets. The Exchange believes that without the proposed changes to position and exercise limits for IBIT options, market participants will find the 250,000-contract position limit an impediment to their business and investment objectives as well as an impediment to efficient pricing. As such, market participants may find the less transparent OTC markets a more attractive alternative to achieve their investment and hedging objectives, leading to a retreat from the listed options markets, where trades are subject to reporting requirements and daily surveillance.

The Exchange believes that the existing surveillance procedures and reporting requirements at the Exchange are capable of properly identifying disruptive and/or manipulative trading activity. The Exchange also represents that it has adequate surveillances in place to detect potential manipulation, as well as reviews in place to identify continued compliance with the Exchange’s listing standards. These procedures monitor market activity via automated surveillance techniques to identify unusual activity in both options and the underlyings, as applicable. The Exchange also notes that large stock holdings must be disclosed to the Commission by way of Schedules 13D or 13G,<sup>42</sup> which are used to report ownership of stock which exceeds 5% of a company's total stock

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<sup>42</sup> 17 CFR 240.13d-1.

issue and may assist in providing information in monitoring for any potential manipulative schemes. Further, the Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged positions in equity options. Current margin and risk-based haircut methodologies serve to limit the size of positions maintained by any one account by increasing the margin and/or capital that a Participant must maintain for a large position held by itself or by its customer.<sup>43</sup> In addition, Rule 15c3-1<sup>44</sup> imposes a capital charge on Participants to the extent of any margin deficiency resulting from the higher margin requirement.

b. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>45</sup> in general, and Section 6(b)(5) of the Act,<sup>46</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

The Exchange believes that increasing the position limit and exercise limit for options on IBIT to 1,000,000 contracts is consistent with the Act. This proposal will

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<sup>43</sup> See Rule 28.3.

<sup>44</sup> 17 CFR 240.15c3-1.

<sup>45</sup> 15 U.S.C. 78f(b).

<sup>46</sup> 15 U.S.C. 78f(b)(5).

remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it will provide market participants with the ability to more effectively execute their trading and hedging activities. Also, based on current trading volume, the resulting increase in the position (and exercise) limits for IBIT options may allow Market Makers to maintain their liquidity in these options in amounts commensurate with the continued high consumer demand in IBIT options. The increased position and exercise limits may also encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. Further, this proposal would allow institutional investors to utilize IBIT options for prudent risk management purposes.

In addition, the Exchange believes that the current liquidity in IBIT will continue to mitigate concerns regarding potential manipulation of IBIT options and/or disruption of IBIT upon amending the table of position limits in Rule 18.7, Interpretation and Policy .01. ISE compared IBIT's data relative to the market capitalization of the entire Bitcoin market in terms of exercise risk and availability of deliverables, and concluded that if a position limit of 1,000,000 contracts were considered, the exercisable risk would represent 7.474%<sup>47</sup> of the shares outstanding of IBIT. Since IBIT has a creation and redemption process managed through the issuer (whereby Bitcoin is used to create IBIT shares), the position limit can be compared to the total market capitalization of the entire

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<sup>47</sup> This percentage is arrived at with this equation:  $(1,000,000 \text{ contract limit} * 100 \text{ share per option} / 1,337,920,000 \text{ shares outstanding})$ . This information was captured on February 11, 2026.

Bitcoin market and in that case, the exercisable risk for options on IBIT would represent less than 0.278% of all Bitcoin outstanding.<sup>48</sup> This analysis demonstrated that a 1,000,000 contracts position and exercise limits would be appropriate. Comparing a position limit of 1,000,000 for IBIT options against other options on ETFs with an underlying commodity, namely GLD, SLV and BITO, a position limit exercise in GLD represents 6.63% of the float of GLD, a position limit exercise in SLV represents 4.53% of the float of SLV, and a position limit exercise of BITO represents 12.44% of the float of BITO. In comparison, a 1,000,000-contract position limit in IBIT options would represent 7.474%<sup>49</sup> of the float of IBIT. Consequently, a 1,000,000 IBIT options position limit is generally aligned with the standards applied to GLD, SLV and BITO, and appropriate. ISE notes that IBIT began trading in penny increments on January 2, 2025 pursuant to the Penny Interval Program.<sup>50</sup> The Commission noted that evidence and analysis provided in connection with the Penny Pilot demonstrated that the Pilot benefitted investors and other market participants in the form of narrower spreads.<sup>51</sup> The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests).<sup>52</sup> As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class that experience a significant growth in investor interest) to quote in finer

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<sup>48</sup> This number was arrived at with this calculation:  $(1,000,000 \text{ limit} * 100 \text{ shares per option} * \$38.29 \text{ IBIT NAV}) / (20,528,687 \text{ BTC outstanding} * \$66,938 \text{ BTC price})$ .

<sup>49</sup> This percentage is arrived at with this equation:  $(1,000,000 \text{ contract limit} * 100 \text{ share per option} / 1,337,920,000 \text{ shares outstanding})$ . This information was captured on February 11, 2026.

<sup>50</sup> See Rule 21.5.

<sup>51</sup> See supra note 38.

<sup>52</sup> Options on iShares MSCI Emerging Markets, iShares China Large-Cap ETF and iShares MSCI EAFE ETF also trade in penny increments based on their liquidity.

trading increments, which in turn should benefit market participants by reducing the cost of trading such options.<sup>53</sup> IBIT options are among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments pursuant to the Penny Interval Program. Failing to permit IBIT options to potentially increase position and exercise limits given the trading in finer increments, may artificially inhibit liquidity and create price inefficiency for IBIT options.

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

#### 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 not necessary or appropriate in furtherance of the purposes of the Act. In this regard and as indicated above, the Exchange notes that the rule change is substantially similar in all material respects to a proposal submitted by ISE.<sup>54</sup>

The Exchange does not believe that the proposed rule change will impose any burden on inter-market competition as the proposal is not competitive in nature. The

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<sup>53</sup> See supra note 38.

<sup>54</sup> See supra note 6.

Exchange expects that all option exchanges will adopt substantively similar proposals, such that the Exchange's proposal would benefit competition. For these reasons, the Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange's proposal does not burden intra-market competition because all participants would be subject to the position limits in Rule 18.7 and corresponding exercise limits in Rule 18.9. The Exchange believes that the proposed rule change will also provide additional opportunities for market participants to continue to efficiently achieve their investment and trading objectives for equity options on the Exchange.

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 does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and, by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, prior to the date of filing the proposed rule change as required by

Rule 19b-4(f)(6).<sup>55</sup> The proposed rule change is substantially similar in all material respects to a proposal submitted by ISE.<sup>56</sup> The Exchange believes that this proposed rule change, which is essential for competitive purposes and to promote a free and open market for the benefit of investors, does not raise any new, unique or substantive issues from those raised in the ISE filing.

The Exchange believes that increasing the position limit and exercise limit for options on IBIT to 1,000,000 contracts is consistent with the Act. This proposal will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it will provide market participants with the ability to more effectively execute their trading and hedging activities. Also, based on current trading volume, the resulting increase in the position (and exercise) limits for IBIT options may allow Market Makers to maintain their liquidity in these options in amounts commensurate with the continued high consumer demand in IBIT options. The increased position and exercise limits may also encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. Further, this amendment would allow institutional investors to utilize IBIT options for prudent risk management purposes.

Furthermore, Rule 19b-4(f)(6)(iii)<sup>57</sup> requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that

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<sup>55</sup> 17 CFR 240.19b-4(f)(6).

<sup>56</sup> See supra note 6.

<sup>57</sup> 17 CFR 240.19b-4(f)(6)(iii).

subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice. 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 shall institute proceedings to determine whether the proposed rule should be approved or disapproved. A proposed rule change filed under Rule 19b4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that it may increase IBIT position limits in the same manner as all other options exchanges.

For the foregoing reasons, this rule filing qualifies for immediate effectiveness as a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 of the Act.

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

As discussed above, the Exchange believes that the proposed rule change is substantially similar in all material respects to the proposal submitted by ISE.<sup>58</sup>

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

Not applicable.

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<sup>58</sup> See supra note 6.

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.

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-MEMX-2026-14]

[Insert date]

Self-Regulatory Organizations; MEMX LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rules 18.7 and 18.9 to Permit an Increase in Position and Exercise Limits for Options on IBIT.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> 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 Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing with the Commission a proposed rule change to amend Rule 18.7, Position Limits, and Rule 18.9, Exercise Limits, regarding the position and exercise limits for options on the iShares Bitcoin Trust ETF (“IBIT”). The text of the proposed rule change is provided in Exhibit 5 and is available on the Exchange’s website at <https://info.memxtrading.com/regulation/rules-and-filings/>.

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

<sup>2</sup> 17 CFR 240.19b-4.

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

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

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

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

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

1. Purpose

The Exchange proposes to amend Rules 18.7 (Position Limits) and 18.9 (Exercise Limits)<sup>5</sup> to permit an increase in position and exercise limits for options on IBIT. This is a competitive filing based on a similar proposal submitted by Nasdaq ISE, LLC ("ISE") and approved by the Commission.<sup>6</sup>

IBIT is an Exchange-Traded Fund ("ETF") that holds bitcoin and is listed on the Nasdaq Stock Market LLC.<sup>7</sup> In November 2024, the Exchange received approval to list options on IBIT.<sup>8</sup> The position and exercise limits for IBIT options are stated in

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<sup>5</sup> The Exchange notes that all the rules of Chapter 18 of MEMX, including Rule 18.7 and 18.9, are incorporated by reference into the rulebook of MX2, LLC.

<sup>6</sup> See Securities Exchange Act Release No. 105317 (April 27, 2026), 91 FR 23333 (April 30, 2026) (SR-ISE2025-26) (Self-Regulatory Organizations; Nasdaq ISE, LLC; Order Approving a Proposed Rule Change, as Modified by Amendment No. 5, to Amend the Position and Exercise Limits for IBIT Options) ("ISE Approval Order").

<sup>7</sup> Nasdaq received approval to list and trade Bitcoin-Based Commodity-Based Trust Shares in IBIT pursuant to Rule 5711(d) of Nasdaq. See Securities Exchange Act Release No. 99306 (January 10, 2024), 89 FR 3008 (January 17, 2024) (SR-NASDAQ-2023-016) (Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, To List and Trade Bitcoin-Based Commodity-Based Trust Shares and Trust Units). IBIT started trading on January 11, 2024.

<sup>8</sup> See Securities Exchange Act Release No. 101778 (November 27, 2024), 89 FR 95871 (December 3, 2024) (SR-MEMX-2024-45).

Exchange Rule 18.7, Position Limits, and Exchange Rule 18.9, Exercise Limits.<sup>9</sup> Position limits and exercise limits, are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or indirectly may control. These limits are intended to address potential manipulative schemes and adverse market impacts surrounding the use of options, such as disrupting the market in the security underlying the options. Position and exercise limits must balance concerns regarding mitigating potential manipulation and the cost of inhibiting potential hedging activity that could be used for legitimate economic purposes. To achieve this balance, the Exchange proposes to increase the position limits and exercise limits for options on IBIT to 1,000,000 contracts by noting the proposed position limit in Rule 18.7, Interpretation and Policy .01, Position Limits, and the proposed exercise limit in Rule 18.9, Interpretation and Policy .01, Exercise Limits. The position limit for options on IBIT is currently set pursuant to Rule 18.7(d) where the largest in capitalization and the most frequently traded stocks and ETFs have an option position limit of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; and smaller capitalization stocks and ETFs have position limits of 200,000, 75,000, 50,000 or 25,000 contracts (with adjustments for splits, recapitalizations, etc.) on the same side of the market. The Exchange notes that the proposed position limits and exercise limits for options on IBIT are consistent with existing position limits and exercise limits for options on iShares MSCI Emerging Markets, iShares China Large-Cap ETF, and iShares MSCI EAFE ETF.

*Composition and Growth Analysis for Underlying ETFs*

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<sup>9</sup> IBIT currently has a position and exercise limit of 250,000 contracts.

As stated above, position (and exercise) limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate the underlying market so as to benefit options positions. The Commission has recognized that these limits are designed to minimize the potential for mini-manipulations and for corners or squeezes of the underlying market, as well as serve to reduce the possibility for disruption of the options market itself, especially in illiquid classes.<sup>10</sup>

Per the Commission, “rules regarding position and exercise limits are intended to prevent the establishment of options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options positions.”<sup>11</sup> For this reason, the Commission requires that “position and exercise limits must be sufficient to prevent investors from disrupting the market for the underlying security by acquiring and exercising a number of options contracts disproportionate to the deliverable supply and average trading volume of the underlying security.”<sup>12</sup> The Exchange has observed an ongoing increase in demand in options on IBIT in 2025.<sup>13</sup> The Exchange believes the current position limit and exercise limit of 250,000 contracts (the highest position limit available pursuant to Rule 18.7 and exercise limit pursuant to Rule 18.9)

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<sup>10</sup> See Securities Exchange Act Release No. 67672 (August 15, 2012), 77 FR 50750 (August 22, 2012) (SR-NYSEAmex-2012-29).

<sup>11</sup> See Securities Exchange Act Release No. 101128 (September 20, 2024), 89 FR 78942 (September 26, 2024) (SR-ISE-2024-03) (Notice of Filing of Amendment Nos. 4 and 5 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1, 4, and 5, To Permit the Listing and Trading of Options on the iShares Bitcoin Trust) (“ISE IBIT Approval Order”).

<sup>12</sup> See id.

<sup>13</sup> In 2025 the Exchange filed to eliminate the 25,000 contract position and exercise limits for IBIT options and apply the position and exercise limits in Exchange Rules 18.7 and 18.9, respectively, to IBIT options utilizing November 25, 2024 data. See Securities Exchange Act Release No. 103752 (August 20, 2025), 90 FR 41436 (August 25, 2025) (SR-MEMX-2025-26).

will impede trading activity and strategies of investors, such as use of effective hedging vehicles or income generating strategies (e.g., buy-write or put-write), and the ability of Market Makers to make liquid markets with tighter spreads in IBIT options.

The Exchange believes that increasing the position limit (and exercise limit) for options on IBIT to 1,000,000 contracts would enable liquidity providers to provide additional liquidity to the Exchange, as well as other options exchange on which they participate. As described in further detail below, the Exchange believes that the continuously increasing market capitalization of IBIT options, as well as the highly liquid markets for those securities, reduces the concerns for potential market manipulation and/or disruption in the underlying markets upon increasing position limits, while the rising demand for trading options on IBIT for legitimate economic purposes compels an increase in position limits (and corresponding exercise limits).

IBIT currently qualifies for a 250,000 contract position limit pursuant to the criteria in Rule 18.7(d), which requires that, for the most recent six-month period, trading volume for the underlying security be at least 100 million shares.<sup>14</sup> As of February 11, 2026, the market capitalization for IBIT was 52,661,063,818<sup>15</sup> with an average daily volume (“ADV”), for the preceding 6 months prior to February 11, 2026 of 61,803,035 shares. By comparison on the same day, the iShares MSCI Emerging Markets (“EEM”) has an ADV of 29,459,889 shares and an AUM of 27,761,941,292 the iShares China

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<sup>14</sup> Exchange Rule 18.7(d) provides at subparagraph (5) that to be eligible for the 250,000 contract limit, either the most recent six (6) month trading volume of the underlying security must have totaled at least 100 million shares or the most recent six-month trading volume of the underlying security must have totaled at least seventy-five (75) million shares and the underlying security must have at least 300 million shares currently outstanding.

<sup>15</sup> The market capitalization was determined by multiplying a Net Asset Value of \$38.29 by the number of shares outstanding 1,337,920,000. This figure was acquired as of February 11, 2026. See <https://www.ishares.com/us/products/333011/ishares-bitcoin-trust-etf>.

Large-Cap ETF (“FXI”) has an ADV 31,656,532 and an AUM of 6,594,337,253, and the iShares MSCI EAFE ETF (“EFA”) has an ADV of 17,215,037 shares and an AUM of 76,788,457,200.<sup>16</sup>

In addition to IBIT’s Rule 18.7(d) eligibility for 250,000 contracts, ISE performed additional analysis with respect to IBIT. First, ISE considered IBIT’s market capitalization and ADV, and prospective position limit in relation to other securities. In measuring IBIT against other securities, ISE aggregated market capitalization and volume data for securities that have defined position limits utilizing data from The Options Clearing Corporations (“OCC”).<sup>17</sup> This pool of data took into consideration 3,797 options on single stock securities, excluding broad based ETFs.<sup>18</sup> Next, the data was aggregated based on market capitalization and ADV and grouped by option symbol and position limit utilizing statistical thresholds for ADV, based on 180 days, and market capitalization that were one standard deviation<sup>19</sup> above the mean for each position limit category (i.e. 25,000, 50,000 to 52,000, 75,000, 200,000, 250,000 to 375,000, 450,000 to 650,000, 750,000 to 1,250,000 and, and greater than or equal to 2,000,000).<sup>20</sup> This exercise was performed to demonstrate IBIT’s position limit relative to other options

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<sup>16</sup> These figures are from February 11, 2026.

<sup>17</sup> The computations are based on OCC data from February 11, 2026. Data displaying zero values in market capitalization or ADV were removed.

<sup>18</sup> IBIT has one asset and therefore is not comparable to a broad-based ETF where there are typically multiple components.

<sup>19</sup> The standard deviation added limited utility to the analysis given the heavily skewed distribution of market capitalizations in the single stock securities.

<sup>20</sup> These buckets are based on OCC’s current positions limits. [See https://www.theocc.com/marketdata/market-data-reports/series-and-trading-data/position-limits.](https://www.theocc.com/marketdata/market-data-reports/series-and-trading-data/position-limits) Rule 18.7(d) sets out position limits for various contracts. For example, a 25,000 contract limit applies to those options having an underlying security that does not meet the requirements for a higher options contract limit. The Exchange notes that position limits may also be higher due to corporate actions in the underlying equities, such as a stock split.

symbols in terms of market capitalization and ADV. For reference, the market capitalization for IBIT was \$52,661,063,818<sup>21</sup> with an ADV for the preceding 180 days prior to February 11, 2026, of 61,803,035 shares.

According to the ISE Approval Order, if IBIT were compared to the 10 stocks that have position limits of 750,000 contracts to 1.25 million contracts it would rank in the 45th percentile for market capitalization and the 89th percentile for ADV. ISE also analyzed the position limits for IBIT by regressing the median elements from each bucket of market capitalization and 180-day ADV of all non-ETF equities, against their respective position limit figures. From this regression, ISE was able to determine the implied coefficients to create a formulaic method for determining an appropriate position limit.<sup>22</sup> ISE utilized a linear model approach which incorporated the median metric from each bucket given the data at both the lower end of each position limit bucket and the higher end of each position limit bucket could be considered significant outliers, thereby skewing the results.

ISE utilized IBIT's market capitalization of 52,661,063,818 to arrive at a modeled position limit of 1,707,654. Additionally, ISE utilized IBIT's ADV of 61,803,035 to arrive at a modeled position limit of 5,672,081. Based on the aforementioned analysis, the Exchange believes that the proposed 1,000,000 contracts position and exercise limit is appropriate.

Second, ISE reviewed IBIT's data relative to the market capitalization of the

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<sup>21</sup> Net Asset Value of \$38.29 by the number of shares outstanding 1,337,920,000 This figure was acquired as of February 11, 2026. See <https://www.ishares.com/us/products/333011/ishares-Bitcoin-trust-etf>.

<sup>22</sup> ISE utilized Excel's Data Analysis Package to model the position limit.

entire Bitcoin market in terms of exercise risk and availability of deliverables. Also, as of February 11, 2026, there were approximately 20.5 million Bitcoins in circulation.<sup>23</sup> At a price of \$66,938,<sup>24</sup> that equates to a market capitalization of greater than \$1.374 trillion US. If a position limit of 1,000,000 contracts were considered, the exercisable risk would represent 7.474%<sup>25</sup> of the outstanding shares outstanding of IBIT. Since IBIT has a creation and redemption process managed through the issuer, the position limit can be compared to the total market capitalization of the entire Bitcoin market and in that case, the exercisable risk for options on IBIT would represent 0.278% of all Bitcoin outstanding.<sup>26</sup> Assuming a scenario where all options on IBIT shares were exercised given the proposed 1,000,000-contract position limit (and exercise limit), this would have a virtually unnoticed impact on the entire Bitcoin market. This analysis demonstrates that the proposed 1,000,000 per same side position and exercise limit is appropriate for options on IBIT given its liquidity.

Third, ISE reviewed the proposed position limit by comparing it to position limits for derivative products regulated by the Commodity Futures Trading Commission (“CFTC”). While the CFTC, through the relevant Designated Contract Markets, only regulates options positions based upon delta equivalents (creating a less stringent standard), ISE examined equivalent bitcoin futures position limits. In particular, ISE

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<sup>23</sup> See <https://www.coingecko.com/en/coins/Bitcoin>.

<sup>24</sup> This is the approximate price of Bitcoin from February 11, 2026.

<sup>25</sup> This percentage is arrived at with this equation:  $(1,000,000 \text{ contract limit} * 100 \text{ share per option} / 1,337,920,000 \text{ shares outstanding})$ .

<sup>26</sup> This number was arrived at with this calculation:  $(1,000,000 \text{ limit} * 100 \text{ shares per option} * \$38.29 \text{ IBIT NAV}) / (20,528,687 \text{ BTC outstanding} * \$66,938 \text{ BTC price})$ .

looked to the CME bitcoin futures contract<sup>27</sup> that has a position limit of 2,000 futures.<sup>28</sup> On February 11, 2026, CME bitcoin futures settled at \$677,150,406.33.<sup>29</sup> On February 11, 2026, IBIT settled at \$38.29, which would equate to greater than 17,684,774 shares of IBIT if the CME notional position limit was utilized. Since substantial portions of any distributed options portfolio is likely to be out of the money on expiration, an options position limit equivalent to the CME position limit for bitcoin futures (considering that all options deltas are  $\leq 1.00$ ) should be a bit higher than the CME implied 176,848 limit. Of note, unlike options contracts, CME position limits are calculated on a net futures-equivalent basis by contract and include contracts that aggregate into one or more base contracts according to an aggregation ratio(s).<sup>30</sup> Therefore, if a portfolio includes positions in options on futures, CME would aggregate those positions into the underlying futures contracts in accordance with a table published by CME on a delta equivalent value for the relevant spot month, subsequent spot month, single month and all month position limits.<sup>31</sup> If a position exceeds position limits because of an option assignment, CME permits market participants to liquidate the excess position within one business day without being considered in violation of its rules. Additionally, if at the close of trading, a position that includes options exceeds position limits for futures contracts, when evaluated using the delta factors as of that day's close of trading, but does not exceed the

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<sup>27</sup> CME Bitcoin Futures are described in Chapter 350 of CME's Rulebook.

<sup>28</sup> See the Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5 of CME's Rulebook.

<sup>29</sup> 2,000 futures at a 5 bitcoin multiplier (per the contract specifications) equates to \$677,150,000 (2,000 contracts \* 5 BTC per contract \* \$67,715 price of February BTC future) of notional value.

<sup>30</sup> See <https://www.cmegroup.com/education/courses/market-regulation/position-limits/position-limitsaggregation-of-contracts-and-table.htm>.

<sup>31</sup> Id.

limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation. Based on the aforementioned analysis, the Exchange believes that the proposed 1,000,000 contracts position and exercise limit is appropriate.

Fourth, ISE analyzed a position limit and exercise limit of 1,000,000 for IBIT options against other options on ETFs with an underlying commodity, namely SPDR Gold Shares ("GLD"), iShares Silver Trust ("SLV"), and ProShares Bitcoin ETF ("BITO").<sup>32</sup> GLD has a float of 377 million shares<sup>33</sup> and a position limit of 250,000 contract. SLV has a float of 552 million shares,<sup>34</sup> and a position limit of 250,000 contracts. Finally, BITO has 200.89 million shares outstanding<sup>35</sup> and a position limit of 250,000 contracts. As previously noted, position limits and exercise limits are designed to limit the number of options contracts traded on the exchange in an underlying security that an investor, acting alone or in concert with others directly or indirectly, may control. A position limit exercise in GLD would represent 6.63% of the float of GLD; a position limit exercise in SLV would represent 4.53% of the float of SLV, and a position limit exercise of BITO would represent 12.44% of the float of BITO. In comparison, a 1,000,000-contract position limit in IBIT options would represent 7.474%<sup>36</sup> of the float of IBIT. Consequently, the 1,000,000 proposed IBIT options position and exercise limit is more conservative than the standard applied to GLD, SLV and BITO, and appropriate.

Fifth, ISE notes that IBIT began trading in penny increments as of January 2,

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<sup>32</sup> GLD, SLV and BITO each hold one asset in trust similar to IBIT.

<sup>33</sup> See <https://www.ssga.com/us/en/intermediary/etfs/spdr-gold-shares-gld>.

<sup>34</sup> See <https://www.ishares.com/us/products/239855/ishares-silver-trust-fund>

<sup>35</sup> See <https://www.marketwatch.com/investing/fund/bit0>.

<sup>36</sup> This percentage is arrived at with this equation: (1,000,000 contract limit \* 100 share per option / 1,337,920,000 shares outstanding). This information was captured on February 11, 2026.

2025 pursuant to the Penny Interval Program.<sup>37</sup> The Commission noted that evidence and analysis provided in connection with the Penny Pilot demonstrated that the Pilot benefited investors and other market participants in the form of narrower spreads.<sup>38</sup> The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests). As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class experienced a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost of trading such options.<sup>39</sup> IBIT options is among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments. Failing to increase position and exercise limits for IBIT options, now that it is trading in finer increments, may artificially inhibit liquidity and create price inefficiency. The Exchange notes that options on iShares MSCI Emerging Markets, iShares China Large-Cap ETF and iShares MSCI EAFE ETF also trade in penny increments based on their liquidity.

The Exchange believes that IBIT options have more than sufficient liquidity to garner an increased position and exercise limit of 1,000,000 contracts. The Exchange believes that any concerns related to manipulation and protection of investors are mollified by the significant liquidity provision in IBIT. The Exchange states that, as a

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<sup>37</sup> See Rule 21.5.

<sup>38</sup> See Securities Exchange Act Release No. 88532 (April 1, 2020), 85 FR 19545, 19548 (April 7, 2020) (File No. 4-443) (Joint Industry Plan; Order Approving Amendment No. 5 to the Plan for the Purpose of Developing and Implementing Procedures Designed To Facilitate the Listing and Trading of Standardized Options To Adopt a Penny Interval Program) (“Penny Approval Order”).

<sup>39</sup> Id. at 19548

general principle, increases in active trading volume and deep liquidity of the underlying securities do not lead to manipulation and/or disruption.

The Exchange believes that increasing the position (and exercise) limits for IBIT options would lead to a more liquid and competitive market environment for IBIT options, which will benefit customers that trade these options. Further, the reporting requirement for such options would remain unchanged. Thus, the Exchange will still require that each Participant that maintains positions in impacted options on the same side of the market, for its own account or for the account of a customer, report certain information to the Exchange. This information includes, but would not be limited to, the options' positions, whether such positions are hedged and, if so, a description of the hedge(s). Market Makers would continue to be exempt from this reporting requirement, however, the Exchange may access Market Maker position information.<sup>40</sup> Moreover, the Exchange's requirement that Participants file reports with the Exchange for any customer who held aggregate large long or short positions on the same side of the market of 200 or more option contracts of any single class for the previous day will remain at this level and will continue to serve as an important part of the Exchange's surveillance efforts.<sup>41</sup>

The Exchange also has no reason to believe that the growth in trading volume in IBIT will not continue. Rather, the Exchange expects continued options volume growth in IBIT as opportunities for investors to participate in the options markets increase and evolve. The Exchange believes that the current position and exercise limits in IBIT

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<sup>40</sup> OCC through the Large Option Position Reporting ("LOPR") system acts as a centralized service provider for Participant compliance with position reporting requirements by collecting data from each Participant, consolidating the information, and ultimately providing detailed listings of each Participant's report to the Exchange, as well as Financial Industry Regulatory Authority, Inc. ("FINRA"), acting as its agent pursuant to a regulatory services agreement ("RSA").

<sup>41</sup> See Rule 18.10.

options are restrictive and will hamper the listed options markets from being able to compete fairly and effectively with the over-the-counter (“OTC”) markets. OTC transactions occur through bilateral agreements, the terms of which are not publicly disclosed to the marketplace. As such, OTC transactions do not contribute to the price discovery process on a public exchange or other lit markets. The Exchange believes that without the proposed changes to position and exercise limits for IBIT options, market participants will find the 250,000-contract position limit an impediment to their business and investment objectives as well as an impediment to efficient pricing. As such, market participants may find the less transparent OTC markets a more attractive alternative to achieve their investment and hedging objectives, leading to a retreat from the listed options markets, where trades are subject to reporting requirements and daily surveillance.

The Exchange believes that the existing surveillance procedures and reporting requirements at the Exchange are capable of properly identifying disruptive and/or manipulative trading activity. The Exchange also represents that it has adequate surveillances in place to detect potential manipulation, as well as reviews in place to identify continued compliance with the Exchange’s listing standards. These procedures monitor market activity via automated surveillance techniques to identify unusual activity in both options and the underlyings, as applicable. The Exchange also notes that large stock holdings must be disclosed to the Commission by way of Schedules 13D or 13G,<sup>42</sup> which are used to report ownership of stock which exceeds 5% of a company's total stock issue and may assist in providing information in monitoring for any potential

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<sup>42</sup> 17 CFR 240.13d-1.

manipulative schemes. Further, the Exchange believes that the current financial requirements imposed by the Exchange and by the Commission adequately address concerns regarding potentially large, unhedged positions in equity options. Current margin and risk-based haircut methodologies serve to limit the size of positions maintained by any one account by increasing the margin and/or capital that a Participant must maintain for a large position held by itself or by its customer.<sup>43</sup> In addition, Rule 15c3-1<sup>44</sup> imposes a capital charge on Participants to the extent of any margin deficiency resulting from the higher margin requirements.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>45</sup> in general, and Section 6(b)(5) of the Act,<sup>46</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

The Exchange believes that increasing the position limit and exercise limit for options on IBIT to 1,000,000 contracts is consistent with the Act. This proposal will remove impediments to and perfect the mechanism of a free and open market and a

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<sup>43</sup> See Rule 28.3.

<sup>44</sup> 17 CFR 240.15c3-1.

<sup>45</sup> 15 U.S.C. 78f(b).

<sup>46</sup> 15 U.S.C. 78f(b)(5).

national market system, and, in general, protect investors and the public interest, because it will provide market participants with the ability to more effectively execute their trading and hedging activities. Also, based on current trading volume, the resulting increase in the position (and exercise) limits for IBIT options may allow Market Makers to maintain their liquidity in these options in amounts commensurate with the continued high consumer demand in IBIT options. The increased position and exercise limits may also encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. Further, this proposal would allow institutional investors to utilize IBIT options for prudent risk management purposes.

In addition, the Exchange believes that the current liquidity in IBIT will continue to mitigate concerns regarding potential manipulation of IBIT options and/or disruption of IBIT upon amending the table of position limits in Rule 18.7, Interpretation and Policy .01. ISE compared IBIT's data relative to the market capitalization of the entire Bitcoin market in terms of exercise risk and availability of deliverables, and concluded that if a position limit of 1,000,000 contracts were considered, the exercisable risk would represent 7.474%<sup>47</sup> of the shares outstanding of IBIT. Since IBIT has a creation and redemption process managed through the issuer (whereby Bitcoin is used to create IBIT shares), the position limit can be compared to the total market capitalization of the entire Bitcoin market and in that case, the exercisable risk for options on IBIT would represent

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<sup>47</sup> This percentage is arrived at with this equation:  $(1,000,000 \text{ contract limit} * 100 \text{ share per option} / 1,337,920,000 \text{ shares outstanding})$ . This information was captured on February 11, 2026.

less than 0.278% of all Bitcoin outstanding.<sup>48</sup> This analysis demonstrated that a 1,000,000 contracts position and exercise limits would be appropriate. Comparing a position limit of 1,000,000 for IBIT options against other options on ETFs with an underlying commodity, namely GLD, SLV and BITO, a position limit exercise in GLD represents 6.63% of the float of GLD, a position limit exercise in SLV represents 4.53% of the float of SLV, and a position limit exercise of BITO represents 12.44% of the float of BITO. In comparison, a 1,000,000-contract position limit in IBIT options would represent 7.474%<sup>49</sup> of the float of IBIT. Consequently, a 1,000,000 IBIT options position limit is generally aligned with the standards applied to GLD, SLV and BITO, and appropriate. ISE notes that IBIT began trading in penny increments on January 2, 2025 pursuant to the Penny Interval Program.<sup>50</sup> The Commission noted that evidence and analysis provided in connection with the Penny Pilot demonstrated that the Pilot benefitted investors and other market participants in the form of narrower spreads.<sup>51</sup> The most actively traded options classes are included in the Penny Program based on certain objective criteria (trading volume thresholds and initial price tests).<sup>52</sup> As noted in the Penny Approval Order, the Penny Program reflects a certain level of trading interest (either because the class is newly listed or a class that experience a significant growth in investor interest) to quote in finer trading increments, which in turn should benefit market participants by reducing the cost

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<sup>48</sup> This number was arrived at with this calculation:  $(1,000,000 \text{ limit} * 100 \text{ shares per option} * \$38.29 \text{ IBIT NAV}) / (20,528,687 \text{ BTC outstanding} * \$66,938 \text{ BTC price})$ .

<sup>49</sup> This percentage is arrived at with this equation:  $(1,000,000 \text{ contract limit} * 100 \text{ share per option} / 1,337,920,000 \text{ shares outstanding})$ . This information was captured on February 11, 2026.

<sup>50</sup> See Rule 21.5.

<sup>51</sup> See supra note 38.

<sup>52</sup> Options on iShares MSCI Emerging Markets, iShares China Large-Cap ETF and iShares MSCI EAFE ETF also trade in penny increments based on their liquidity.

of trading such options.<sup>53</sup> IBIT options are among a select group of products that have achieved a certain level of liquidity that have garnered it the ability to trade in finer increments pursuant to the Penny Interval Program. Failing to permit IBIT options to potentially increase position and exercise limits given the trading in finer increments, may artificially inhibit liquidity and create price inefficiency for IBIT options.

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

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In this regard and as indicated above, the Exchange notes that the rule change is substantially similar in all material respects to a proposal submitted by ISE.<sup>54</sup>

The Exchange does not believe that the proposed rule change will impose any burden on inter-market competition as the proposal is not competitive in nature. The Exchange expects that all option exchanges will adopt substantively similar proposals,

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<sup>53</sup> See supra note 38.

<sup>54</sup> See supra note 6.

such that the Exchange's proposal would benefit competition. For these reasons, the Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange's proposal does not burden intra-market competition because all participants would be subject to the position limits in Rule 18.7 and corresponding exercise limits in Rule 18.9. The Exchange believes that the proposed rule change will also provide additional opportunities for market participants to continue to efficiently achieve their investment and trading objectives for equity options on the Exchange.

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 does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and, by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, prior to the date of filing the proposed rule change as required by Rule 19b-4(f)(6).<sup>55</sup> The proposed rule change is substantially similar in all material respects to a proposal submitted by ISE.<sup>56</sup> The Exchange believes that this proposed rule

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<sup>55</sup> 17 CFR 240.19b-4(f)(6).

<sup>56</sup> See supra note 6.

change, which is essential for competitive purposes and to promote a free and open market for the benefit of investors, does not raise any new, unique or substantive issues from those raised in the ISE filing.

The Exchange believes that increasing the position limit and exercise limit for options on IBIT to 1,000,000 contracts is consistent with the Act. This proposal will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because it will provide market participants with the ability to more effectively execute their trading and hedging activities. Also, based on current trading volume, the resulting increase in the position (and exercise) limits for IBIT options may allow Market Makers to maintain their liquidity in these options in amounts commensurate with the continued high consumer demand in IBIT options. The increased position and exercise limits may also encourage other liquidity providers to continue to trade on the Exchange rather than shift their volume to OTC markets, which will enhance the process of price discovery conducted on the Exchange through increased order flow. Further, this amendment would allow institutional investors to utilize IBIT options for prudent risk management purposes.

Furthermore, Rule 19b-4(f)(6)(iii)<sup>57</sup> requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may

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<sup>57</sup> 17 CFR 240.19b-4(f)(6)(iii).

temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved. A proposed rule change filed under Rule 19b4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that it may increase IBIT position limits in the same manner as all other options exchanges.

For the foregoing reasons, this rule filing qualifies for immediate effectiveness as a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 of the Act.

#### IV. Solicitation of Comments

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

##### Electronic Comments:

- Use the Commission’s internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-MEMX-2026-14 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-2026-14. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing 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-2026-14 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>58</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>58</sup> 17 CFR 200.30-3(a)(12).

**Exhibit 5**

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

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**CHAPTER 18. BUSINESS CONDUCT**

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Rule 18.7. Position Limits

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*Interpretations and Policies*

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

<b>Security Underlying Option</b>	<b>Position Limit</b>
* * * * *	
<u>iShares Bitcoin Trust (IBIT)</u>	<u>1,000,000 contracts</u>

\* \* \* \* \*

Rule 18.9. Exercise Limits

\* \* \* \* \*

*Interpretations and Policies*

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

<b>Security Underlying Option</b>	<b>Exercise Limit</b>
* * * * *	
<u>iShares Bitcoin Trust (IBIT)</u>	<u>1,000,000 contracts</u>

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