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Page 1 of \* 32

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

File No. \* SR 2024 - \* 03

Amendment No. (req. for Amendments \*)

Filing by MIAX PEARL, LLC

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

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

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010  
Section 806(e)(1) \*  Section 806(e)(2) \* |

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

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

### Description

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

The Exchange proposes to amend Rule 402, Criteria for Underlying Securities, to allow for the listing and trading of options on ETPs that hold bitcoin.

### Contact Information

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

First Name \* Tanya Last Name \* Kitaigorovski  
Title \* AVP, Associate Counsel  
E-mail \* tkitaigorovski@MIAXGlobal.com  
Telephone \* (609) 413-5787 Fax

### Signature

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

Date 01/12/2024 (Title \*)  
By Tanya Kitaigorovski AVP, Associate Counsel  
(Name \*)

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

*Tanya Kitaigorovski* Date: 2024.01.12 17:06:02 -0500

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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SR-PEARL-2024-03 19b4.docx

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

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

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SR-PEARL-2024-03- Exhibit 1.docx

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

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

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

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

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

Exhibit Sent As Paper Document

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

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

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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SR-PEARL-2024-03 Exhibit 5.docx

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

**Partial Amendment**

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

## 1. **Text of the Proposed Rule Change**

(a) MIAX PEARL, LLC (“MIAX Pearl” or the “Exchange”), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> proposes to amend Exchange Rule 402, Criteria for Underlying Securities.

Notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and the text of the proposed rule change is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

## 2. **Procedures of the Self-Regulatory Organization**

The proposed rule change was approved by the Chief Executive Officer of the Exchange or his designee pursuant to authority delegated by the Exchange Board of Directors on February 2, 2023. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the proposed rule change.

Questions and comments on the proposed rule change may be directed to Tanya Kitaigorovski, AVP, Associate Counsel, at (609) 413-5787.

## 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 Exchange Rule 402, Criteria for Underlying Securities,<sup>3</sup> to allow the Exchange to list and trade options on Exchange-Traded Fund Shares

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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> The Exchange notes that its affiliate exchange, MIAX Options, has submitted a substantively identical proposal.

(“ETFs”) that represent interests in a trust that holds bitcoin (“Bitcoin ETPs”), designating them as ETFs deemed appropriate for options trading on the Exchange.

Current Exchange Rule 402(i)(4) provides that, subject to certain other criteria set forth in that Rule, securities deemed appropriate for options trading include ETFs that represent certain types of interests,<sup>4</sup> including interests in certain specific trusts that hold financial instruments, money market instruments, or precious metals (which are deemed commodities).

Bitcoin ETPs are bitcoin-backed commodity ETPs structured as trusts.<sup>5</sup> Similar to any ETFs currently deemed appropriate for options trading under Exchange Rule 402, the investment

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<sup>4</sup> See Exchange Rule 402(i), which permits options trading on ETFS that: (1) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that hold portfolios of securities and/or financial instruments (“Funds”), including, but not limited to, stock index futures contracts, options on futures, options on securities and indices, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements (the “Financial Instruments”), and money market instruments, including, but not limited to, U.S. government securities and repurchase agreements (the “Money Market Instruments”) comprising or otherwise based on or representing investments in broad-based indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments); (2) represent interests in a trust or similar entity that holds a specified non-U.S. currency or currencies deposited with the trust which when aggregated in some specified minimum number may be surrendered to the trust or similar entity by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust (“Currency Trust Shares”); (3) 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”); (4) are issued by the SPDR® Gold Trust or the iShares COMEX Gold Trust or the iShares Silver Trust or the ETFS Silver Trust or the ETFS Gold Trust or the ETFS Palladium Trust or the ETFS Platinum Trust or the Sprott Physical Gold Trust; or (5) represent an interest in a registered investment company (“Investment Company”) organized as an open-end management company or similar entity, that invests in a portfolio of securities selected by the Investment Company’s investment adviser consistent with the Investment Company’s investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value (“NAV”), and when aggregated in the same specified minimum number, may be redeemed at a holder’s request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined NAV (“Managed Fund Share”); provided that all of the conditions listed in (5)(i) and 5(ii) are met.

<sup>5</sup> The Exchange notes several filings to list and trade ETFs that hold bitcoin as NMS stocks (and registration statements for those Units) are currently pending with the Securities and Exchange Commission (the “Commission”). Pursuant to the Exchange’s Rules, the Exchange would only have authority to list and trade ETFs that are trading as NMS stocks.

objective of a Bitcoin ETP trust is for its shares to reflect the performance of bitcoin (less the expenses of the trust's operations), offering investors an opportunity to gain exposure to bitcoin without the complexities of bitcoin delivery. As is the case for ETFs currently deemed appropriate for options trading, a Bitcoin ETP's shares represent units of fractional undivided beneficial interest in the trust, the assets of which consist principally of bitcoin and are designed to track bitcoin or the performance of the price of bitcoin and offer access to the bitcoin market.<sup>6</sup> Bitcoin ETPs provide investors with cost efficient alternatives that allow a level of participation in the bitcoin market through the securities market. The primary substantive difference between Bitcoin ETPs and ETFs currently deemed appropriate for options trading are that ETFs may hold securities, certain financial instruments, and specified precious metals (which are commodities), while Bitcoin ETPs hold bitcoin (which is also deemed a commodity).

The Exchange's initial listing standards for ETFs on which options may be listed and traded on the Exchange will apply to the Bitcoin ETPs. The Exchange expects Bitcoin ETPs to satisfy the initial listing standards as set forth in Exchange Rule 402(a) and Exchange Rule 402(i). Pursuant to Exchange Rule 402(a), a security (which includes ETFs) on which options may be listed and traded on the Exchange must be duly registered (with the Commission) and be an NMS stock (as defined in Rule 600 of Regulation NMS under the Act,) and be characterized by a substantial number of outstanding shares that are widely held and actively traded.<sup>7</sup>

Exchange Rule 402(i) requires that ETFs must either (1) meet the criteria and standards set forth

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<sup>6</sup> The trust may include minimal cash.

<sup>7</sup> As noted above, there are currently no Bitcoin ETPs trading as NMS stocks on a national securities exchange; however, registration statements and rule filings to list and trade several Bitcoin ETPs are currently pending with the Commission. See Securities Exchange Act Release No. 99306 (January 10, 2024) (citing all the proposed rule changes to list and trade Bitcoin ETPs on U.S. securities exchanges). The Exchange represents it would not list options on a Bitcoin ETP unless it satisfied the criteria in Exchange Rule 402(a) the proposed listing criteria, and any other applicable listing criteria.

in Exchange Rule 402(a) or Exchange Rule 402(b), 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 ETFs in a specified aggregate number 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 expects that Bitcoin ETPs would satisfy Exchange Rule 402(i)(5)(i)(B).<sup>8</sup>

Options on Bitcoin ETPs will also be subject to the Exchange's continued listing standards set forth in Exchange Rule 403(g), for ETFs deemed appropriate for options trading pursuant to Exchange Rule 402(i). Specifically, Exchange Rule 403(g) provides that ETFs that were initially approved for options trading pursuant to Exchange Rule 402(i) shall be deemed not 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 that such ETFs, if the ETFs are delisted from trading pursuant to Exchange Rule 403(b)(4), are halted or suspended from trading in their primary market. Additionally, options on ETFs may be subject to the suspension of opening transactions in any of the following circumstances: (1) in the case of options covering ETFs approved for trading under Exchange Rule 402(i)(5)(i)(A), in accordance with the terms of paragraphs (b)(1), (2), and (3) of Exchange Rule 403; (2) in the case of options covering ETFs approved for trading under Exchange Rule 402(i)(5)(i)(B), following the initial twelve-month

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<sup>8</sup> See, e.g., Form S-1 Registration Statement filed on November 29, 2023 (Registration No. 333-275781) (pending registration statement for shares of the Pando Asset Spot Bitcoin Trust); and Form S-1 Registration Statement filed on September 12, 2023 (Registration No. 333-274474) (pending registration statement for shares of the Franklin Bitcoin ETF).

period beginning upon the commencement of trading in the ETFs on a national securities exchange and are defined as an NMS stock, there are fewer than 50 record and/or beneficial holders of such ETFs for 30 or more consecutive trading days; (3) the value of the index or portfolio of securities, non-U.S. currency, or 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 and money market instruments on which the Units are based is no longer calculated or available; or (4) such other event shall occur or condition exist that in the opinion of the Exchange makes further dealing in such options on the Exchange inadvisable.

Options on a Bitcoin ETP will be physically settled contracts with American-style exercise.<sup>9</sup> Consistent with current Exchange Rule 404, which governs the opening of options series on a specific underlying security (including ETFs), the Exchange will open at least one expiration month for options on each Bitcoin ETP<sup>10</sup> at the commencement of trading on the Exchange and may also list series of options on a Bitcoin ETP for trading on a weekly<sup>11</sup>

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<sup>9</sup> See Exchange Rule 401, 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).

<sup>10</sup> See Exchange Rule 404(b). The monthly expirations are subject to certain listing criteria for underlying securities described within Exchange Rule 404 and its Interpretations and Policies. 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 Exchange Rule 404(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. Pursuant to Exchange Rule 404(e), 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.

<sup>11</sup> See Exchange Rule 404, Interpretations and Policies .02.

monthly,<sup>12</sup> or quarterly<sup>13</sup> basis. The Exchange may also list long-term equity option series (“LEAPS”) that expire from 12 to 180 months from the time they are listed.<sup>14</sup>

Pursuant to Exchange Rule 404, Interpretation and Policy .06, which governs strike prices of series of options on Trust Issued Receipts, the interval of strikes prices for series of options Bitcoin ETPs will be \$1 or greater when the strike price is \$200 or less and \$5 or greater where the strike price is over \$200.<sup>15</sup> Additionally, the Exchange may list series of options pursuant to the \$1 Strike Price Interval Program,<sup>16</sup> the \$0.50 Strike Program,<sup>17</sup> and the \$2.50 Strike Price Program.<sup>18</sup> Pursuant to Exchange Rule 510, where the price of a series of a Bitcoin ETP 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.<sup>19</sup> Any and all new series of Bitcoin ETP options that the Exchange lists will be consistent and comply with the expirations, strike prices, and minimum increments set forth in Rules 404 and 510, as applicable.

Bitcoin ETP options will trade in the same manner as any other ETF options on the Exchange. The Exchange Rules that currently apply to the listing and trading of all ETFs options on the Exchange, including, for example, Exchange Rules that govern listing criteria, expiration and exercise prices, minimum increments, position and exercise limits, margin requirements, customer accounts and trading halt procedures will apply to the listing and trading of Bitcoin

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<sup>12</sup> See Exchange Rule 404, Interpretations and Policies .13.

<sup>13</sup> See Exchange Rule 404, Interpretations and Policies .03.

<sup>14</sup> See Exchange Rule 404(d).

<sup>15</sup> See Exchange Rule 404, Interpretation and Policy .06.

<sup>16</sup> See Exchange Rule 404, Interpretation and Policy .01.

<sup>17</sup> See Exchange Rule 404, Interpretation and Policy .04.

<sup>18</sup> See Exchange Rule 404(f).

<sup>19</sup> See Exchange Rule 510.

ETPs on the Exchange in the same manner as they apply to other options on all other ETFs that are listed and traded on the Exchange, including the precious-metal backed commodity ETFs already deemed appropriate for options trading on the Exchange pursuant to current Exchange Rule 402(i)(4).

Position and exercise limits for options on ETFs, including options on Bitcoin ETPs, are determined pursuant to Exchange Rules, Chapter III, Business Conduct. Position and exercise limits for ETFs options vary according to the number of outstanding shares and the trading volumes of the Underlying Security<sup>20</sup> over the past six months, where the largest in capitalization and the most frequently traded ETFs have an option position and exercise limit of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; and smaller capitalization Units 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.<sup>21</sup> The Exchange further notes that Exchange Rules, Chapter XV, Margins, which governs margin requirements applicable to trading on the Exchange, will also apply to the trading of Bitcoin ETP options.

The Exchange represents that the same surveillance procedures applicable to all other options on ETFs currently listed and traded on the Exchange will apply to options on Bitcoin ETPs, and that it has the necessary systems capacity to support the new option series. The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading

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<sup>20</sup> The term “underlying security” in respect of an option contract means the security which the Clearing Corporation shall be obligated to sell (in the case of a call option contract) or purchase (in the case of a put option contract) upon the valid exercise of the option contract. See Exchange Rule 100.

<sup>21</sup> As Bitcoin ETPs do not currently trade, options on Bitcoin ETPs would be subject to the 25,000 option contract limit.

ETFs options, including precious metal-commodity backed ETFs options, as proposed. Also, the Exchange may obtain information from CME Group Inc.'s designated contract markets that are members of the Intermarket Surveillance Group related to any financial instrument that is based, in whole or in part, upon an interest in or performance of bitcoin, as applicable.

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 Bitcoin ETPs up to the number of expirations currently permissible under the Rules. Because the proposal is limited to ETFs on a single commodity, the Exchange believes any additional traffic that may be generated from the introduction of Bitcoin ETP options will be manageable.

The Exchange believes that offering options on Bitcoin ETPs will benefit investors by providing them with an additional, relatively lower cost investing tool to gain exposure to the price of bitcoin and hedging vehicle to meet their investment needs in connection with bitcoin-related products and positions. The Exchange expects investors will transact in options on Bitcoin ETPs in the unregulated over-the-counter ("OTC") options market (if the Commission approves Bitcoin ETPs for exchange-trading),<sup>22</sup> 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 position; (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 Bitcoin ETP 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 ETFs that hold financial

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<sup>22</sup> The Exchange understands from customers that investors have historically transacted in options on ETFs in the OTC options market if such options were not available for trading in a listed environment.

instruments, money market instruments, or precious metal commodities on which the Exchange may already list and trade options are trusts structured in substantially the same manner as Bitcoin ETPs 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 ETFs options, including ETFs that hold commodities (i.e., precious metals) that it currently lists and trades on the Exchange.

b. Statutory Basis

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.<sup>23</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>24</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

In particular, the Exchange believes that the proposal to list and trade options on Bitcoin ETPs 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 Bitcoin ETPs will provide investors with an opportunity to realize the benefits of utilizing options on a bitcoin-based ETP, including cost efficiencies and increased hedging strategies. The Exchange

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<sup>23</sup> 15 U.S.C. 78f(b).

<sup>24</sup> 15 U.S.C. 78f(b)(5).

believes that offering Bitcoin ETP options will benefit investors by providing them with a relatively lower-cost risk management tool, which will allow them to manage their positions and associated risk in their portfolios more easily in connection with exposure to the price of bitcoin and with bitcoin-related products and positions. Additionally, the Exchange's offering of Bitcoin ETP 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. The Exchange also notes that it already lists options on other commodity-based ETFs,<sup>25</sup> which, as described above, are trusts structured in substantially the same manner as Bitcoin ETPs and essentially offer the same objectives and benefits to investors, just with respect to a different commodity (i.e., bitcoin rather than precious metals) and for which the Exchange has not identified any issues with the continued listing and trading of commodity-backed ETFs options it currently lists for trading.

The Exchange also believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system, because it is consistent with current Exchange Rules, previously filed with the Commission. Options on Bitcoin ETPs must satisfy the initial listing standards and continued listing standards currently in the Exchange Rules, applicable to options on all ETFs, including ETFs that hold other commodities already deemed appropriate for options trading on the Exchange. Bitcoin ETP options will trade in the same manner as any other ETFs options — the same Exchange Rules that currently govern the listing and trading of all ETsF options, including permissible expirations, strike prices and minimum increments, and applicable position and exercise limits

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<sup>25</sup> See Exchange Rule 402(i)(4).

and margin requirements, will govern the listing and trading of options on Bitcoin ETPs in the same manner.

The Exchange represents that it has the necessary systems capacity to support the new ETF option series. 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 ETF options, including Bitcoin ETP options.

#### **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 Bitcoin ETPs would need to satisfy the initial listing standards set forth in the Exchange Rules in the same manner as any other ETFs before the Exchange could list options on them.

Additionally, Bitcoin ETP options will be equally available to all market participants who wish to trade such options. The Exchange Rules currently applicable to the listing and trading of options on ETFs on the Exchange will apply in the same manner to the listing and trading of all options on Bitcoin ETPs. Also, and as stated above, the Exchange already lists options on other commodity-based ETFs.<sup>26</sup>

The Exchange does not believe that the proposal to list and trade options on Bitcoin ETPs 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 Bitcoin ETP options trading on the Exchange may make the Exchange a more attractive marketplace to market

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<sup>26</sup> Id.

participants at other exchanges, such market participants are free to elect to become market participants on the Exchange. Additionally, other options exchanges are free to amend their listing rules, as applicable, to permit them to list and trade options on Bitcoin ETPs.

Additionally, the Exchange notes that listing and trading Bitcoin ETP 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 Bitcoin ETP 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 bitcoin prices and bitcoin-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**

No written comments were either solicited or received.

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 Exchange requests accelerated effectiveness pursuant to Section 19(b)(2) of the Act.<sup>27</sup> As a national securities exchange, the Exchange is required under Section 6(b)(1) of the Act<sup>28</sup> to enforce compliance by its members, and persons associated with its members, with the provisions of the Act, Commission rules and regulations thereunder, and its own rules with respect to the proposed product. In addition, brokers that trade options on Bitcoin ETP will be subject to best execution obligations<sup>29</sup> and FINRA rules. Applicable Exchange rules will require that customers receive appropriate disclosure before trading options in Bitcoin ETP.<sup>30</sup> Further, brokers opening accounts and recommending options transactions must comply with relevant customer suitability standards.<sup>31</sup> Options on the Bitcoin ETP must also satisfy Exchange initial listing and continued listing standards<sup>32</sup> applicable to options on all ETFs, including other commodity ETFs already approved for options trading on the Exchange. In addition to including options on Bitcoin ETP in Exchange Rule 402(i)(4), options on Bitcoin ETPs must also be duly registered and be an “NMS stock” as defined under Rule 600 of Regulation NMS<sup>33</sup> and be characterized by a substantial number of outstanding shares which are widely held and actively traded.<sup>34</sup> Exchange rules that currently govern the listing and trading of options on other ETF options, including permissible expirations, strike prices, minimum increments, position and

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<sup>27</sup> 15 U.S.C. 78s(b)(2).

<sup>28</sup> 15 U.S.C. 78f(b)(1).

<sup>29</sup> See FINRA Rule 5310.

<sup>30</sup> See Exchange Rules, Chapter XIII, Doing Business with the Public.

<sup>31</sup> See Exchange Rules, Chapter XIII, Doing Business with the Public.

<sup>32</sup> See Exchange Rules 402 and 403.

<sup>33</sup> See Exchange Rule 402(a).

<sup>34</sup> See Exchange Rule 402(b).

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

The Exchange's existing surveillance and reporting safeguards, which are designed to deter and detect possible manipulative behavior which might arise from listing and trading ETFs options, will apply to options on the Trust similar to other options on ETFs. The Exchange also represents that it has the necessary systems capacity to support the new ETF option series. Additionally, options on Bitcoin ETPs will trade in the same manner as any other options on all other ETFs listed on the Exchange.<sup>35</sup>

Accordingly, the Exchange believes that no regulatory purpose would be served by delaying implementation of the proposal beyond the close of the period for public comment on the proposed rule change. The proposed product does not raise any novel issues. Today, the Exchange lists options on other commodity ETFS structured as a trust.<sup>36</sup> This product would be listed, traded, and surveilled in exactly the same fashion as other options on ETFs listed on the Exchange.

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

The Exchange believes that the proposed rule change is substantially similar in all material respects to proposals submitted by Cboe Exchange, Inc., Nasdaq ISE, LLC, and NYSE Arca, Inc.<sup>37</sup>

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

Not applicable.

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<sup>35</sup> See Exchange Rules, Chapter IV, Option Contracts traded on the Exchange.

<sup>36</sup> The Commission has previously approved the listing and trading of options on other commodity ETFs structured as a trust on the Exchange, such as SPDR® Gold Trust, the iShares COMEX Gold Trust the iShares Silver Trust, the ETFS Gold Trust, and the ETFS Silver Trust. See Exchange Rule 404.

<sup>37</sup> See SR-Cboe-2024-005; SR-ISE-2024-03; SR-NYSEARCA-2024-06.

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

Not applicable.

**11. Exhibits**

1. Notice of proposed rule for publication in the Federal Register.

5. Text of proposed rule change.

**EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-PEARL-2024-03)

January\_\_\_\_\_, 2024

Self-Regulatory Organizations: Notice of Filing of a Proposed Rule Change by MIAX PEARL LLC to Amend Exchange Rule 402, Criteria for Underlying Securities

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January \_\_\_2024, MIAX PEARL LLC (“MIAX Pearl” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Exchange Rule 402, Criteria for Underlying Securities.

The text of the proposed rule change is available on the Exchange’s website at <https://www.miaxglobal.com/markets/us-options/pearl-options/rule-filings>, at MIAX Pearl’s principal office, and at the Commission’s Public Reference Room.

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

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

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

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 Exchange Rule 402, Criteria for Underlying Securities,<sup>3</sup> to allow the Exchange to list and trade options on Exchange-Traded Fund Shares (“ETFs”) that represent interests in a trust that holds bitcoin (“Bitcoin ETPs”), designating them as ETFs deemed appropriate for options trading on the Exchange.

Current Exchange Rule 402(i)(4) provides that, subject to certain other criteria set forth in that Rule, securities deemed appropriate for options trading include ETFs that represent certain types of interests,<sup>4</sup> including interests in certain specific trusts that hold financial instruments, money market instruments, or precious metals (which are deemed commodities).

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<sup>3</sup> The Exchange notes that its affiliate exchange, MIAX Options, has submitted a substantively identical proposal.

<sup>4</sup> See Exchange Rule 402(i), which permits options trading on ETFs that: (1) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that hold portfolios of securities and/or financial instruments (“Funds”), including, but not limited to, stock index futures contracts, options on futures, options on securities and indices, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements (the “Financial Instruments”), and money market instruments, including, but not limited to, U.S. government securities and repurchase agreements (the “Money Market Instruments”) comprising or otherwise based on or representing investments in broad-based indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments); (2) represent interests in a trust or similar entity that holds a specified non-U.S. currency or currencies deposited with the trust which when aggregated in some specified minimum number may be surrendered to the trust or similar entity by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust (“Currency Trust Shares”); (3) 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”); (4) are issued by the SPDR® Gold Trust or the iShares COMEX Gold Trust or the iShares Silver Trust or the ETFs Silver Trust or the ETFs Gold Trust or the ETFs Palladium Trust or the ETFs Platinum Trust or the Sprott Physical Gold Trust; or (5) represent an interest in a registered investment company (“Investment Company”) organized as an open-end management company or similar entity, that invests in a portfolio of securities selected by the Investment

Bitcoin ETPs are bitcoin-backed commodity ETPs structured as trusts.<sup>5</sup> Similar to any ETFs currently deemed appropriate for options trading under Exchange Rule 402, the investment objective of a Bitcoin ETP trust is for its shares to reflect the performance of bitcoin (less the expenses of the trust's operations), offering investors an opportunity to gain exposure to bitcoin without the complexities of bitcoin delivery. As is the case for ETFs currently deemed appropriate for options trading, a Bitcoin ETP's shares represent units of fractional undivided beneficial interest in the trust, the assets of which consist principally of bitcoin and are designed to track bitcoin or the performance of the price of bitcoin and offer access to the bitcoin market.<sup>6</sup> Bitcoin ETPs provide investors with cost efficient alternatives that allow a level of participation in the bitcoin market through the securities market. The primary substantive difference between Bitcoin ETPs and ETFs currently deemed appropriate for options trading are that ETFs may hold securities, certain financial instruments, and specified precious metals (which are commodities), while Bitcoin ETPs hold bitcoin (which is also deemed a commodity).

The Exchange's initial listing standards for ETFs on which options may be listed and traded on the Exchange will apply to the Bitcoin ETPs. The Exchange expects Bitcoin ETPs to satisfy the initial listing standards as set forth in Exchange Rule 402(a) and Exchange Rule 402(i). Pursuant to Exchange Rule 402(a), a security (which includes ETFs) on which options

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Company's investment adviser consistent with the Investment Company's investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value ("NAV"), and when aggregated in the same specified minimum number, may be redeemed at a holder's request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined NAV ("Managed Fund Share"); provided that all of the conditions listed in (5)(i) and 5(ii) are met.

<sup>5</sup> The Exchange notes several filings to list and trade ETFs that hold bitcoin as NMS stocks (and registration statements for those Units) are currently pending with the Securities and Exchange Commission (the "Commission"). Pursuant to the Exchange's Rules, the Exchange would only have authority to list and trade ETFs that are trading as NMS stocks.

<sup>6</sup> The trust may include minimal cash.

may be listed and traded on the Exchange must be duly registered (with the Commission) and be an NMS stock (as defined in Rule 600 of Regulation NMS under the Act,) and be characterized by a substantial number of outstanding shares that are widely held and actively traded.<sup>7</sup>

Exchange Rule 402(i) requires that ETFs must either (1) meet the criteria and standards set forth in Exchange Rule 402(a) or Exchange Rule 402(b), 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 ETFs in a specified aggregate number 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 expects that Bitcoin ETPs would satisfy Exchange Rule 402(i)(5)(i)(B).<sup>8</sup>

Options on Bitcoin ETPs will also be subject to the Exchange's continued listing standards set forth in Exchange Rule 403(g), for ETFs deemed appropriate for options trading pursuant to Exchange Rule 402(i). Specifically, Exchange Rule 403(g) provides that ETFs that were initially approved for options trading pursuant to Exchange Rule 402(i) shall be deemed not to meet the requirements for continued approval, and the Exchange shall not open for trading any

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<sup>7</sup> As noted above, there are currently no Bitcoin ETPs trading as NMS stocks on a national securities exchange; however, registration statements and rule filings to list and trade several Bitcoin ETPs are currently pending with the Commission. See Securities Exchange Act Release No. 99306 (January 10, 2024) (citing all the proposed rule changes to list and trade Bitcoin ETPs on U.S. securities exchanges). The Exchange represents it would not list options on a Bitcoin ETP unless it satisfied the criteria in Exchange Rule 402(a) the proposed listing criteria, and any other applicable listing criteria.

<sup>8</sup> See, e.g., Form S-1 Registration Statement filed on November 29, 2023 (Registration No. 333-275781) (pending registration statement for shares of the Pando Asset Spot Bitcoin Trust); and Form S-1 Registration Statement filed on September 12, 2023 (Registration No. 333- 274474) (pending registration statement for shares of the Franklin Bitcoin ETF).

additional series of option contracts of the class covering that such ETFs, if the ETFs are delisted from trading pursuant to Exchange Rule 403(b)(4), are halted or suspended from trading in their primary market. Additionally, options on ETFs may be subject to the suspension of opening transactions in any of the following circumstances: (1) in the case of options covering ETFs approved for trading under Exchange Rule 402(i)(5)(i)(A), in accordance with the terms of paragraphs (b)(1), (2), and (3) of Exchange Rule 403; (2) in the case of options covering ETFs approved for trading under Exchange Rule 402(i)(5)(i)(B), following the initial twelve-month period beginning upon the commencement of trading in the ETFs on a national securities exchange and are defined as an NMS stock, there are fewer than 50 record and/or beneficial holders of such ETFs for 30 or more consecutive trading days; (3) the value of the index or portfolio of securities, non-U.S. currency, or 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 and money market instruments on which the Units are based is no longer calculated or available; or (4) such other event shall occur or condition exist that in the opinion of the Exchange makes further dealing in such options on the Exchange inadvisable.

Options on a Bitcoin ETP will be physically settled contracts with American-style exercise.<sup>9</sup> Consistent with current Exchange Rule 404, which governs the opening of options series on a specific underlying security (including ETFs), the Exchange will open at least one expiration month for options on each Bitcoin ETP<sup>10</sup> at the commencement of trading on the

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<sup>9</sup> See Exchange Rule 401, 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).

<sup>10</sup> See Exchange Rule 404(b). The monthly expirations are subject to certain listing criteria for underlying securities described within Exchange Rule 404 and its Interpretations and Policies. Monthly listings expire the third Friday of the month. The term “expiration date” (unless separately defined elsewhere in the OCC

Exchange and may also list series of options on a Bitcoin ETP for trading on a weekly<sup>11</sup> monthly,<sup>12</sup> or quarterly<sup>13</sup> basis. The Exchange may also list long-term equity option series (“LEAPS”) that expire from 12 to 180 months from the time they are listed.<sup>14</sup>

Pursuant to Exchange Rule 404, Interpretation and Policy .06, which governs strike prices of series of options on Trust Issued Receipts, the interval of strikes prices for series of options Bitcoin ETPs will be \$1 or greater when the strike price is \$200 or less and \$5 or greater where the strike price is over \$200.<sup>15</sup> Additionally, the Exchange may list series of options pursuant to the \$1 Strike Price Interval Program,<sup>16</sup> the \$0.50 Strike Program,<sup>17</sup> and the \$2.50 Strike Price Program.<sup>18</sup> Pursuant to Exchange Rule 510, where the price of a series of a Bitcoin ETP 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.<sup>19</sup> Any and all new series of Bitcoin ETP options that the Exchange lists will be consistent and comply with the expirations, strike prices, and minimum increments set forth in Rules 404 and 510, as applicable.

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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 Exchange Rule 404(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. Pursuant to Exchange Rule 404(e), 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.

<sup>11</sup> See Exchange Rule 404, Interpretations and Policies .02.

<sup>12</sup> See Exchange Rule 404, Interpretations and Policies .13.

<sup>13</sup> See Exchange Rule 404, Interpretations and Policies .03.

<sup>14</sup> See Exchange Rule 404(d).

<sup>15</sup> See Exchange Rule 404, Interpretation and Policy .06.

<sup>16</sup> See Exchange Rule 404, Interpretation and Policy .01.

<sup>17</sup> See Exchange Rule 404, Interpretation and Policy .04.

<sup>18</sup> See Exchange Rule 404(f).

<sup>19</sup> See Exchange Rule 510.

Bitcoin ETP options will trade in the same manner as any other ETF options on the Exchange. The Exchange Rules that currently apply to the listing and trading of all ETFs options on the Exchange, including, for example, Exchange Rules that govern listing criteria, expiration and exercise prices, minimum increments, position and exercise limits, margin requirements, customer accounts and trading halt procedures will apply to the listing and trading of Bitcoin ETPs on the Exchange in the same manner as they apply to other options on all other ETFs that are listed and traded on the Exchange, including the precious-metal backed commodity ETFs already deemed appropriate for options trading on the Exchange pursuant to current Exchange Rule 402(i)(4).

Position and exercise limits for options on ETFs, including options on Bitcoin ETPs, are determined pursuant to Exchange Rules, Chapter III, Business Conduct. Position and exercise limits for ETFs options vary according to the number of outstanding shares and the trading volumes of the Underlying Security<sup>20</sup> over the past six months, where the largest in capitalization and the most frequently traded ETFs have an option position and exercise limit of 250,000 contracts (with adjustments for splits, re-capitalizations, etc.) on the same side of the market; and smaller capitalization Units 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.<sup>21</sup> The Exchange further notes that Exchange Rules, Chapter XV, Margins, which governs margin requirements applicable to trading on the Exchange, will also apply to the trading of Bitcoin ETP options.

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<sup>20</sup> The term “underlying security” in respect of an option contract means the security which the Clearing Corporation shall be obligated to sell (in the case of a call option contract) or purchase (in the case of a put option contract) upon the valid exercise of the option contract. See Exchange Rule 100.

<sup>21</sup> As Bitcoin ETPs do not currently trade, options on Bitcoin ETPs would be subject to the 25,000 option contract limit.

The Exchange represents that the same surveillance procedures applicable to all other options on ETFs currently listed and traded on the Exchange will apply to options on Bitcoin ETPs, and that it has the necessary systems capacity to support the new option series. The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might potentially arise from listing and trading ETFs options, including precious metal-commodity backed ETFs options, as proposed. Also, the Exchange may obtain information from CME Group Inc.'s designated contract markets that are members of the Intermarket Surveillance Group related to any financial instrument that is based, in whole or in part, upon an interest in or performance of bitcoin, as applicable.

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 Bitcoin ETPs up to the number of expirations currently permissible under the Rules. Because the proposal is limited to ETFs on a single commodity, the Exchange believes any additional traffic that may be generated from the introduction of Bitcoin ETP options will be manageable.

The Exchange believes that offering options on Bitcoin ETPs will benefit investors by providing them with an additional, relatively lower cost investing tool to gain exposure to the price of bitcoin and hedging vehicle to meet their investment needs in connection with bitcoin-related products and positions. The Exchange expects investors will transact in options on Bitcoin ETPs in the unregulated over-the-counter ("OTC") options market (if the Commission approves Bitcoin ETPs for exchange-trading),<sup>22</sup> but may prefer to trade such options in a listed environment to receive the benefits of trading listing options, including (1) enhanced efficiency

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<sup>22</sup> The Exchange understands from customers that investors have historically transacted in options on ETFs in the OTC options market if such options were not available for trading in a listed environment.

in initiating and closing out position; (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 Bitcoin ETP 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 ETFs that hold financial instruments, money market instruments, or precious metal commodities on which the Exchange may already list and trade options are trusts structured in substantially the same manner as Bitcoin ETPs 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 ETFs options, including ETFs that hold commodities (i.e., precious metals) that it currently lists and trades on the Exchange.

## 2. Statutory Basis

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.<sup>23</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>24</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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<sup>23</sup> 15 U.S.C. 78f(b).

<sup>24</sup> 15 U.S.C. 78f(b)(5).

In particular, the Exchange believes that the proposal to list and trade options on Bitcoin ETPs 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 Bitcoin ETPs will provide investors with an opportunity to realize the benefits of utilizing options on a bitcoin-based ETP, including cost efficiencies and increased hedging strategies. The Exchange believes that offering Bitcoin ETP options will benefit investors by providing them with a relatively lower-cost risk management tool, which will allow them to manage their positions and associated risk in their portfolios more easily in connection with exposure to the price of bitcoin and with bitcoin-related products and positions. Additionally, the Exchange's offering of Bitcoin ETP 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. The Exchange also notes that it already lists options on other commodity-based ETFs,<sup>25</sup> which, as described above, are trusts structured in substantially the same manner as Bitcoin ETPs and essentially offer the same objectives and benefits to investors, just with respect to a different commodity (i.e., bitcoin rather than precious metals) and for which the Exchange has not identified any issues with the continued listing and trading of commodity-backed ETFs options it currently lists for trading.

The Exchange also believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system, because it is consistent with current Exchange Rules, previously filed with the Commission. Options on Bitcoin ETPs must satisfy the initial listing standards and continued listing standards currently in the Exchange Rules, applicable to options on all ETFs, including ETFs that hold other

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<sup>25</sup> See Exchange Rule 402(i)(4).

commodities already deemed appropriate for options trading on the Exchange. Bitcoin ETP options will trade in the same manner as any other ETFs options — the same Exchange Rules that currently govern the listing and trading of all ETsF options, including permissible expirations, strike prices and minimum increments, and applicable position and exercise limits and margin requirements, will govern the listing and trading of options on Bitcoin ETPs in the same manner.

The Exchange represents that it has the necessary systems capacity to support the new ETF option series. 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 ETF options, including Bitcoin ETP options.

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 Bitcoin ETPs would need to satisfy the initial listing standards set forth in the Exchange Rules in the same manner as any other ETFs before the Exchange could list options on them. Additionally, Bitcoin ETP options will be equally available to all market participants who wish to trade such options. The Exchange Rules currently applicable to the listing and trading of options on ETFs on the Exchange will apply in the same manner to the listing and trading of all options on Bitcoin ETPs. Also, and as stated above, the Exchange already lists options on other commodity-based ETFs.<sup>26</sup>

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<sup>26</sup> Id.

The Exchange does not believe that the proposal to list and trade options on Bitcoin ETPs 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 Bitcoin ETP 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. Additionally, other options exchanges are free to amend their listing rules, as applicable, to permit them to list and trade options on Bitcoin ETPs.

Additionally, the Exchange notes that listing and trading Bitcoin ETP 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 Bitcoin ETP 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 bitcoin prices and bitcoin-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

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or

within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act.

Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-PEARL-2024-03 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-PEARL-2024-03. 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-PEARL-2024-03 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>27</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>27</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

New text is underlined;  
Deleted text is in [brackets]

**MIAX Pearl Options Exchange Rules**

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**Rule 402. Criteria for Underlying Securities**

(a) through (h) (No Change.)

(i) Securities deemed appropriate for options trading shall include shares or other securities (“Exchange-Traded Fund Shares”) that are traded on a national securities exchange and are defined as an “NMS stock” under Rule 600 of Regulation NMS, and that:

(1) through (3) (No Change.)

(4) are issued by the SPDR® Gold Trust, [or] the iShares COMEX Gold Trust, [or] the iShares Silver Trust, [or] the ETFS Silver Trust, [or] the ETFS Gold Trust, [or] the ETFS Palladium Trust, [or] the ETFS Platinum Trust, [or] the Sprott Physical Gold Trust, or a trust that holds bitcoin; or

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