

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-101775; File No. SR-NYSEARCA-2024-98]

**Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change To List and Trade Shares of the Bitwise 10 Crypto Index Fund Under Proposed NYSE Arca Rule 8.800-E (Commodity- and Digital Asset-Based Investment Interests)**

November 27, 2024.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on November 14, 2024, NYSE Arca, Inc. (“NYSE Arca” 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 self-regulatory organization. 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 list and trade shares of the Bitwise 10 Crypto Index Fund (the “Trust”) under proposed NYSE Arca Rule 8.800-E (Commodity- and/or Digital Asset-Based Investment Interests). The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, 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 self-regulatory organization 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 those 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 parts of such statements.

<sup>1</sup> 15 U.S.C. 78s(b)(1).  
<sup>2</sup> 15 U.S.C. 78a.  
<sup>3</sup> 17 CFR 240.19b-4.

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

1. Purpose

The Exchange recently proposed to adopt new NYSE Arca Rule 8.800-E to provide for the listing and trading of Commodity- and/or Digital Asset-Based Investment Interests, which are securities issued by a trust, limited liability company, or other similar entity that holds specified commodities, digital assets, Derivative Securities Products, and/or cash.<sup>4</sup> The Exchange now proposes to list and trade shares of the Trust<sup>5</sup> under proposed NYSE Arca Rule 8.800-E.

According to the Annual Report, the Trust will not be registered as an investment company under the Investment Company Act of 1940,<sup>6</sup> and is not required to register thereunder. The Trust is not a commodity pool for purposes of the Commodity Exchange Act.<sup>7</sup>

The Exchange represents that the Shares satisfy the requirements of proposed NYSE Arca Rule 8.800-E and thereby qualify for listing on the Exchange.<sup>8</sup>

Operation of the Trust<sup>9</sup>

The Trust will issue the Shares which, according to the Annual Report, represent units of undivided beneficial ownership of the Trust. The Trust is a Delaware statutory trust and will operate pursuant to a trust agreement (the “Trust Agreement”) between Bitwise Investment Advisers, LLC (the “Sponsor” or “Bitwise”) and Delaware Trust Company, as the Trust’s trustee (the “Trustee”). Coinbase Custody Trust Company, LLC will maintain custody of the Trust’s assets (the “Custodian”). The Bank of New York Mellon will be the custodian for the Trust’s cash holdings (in such role, the “Cash Custodian”), as

<sup>4</sup> See Securities Exchange Act Release No. 101470 (October 29, 2024), 89 FR 87681 (November 4, 2024) (SR-NYSEARCA-2024-87). Shares of the Trust will not trade on the Exchange until such time that both the instant proposed rule change and the proposed rule change to adopt Rule 8.800-E have been approved by the Commission.

<sup>5</sup> The Trust is a Delaware statutory trust. Shares of the Trust currently trade under the symbol BITW on OTCQX. On March 1, 2024, the Trust filed with the Commission an Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the “Annual Report”).

<sup>6</sup> 15 U.S.C. 80a-1.

<sup>7</sup> 17 U.S.C. 1.

<sup>8</sup> With respect to the application of Rule 10A-3 (17 CFR 240.10A-3) under the Act, the Trust relies on the exemption contained in Rule 10A-3(c)(7).

<sup>9</sup> The description of the operation of the Trust, the Shares, and digital asset markets contained herein is based, in part, on the Annual Report. See note 5, *supra*.

well as the Trust’s administrator (in such role, the “Administrator”) and transfer agent (in such role, the “Transfer Agent”).

According to the Annual Report, the investment objective of the Trust is to invest in a portfolio of digital assets (each, a “Portfolio Asset” and, collectively, “Portfolio Assets”) that tracks the Bitwise 10 Large Cap Crypto Index (the “Index”). The Index is administered by Bitwise Index Services, LLC, an affiliate of the Sponsor (the “Index Provider”). The Trust rebalances monthly alongside the rebalance of the Index to stay current with any changes to the Index. As of October 31, 2024, the Trust’s Portfolio Assets and respective weightings are:

Portfolio asset	Symbol	Weight (%)
Bitcoin .....	BTC	75.10
Ethereum .....	ETH	16.5
Solana .....	SOL	4.30
XRP .....	XRP	1.50
Cardano .....	ADA	0.70
Avalanche .....	AVAX	0.60
Chainlink .....	LINK	0.40
Bitcoin Cash .....	BCH	0.40
Polkadot .....	DOT	0.30
Uniswap .....	UNI	0.30

To determine the Trust’s Net Asset Value (“NAV”) at the end of every Business Day,<sup>10</sup> the Sponsor will rely on a third-party valuation vendor, CF Benchmarks Ltd. (the “Valuation Vendor”), to calculate and publish the U.S. dollar price for each Portfolio Asset (each, a “Reference Price” and, collectively, the “Reference Prices”) as of 4:00 p.m. E.T. using prices from several different digital asset trading platforms selected by the Valuation Vendor.<sup>11</sup> Each Reference Price aggregates the trade flow of several major digital asset trading platforms during an observation window between 3:00 p.m. and 4:00 p.m. E.T. into the U.S. dollar price of one of each Portfolio Asset at 4:00 p.m. E.T. The Reference Price calculation is designed based on the IOSCO Principals for Financial Benchmarks.

The Trust’s only assets will be Portfolio Assets and cash.<sup>12</sup> The Trust

<sup>10</sup> For purposes of this filing, a “Business Day” is defined as any day on which the New York Stock Exchange is scheduled to be open for trading.

<sup>11</sup> Digital asset trading platforms considered by the Valuation Vendor currently include Bitstamp, Coinbase, Gemini, itBit, LMAX, and Kraken. The Valuation Vendor’s selection of digital asset trading platforms from which the Reference Prices may be derived is further discussed below.

<sup>12</sup> The Trust conducts creations and redemptions of its Shares for cash. Authorized Participants (defined below) will deliver cash to the Cash

does not seek to hold any digital assets other than Portfolio Assets and has expressly disclaimed ownership of any such assets in the event the Trust ever involuntarily comes into possession of such assets.<sup>13</sup> The Trust will not use derivatives that may subject the Trust to counterparty and credit risks. The Trust will process creations and redemptions in cash. The Trust's only recurring ordinary expense is expected to be the Sponsor's unitary management fee (the "Management Fee"), which will accrue daily and will be payable monthly in arrears. The Administrator will calculate the Management Fee by applying an annualized rate to the NAV of the Trust's assets at the end of each month. Financial institutions authorized to create and redeem Shares (each, an "Authorized Participant") will deliver, or cause to be delivered, cash in exchange for Shares of the Trust, and the Trust will deliver cash to

Custodian pursuant to creation orders for Shares and the Cash Custodian will hold such cash until such time as it can be converted to Portfolio Assets, which the Trust intends to do on the same Business Day in which such cash is received by the Cash Custodian. Additionally, the Trust will sell Portfolio Assets in exchange for cash pursuant to redemption orders of its Shares. In connection with such sales, an approved Digital Asset Trading Counterparty (defined below) will send cash to the Cash Custodian. The Cash Custodian will hold such cash until it can be distributed to the redeeming Authorized Participant, which it intends to do on the same Business Day in which it is received. In connection with the purchases and sales of Portfolio Assets pursuant to its creation and redemption activity, it is possible that the Trust may retain de minimis amounts of cash as a result of rounding differences. The Trust may also initially hold small amounts of cash to initiate Trust operations in the immediate aftermath of its Registration Statement being declared effective. Lastly, the Trust may also sell Portfolio Assets and temporarily hold cash as part of a liquidation of the Trust or to pay certain extraordinary expenses not assumed by the Sponsor. Under the Trust Agreement, the Sponsor has agreed to assume the normal operating expenses of the Trust, subject to certain limitations. For example, the Trust will bear any indemnification or litigation liabilities as extraordinary expenses. In any event, in the ongoing course of business, the amounts of cash retained by the Trust are not expected to constitute a material portion of the Trust's holdings.

<sup>13</sup> The Trust may, from time to time, passively receive, by virtue of holding Portfolio Assets, certain additional digital assets ("IR Assets") or rights to receive IR Assets ("Incidental Rights") through a fork of a digital asset network or an airdrop of assets. The Trust will not seek to acquire such IR Assets or Incidental Rights. Pursuant to the terms of the Trust Agreement, the Trust has disclaimed ownership in any such IR Assets and/or Incidental Rights to make clear that such assets are not and shall never be considered assets of the Trust and will not be taken into account for purposes of determining the Trust's NAV or NAV per Share. Neither the Trust, nor the Sponsor, nor the Custodian, nor any other person associated with the Trust will, directly or indirectly, engage in action where any portion of the Trust's Portfolio Assets becomes subject to any proof-of-stake validation or is used to earn additional assets or generate income or other earnings.

Authorized Participants when those Authorized Participants redeem Shares of the Trust.

#### The Index

The Bitwise Crypto Index Committee (the "Committee"), convened by the Index Provider, is the governing body of the Index and is responsible for developing, maintaining, and adjusting the methodology by which the Index is constructed (the "Index Methodology").<sup>14</sup> The Index is comprised of ten digital assets (the "Index Components") and is designed to track the performance of the ten largest digital assets that currently trade publicly on eligible digital asset trading platforms, as selected and weighted by free-float market capitalization. The market capitalization of a digital asset is calculated by multiplying its price<sup>15</sup> times its free-float-adjusted or "circulating"<sup>16</sup> supply. The proportion of each digital asset in the Index is based on this adjusted market capitalization.

The Index will only consider for eligibility as Index Components digital assets that satisfy the following criteria:

- The digital asset must be a cryptographically secured digital bearer instrument;
- The digital asset must have a price that is not pegged to another digital asset, fiat currency, group of those currencies, or hard asset;
- The digital asset must be freely traded and can be freely held for the foreseeable future;
- The digital asset must trade on an Eligible Digital Asset Trading Platform,<sup>17</sup> without withdrawal issues specific to that digital asset;

<sup>14</sup> The full Index Methodology is available at <https://bitwiseinvestments.com/indexes/methodology>.

<sup>15</sup> Based on the Lukka Prime price.

<sup>16</sup> According to the Annual Report, circulating supply is the best approximation of the number of coins available on public markets. Circulating supply is derived by taking the total number of existing digital assets native to a specific Blockchain and subtracting the number of coins verifiably burned, locked, or reserved (for example, by a foundation).

<sup>17</sup> The Committee determines which trading platforms qualify as Eligible Digital Asset Trading Platforms. To qualify as an Eligible Digital Asset Trading Platform, a venue must: (1) provide an open platform for exchanging at least one digital asset for either another digital asset or for a fiat currency; (2) not be domiciled in a country, region, or locality that implements meaningful capital controls on international investors; (3) not be subject to extraordinary regulatory or legal action that is likely to lead to unusual pricing, significantly disrupt institutional access to the market, or disrupt fiat withdrawals; (4) charge fees for trading; (5) have a functioning, secure, and reliable application programming interface (API) allowing for the timely ingestion of trade and volume data; (6) have no significant downtime,

• The digital asset must be custodied by a third-party custodian regulated as a federally chartered bank or as a state trust company, that meets additional security practices, insurance requirements, and business practice requirements as determined by the Committee;<sup>18</sup>

• The digital asset must have no known security vulnerabilities, including critical bugs, undue exposure to 51% attacks, or other factors, as determined by the Committee;

• The digital asset must not face undue risk of being deemed a security under U.S. federal securities laws in the opinion of the Committee, given present knowable facts and circumstances;<sup>19</sup>

• The digital asset must have traded more than 1% of its free-float-adjusted market capitalization on eligible trading venues over the past 30 days; and

withdrawal, or known security issues; (7) account for more than 1.0% of the combined trailing 30-day dollar trading volume of all digital assets on entities that meet the prior listed rules; and (8) in the opinion of the Committee, have significant real spot trading volume. The list of Eligible Digital Asset Trading Platforms is reviewed on an annual basis. As of January 25, 2024, the date that the Committee performed its 2024 annual review of Eligible Digital Asset Trading Platforms, the list of Eligible Digital Asset Trading Platforms included Bitstamp, BitFlyer, Coinbase, Gemini, Kraken, itBit, and LMAX.

<sup>18</sup> The list of approved custodians is reviewed and updated on an annual basis, or at the discretion of the Committee. As of January 23, 2024, the date that the Committee performed its 2024 annual review of eligible custodians, the list of approved custodians included Anchorage, Bakkt Warehouse, BitGo, Coinbase Custody, Fidelity Digital Assets, and Gemini Custody.

<sup>19</sup> The Committee conducts a risk-based assessment that considers whether the digital asset may be deemed a security under U.S. federal securities laws and whether it is subject to regulatory action that may imperil the value of the digital asset. Such assessment does not preclude legal or regulatory action based on the presence of a security. The Committee does not engage in legal analysis of any digital assets or perform any analysis of digital assets based upon any legal standards. The Committee reviews the following information to make this determination: (1) public information to determine if the Commission, any other U.S. regulatory agency, or any court has made any statements regarding the digital asset; (2) public information regarding how the digital asset markets view the digital asset, including whether the digital asset has been listed on entities such as Coinbase or other U.S. digital asset trading platforms that would have had access to a reasonable amount of information when making their determinations to list the digital asset; (3) public information to undertake reasonable diligence into the structure and technology of the digital asset, including reviewing the digital asset's whitepaper if available and speaking with the sponsor of the digital asset; and (4) any other information gained from reputable sources that may impact the Committee's view of the digital asset, including a review of any websites associated with the digital asset's development. If the Committee adds a digital asset to the Index, but later becomes aware of new information that causes the Committee to reevaluate the risk profile of such digital asset, the Committee will review such information and determine whether the digital asset should be removed from the Index.

- The digital asset must have maintained a unit price greater than \$0.01 for the past 30 consecutive days.

The Index is reconstituted on a monthly basis at 4:00 p.m. E.T. on the last Business Day of each month. As of October 31, 2024, the Index included the following digital assets, and their weights were as follows:<sup>20</sup>

Digital asset	Weight (%)
Bitcoin .....	75.14
Ethereum .....	16.42
Solana .....	4.30
XRP .....	1.56
Cardano .....	0.66
Avalanche .....	0.55
Chainlink .....	0.39
Bitcoin Cash .....	0.38
Uniswap .....	0.31
Polkadot .....	0.30

To the extent that a digital asset meets the Index’s eligibility requirements at a future date, it would be considered for inclusion in the Index in connection with a future rebalancing. Digital assets will lose eligibility and be removed from the Index at the next monthly reconstitution event if they violate any of the eligibility requirements described above for 30 consecutive days.<sup>21</sup>

The Index is calculated on a daily basis and published on the Sponsor’s website. Should any material change be made to the Index Methodology that results in a material change to the composition of the Index and, as part of the Trust’s monthly rebalancing process, results in a material change to the composition of the Trust (which the Sponsor generally considers to be a change of 10% or more to the Trust or the Index holdings, but in any event, is also determined at the Trust’s discretion), the Trust will notify shareholders of such material change by filing a Form 8–K with the Commission.

The Index will implement a rule that will limit the Index Components and weightings thereof such that at least 90% of the weight of the Index Components shall, on both an initial

and continuing basis, consist of commodities and/or digital assets concerning which the Exchange is able to obtain information via the Intermarket Surveillance Group (“ISG”), from other members of the ISG, or via a comprehensive surveillance sharing agreement (“CSSA”) at each monthly rebalancing. This rule will be in effect prior to such time that Shares of the Trust begin trading on the Exchange.

**The Portfolio Assets and Index Components**

The Portfolio Assets will consist of the Index Components except that the Sponsor may determine to exclude a particular Index Component in its discretion under certain specified circumstances further described below (including to comply with the proposed requirements of Rule 8.800–E(e)(1)). The weighting of each Portfolio Asset is generally expected to be the same as the weighting of the Index Components in the Index, except when the Sponsor determines to exclude one or more digital assets from the Portfolio Assets in the rules-based circumstances set forth below, in which case the weightings of the Portfolio Assets are generally expected to be calculated proportionally to the respective Index Components for the remaining Index Components.

The Sponsor will retain discretion to include or exclude individual digital assets from the Portfolio Assets only in the following circumstances:

- The Sponsor may exclude a digital asset or rebalance the weighting of an existing Portfolio Asset to the extent its inclusion as a Portfolio Asset or projected weighting would exceed a threshold that could, in the Sponsor’s sole discretion, require the Trust to register as an investment company under the Investment Company Act or require the Sponsor to register as an investment adviser under the Investment Advisers Act;
- None or few of the Authorized Participants or service providers has the ability to trade or otherwise support a digital asset;
- The Sponsor believes, based on current guidance, that use or trading of the digital asset raises or potentially raises significant governmental, policy, or regulatory concerns or is subject or likely subject to a specialized regulatory regime, such as the U.S. federal securities or commodities laws or similar laws in other significant jurisdictions;
- The digital asset’s underlying code contains, or may contain, significant flaws or vulnerabilities;

- There is limited or no reliable information regarding, or concerns over the intentions of, the core developers of the digital asset; or

- Any of the existing criteria used by the Index for inclusion in the Index is found by the Sponsor to prohibit the inclusion of the digital asset in the Index, in which case, the Sponsor may, in its sole discretion, cause the Portfolio Assets to deviate from the Index Components until such time as the Index has taken similar action.

The Trust does not intend for the Portfolio Assets to deviate from the Index Components, and the Trust anticipates that such deviation would likely occur only if the Trust was unable to hold a particular digital asset included in the Index, if the Trust determined that holding that particular digital asset would result in significant harm to shareholders, or if the holding of that digital asset would cause the Trust’s holdings to be inconsistent with the proposed requirements of Rule 8.800–E(c)(1). The Sponsor will ensure that the Trust’s holdings are consistent with the requirements of Rule 8.800–E(c)(1), as proposed, by monitoring the weightings of the Portfolio Assets and Index Components daily and taking any measures as described in the preceding section to ensure that 90% of the holdings will consist of commodities and/or digital assets concerning which the Exchange may obtain information via the ISG, from other members of the ISG, or via CSSA<sup>22</sup> and by implementing an Index rule that will limit the Index Components and weightings such that at least 90% of the weight of such constituents shall, on both an initial and continuing basis, consist of the same assets.

**Background on Portfolio Assets**

**Bitcoin**

Bitcoin is the most well-recognized digital asset in the world. As of October 31, 2024, bitcoin is the largest digital asset in the world by market capitalization. Bitcoin was invented in 2008 by a pseudonymous software developer, or a group of software developers, under the name Satoshi Nakamoto. Nakamoto published a white paper titled “Bitcoin: A Peer-to-Peer Electronic Cash System” on October 31, 2008, which provided the technical outline for launching the bitcoin network. The network went live on January 3, 2009, when Nakamoto mined

<sup>20</sup> The weighting of the Trust’s Portfolio Assets will differ slightly from the weightings of the Index Components due to the need for the Trust to implement actual rebalance transactions, unlike the Index. The transactions undertaken by the Trust to align the Portfolio Assets with the Index Components may create transaction costs, fees, and trading slippage, which may cause the Trust’s performance to deviate slightly from the Index’s performance.

<sup>21</sup> Under extraordinary circumstances, digital assets may lose eligibility to be Index Components and be removed from the Index on a same-day basis by a unanimous vote of the quorum of members of the Committee. Such emergency removals will take place at 4:00 p.m. E.T. following the conclusion of such decision by the Committee and will be publicly available on the Sponsor’s website.

<sup>22</sup> The Sponsor notes that, as of the date of this filing, the Index Components and Portfolio Assets that meet this standard are bitcoin and ether, which make up more than 91% of the Trust and Index.

the first block of transactions, known as the “Genesis Block.”

The software underlying the Bitcoin Blockchain determines a number of key and independent parameters. At the heart of the system lies the algorithm that enforces that all ledgers converge over time (commonly known as the “Consensus Algorithm”). Other important portions of the system include the rules that deem a transaction valid, a programming language that allows for different types of transactions to be executed, and the process through which new digital assets are minted (commonly known as “Mining”), and others. The network strictly enforces the total amount of units issued to converge towards 21 million by the year 2140 through a predetermined schedule.

New bitcoin is created when Miners process blocks of transactions. In the bitcoin network, this occurs roughly every ten minutes. The Blockchain periodically adjusts the difficulty of settling transactions to ensure that cadence remains approximately accurate. The amount of new bitcoin created each time a block of bitcoin transactions is processed is predetermined by the software underlying the bitcoin Blockchain. Initially, the Miner that settled a block of transactions on the bitcoin Blockchain received 50 bitcoin. That reward was and is programmed to be cut in half roughly every four years; currently, Miners receive 3.125 bitcoin for each block of settled transactions.

The bitcoin network is known for being extremely decentralized, as it is maintained by a network of computers that, joined together, represents the largest supercomputer in the world. Some believe that this makes bitcoin more secure and resistant to attacks compared to other Blockchain networks.

#### Ethereum

Ether is the native digital asset of Ethereum, the second largest Blockchain network ranked by market capitalization as of October 31, 2024. Ethereum was described in a white paper in late 2013, and an online crowdsale to fund development took place between July and August 2014. The network went live in July 2015.

Ethereum was specifically designed to power smart contracts, which are computer programs intended to enforce the performance of a contract that parties can codify and agree upon with minimal or no need of trusted intermediaries.

Ethereum’s script language, the programming language that developers use for creating Blockchain

applications, is significantly more flexible than bitcoin’s. This allows the creation of programs that do general computation instead of only the relatively simple conditional payments that are possible with bitcoin. As such, a whole ecosystem of different applications including asset issuance, decentralized financial applications, identity management, and others are able to be and have been developed on top of the Ethereum network. However, Ethereum’s more permissive programming language makes the network inherently less secure because it can increase the odds that a catastrophic bug in one smart contract could affect the whole network.

Due to Ethereum’s focus on enabling innovation on its Blockchain system, events like hard forks are significantly more common in Ethereum than in bitcoin. For example, on September 15, 2022, Ethereum transitioned from a proof-of-work network to a proof-of-stake network. This infrastructure upgrade was known as “The Merge.” This was only one of several hard forks the Ethereum Blockchain has undergone since inception. Some consider Ethereum’s stance as an advantage, while others perceive it as a risk, especially as the project grows larger and the cost of potential mistakes rises.

#### Solana

Solana is a decentralized blockchain network with a focus on secure, low-fee, high-speed transactions that are paid for using SOL, which is the Solana Blockchain’s native digital asset. By leveraging proof-of-history and other breakthrough innovations, Solana allows for greater throughput than many other Blockchains, with the ability to scale at the rate of Moore’s Law. Solana, like Ethereum, is home to several use cases including gaming, decentralized finance, and non-fungible token marketplaces.

#### XRP

XRP is a digital asset that was created by Chris Larsen, Jed McCaleb, Arthur Britto, and David Schwartz (the “XRP Creators”) in 2012. Built out of the frustrations of bitcoin’s utility for payments, the XRP ledger (the ledger to which XRP is native) is designed to be a global real-time payment and settlement system. The XRP Creators developed this unique digital asset to solve the scalability concerns that they believed were inherent in the structure of bitcoin. In particular, XRP was created to improve the efficiency of payments. To this end, the open source code (available at <https://github.com/ripple/rippled/>) was designed to

maximize speed, scalability, and stability. For example, the XRP ledger can accommodate 4,400 transactions per second. This is, in part, because XRP is not mined like bitcoin, but is designed for the ledgers to close in seconds based on a system of consensus. Further, because of the consensus methodology underlying the XRP design, network transaction fees are substantially lower than bitcoin, typically less than \$0.01. Given the unique qualities of XRP and the natural suitability of this digital asset to solve the friction experience with payments, the XRP Creators started a company, calling it Ripple, to further develop the ecosystem around XRP and build software solutions to address the friction in sending, processing, and sourcing liquidity for global payments. Thus, the company, Ripple, began as, and continues to be, a payments software company. Today, Ripple is focused on designing and deploying state-of-the-art and industry-leading software to enable banks and financial institutions to more easily effect cross-border payments. For maximum efficiency, Ripple’s software can integrate XRP to solve liquidity and value transfer challenges.

#### Cardano

Cardano is a proof-of-stake Blockchain and smart contract platform that facilitates secure payments and enables developers to build decentralized applications. Grounded in research and academia, the protocol and its token were named after 16th and 19th century polymaths, and its programming language, Haskell, is commonly used in the traditional finance and security sectors.

#### Avalanche

Avalanche is a Blockchain ecosystem that is home to several applications across a variety of use cases including, but not limited to, gaming and decentralized finance. Avalanche’s design makes it relatively easy for developers to deploy applications to and from Ethereum. Avalanche was designed to be a faster and cheaper alternative to other Blockchains for purposes of a better user and developer experience. For example, the network leverages its different built-in Blockchains for enhanced transaction speeds at economically feasible costs. To that end, some of its built-in Blockchains are dedicated to specific use cases and/or applications to avoid network congestion the popularity of other applications can cause.

### Chainlink

Chainlink is a network that connects smart contracts with real world data. Blockchain networks are unaware of what happens outside of those networks, and therefore whenever a Blockchain application needs to interact with external data, it needs a reliable data source to do so. These data sources are known in the industry as “Oracles.” Relying on one Oracle creates a single point of failure, and Chainlink aims to solve this issue by providing a decentralized network of multiple Oracles that can evaluate the same data. The accuracy of this data can be important if this data is used to trigger activity on a smart contract or other Blockchain application. Chainlink provides price reference data feeds for decentralized finance, and also allows users to create their own Oracle networks. Larger enterprises can also use Chainlink to sell their data to smart contracts that need them to trigger a certain condition. Current use cases for Chainlink include stable digital assets, decentralized lending and borrowing, and asset management.

### Bitcoin Cash

Bitcoin Cash is a proof-of-work lockchain that was created as a hard fork of bitcoin on August 1, 2017. At inception, the most significant difference between Bitcoin Cash’s Blockchain design and the Blockchain design of bitcoin was Bitcoin Cash’s adoption of larger block sizes. Larger block sizes allow the Bitcoin Cash Blockchain to process more transactions per second than the bitcoin Blockchain.

### Uniswap

Uniswap is the governance token of the Uniswap protocol. Over the past five years, Uniswap has emerged as a leading decentralized exchange for digital assets. Uniswap’s automated platform lets traders exchange digital assets in the same way they do on centralized trading venues like Coinbase, but without a company standing in the middle of the transaction. Additionally, Uniswap’s decentralized structure allows any individual to act as a market maker and provide liquidity on the platform, earning yield while facing risk.

### Polkadot

Polkadot is a proof-of-stake Blockchain that leverages a newer infrastructure design to that of Solana’s and Ethereum’s. For purposes of enhanced performance, Polkadot splits up the workload by hosting various independent blockchains on top of one central blockchain, known as the Relay

Chain. The purpose of the Relay Chain is to provide ecosystem support, notably in terms of security and interoperability.

### Custody of the Trust’s Portfolio Assets

The Custodian will maintain custody of the Portfolio Assets, other than that which is maintained in a trading account (the “Trading Balance”) with Coinbase, Inc. (the “Prime Execution Agent,” which is an affiliate of the Custodian). The Custodian will maintain an account that holds the Trust’s Portfolio Assets (the “Trust Digital Asset Account”) and will facilitate the transfer of Portfolio Assets required for the operation of the Trust. The Trading Balance will only be used in the limited circumstances in which the Trust is using the Agent Execution Model (as defined below) to effectuate the purchases and sales of Portfolio Assets. The Custodian provides safekeeping of Portfolio Assets using a multi-layer cold storage security platform designed to provide offline security of the Portfolio Assets held by the Custodian.

### Valuation of the Trust’s Portfolio Assets and Determination of NAV

The net assets of the Trust and its Shares are valued on a daily basis by the Valuation Vendor. The Trust uses the Reference Prices to calculate its NAV.

The Sponsor, in its sole discretion, may cause the Trust to price its portfolio based upon an index, benchmark, or standard other than the Reference Prices at any time, with prior notice to the shareholders, if investment conditions change or the Sponsor believes that another index, benchmark, or standard better aligns with the Trust’s investment objective and strategy. The Sponsor may make this decision for a number of reasons, including, but not limited to, a determination that the Reference Prices differ materially from the global market price of the Portfolio Assets and/or that third parties are able to purchase and sell Portfolio Assets on public or private markets not included among the Valuation Trading Platforms, and such transactions may take place at prices materially higher or lower than the Reference Prices. The Sponsor, however, is under no obligation whatsoever to make such changes in any circumstance. In the event that the Sponsor intends to establish the Trust’s NAV by reference to an index, benchmark, or standard other than Reference Prices, it will provide shareholders with notice in a prospectus supplement and/or through a current

report on Form 8-K or in the Trust’s annual or quarterly reports.<sup>23</sup>

The Trust’s only assets will be Portfolio Assets and, under limited circumstances, cash. The Trust’s NAV and NAV per Share will be determined by the Administrator once each Exchange trading day as of 4:00 p.m. E.T., or as soon thereafter as practicable. The Administrator will calculate the NAV by multiplying the Portfolio Assets held by the Trust by their respective Reference Prices for such day, adding any additional receivables and subtracting the accrued but unpaid liabilities of the Trust. The NAV per Share is calculated by dividing the NAV by the number of Shares then outstanding. The Valuation Vendor will determine the price of the Trust’s Portfolio Assets by reference to the Valuation Trading Platforms.

### Intraday Trust Value

The Trust uses the real-time prices published by the Valuation Vendor for each Portfolio Asset to calculate an Indicative Trust Value (“ITV”). One or more major market data vendors will disseminate the ITV, updated every 15 seconds each trading day as calculated by the Exchange or a third-party financial data provider during the Exchange’s Core Trading Session (9:30 a.m. to 4:00 p.m. E.T.). The ITV will be calculated throughout the trading day by using the prior day’s holdings at the close of business and the most recently reported price level of the real-time prices for each Portfolio Asset published by the Valuation Vendor. The ITV will be widely disseminated by one or more major market data vendors during the NYSE Arca Core Trading Session.

### Creation and Redemption of Shares

The Trust creates and redeems Shares from time to time, but only in one or more Creation Units, which will initially consist of at least 10,000 Shares, but may be subject to change (“Creation Unit”). A Creation Unit is only made in exchange for delivery to the Trust or the distribution by the Trust of an amount of cash, equivalent to the value of Portfolio Assets represented by the Creation Unit being created or redeemed, the amount of which is representative of the combined NAV of the number of Shares included in the Creation Units being created or redeemed determined as of 4:00 p.m. E.T. on the day the order to create or redeem Creation Units is properly

<sup>23</sup> The Sponsor will provide notice of any such changes in the Trust’s periodic or current reports and, if the Sponsor makes such a change other than on an ad hoc or temporary basis, will file a proposed rule change with the Commission.

received. Except when aggregated in Creation Units or under extraordinary circumstances permitted under the Trust Agreement, the Shares are not redeemable securities.

Authorized Participants are the only persons that may place orders to create and redeem Creation Units. Authorized Participants must be (1) registered broker-dealers or other securities market participants, such as banks and other financial institutions, that are not required to register as broker-dealers to engage in securities transactions described below, and (2) Depository Trust Company (“DTC”) participants. To become an Authorized Participant, a person must enter into an Authorized Participant Agreement with the Trust and/or the Trust’s marketing agent (the “Marketing Agent”).

When purchasing or selling Portfolio Assets in response to the purchase of Creation Units or the redemption of Creation Units, which will be processed in cash, the Trust would do so pursuant to either (1) a “Trust-Directed Trade Model,” or (2) an “Agent Execution Model,” which are each described in more detail below.

The Trust intends to utilize the Trust-Directed Trade Model for all purchases and sales of Portfolio Assets and would only utilize the Agent Execution Model in the event that no digital asset trading counterparty approved by the Sponsor (a “Digital Asset Trading Counterparty”)<sup>24</sup> is able to effectuate the Trust’s purchase or sale of Portfolio Assets. Under the Trust-Directed Trade Model, in connection with receipt of a purchase order or redemption order, the Sponsor, on behalf of the Trust, would be responsible for acquiring Portfolio Assets from an approved Digital Asset Trading Counterparty in an amount equal to the Basket Amount. When seeking to purchase Portfolio Assets on behalf of the Trust, the Sponsor will seek to purchase Portfolio Assets at commercially reasonable prices and terms from any of the approved Digital Asset Trading Counterparties.<sup>25</sup> Once agreed upon, the transaction will generally occur on an “over-the-counter” basis.

Whether utilizing the Trust-Directed Trade Model or the Agent Execution

Model, the Authorized Participants will deliver only cash to create shares and will receive only cash when redeeming Shares. Further, Authorized Participants will not directly or indirectly purchase, hold, deliver, or receive Portfolio Assets as part of the creation or redemption process or otherwise direct the Trust or a third party with respect to purchasing, holding, delivering, or receiving Portfolio Assets as part of the creation or redemption process. Additionally, under either the Trust-Directed Trade Model or the Agent Execution Model, the Trust will create Shares by receiving Portfolio Assets from a third party that is not the Authorized Participant and is not affiliated with the Sponsor or the Trust, and the Trust—not the Authorized Participant—is responsible for selecting the third party to deliver the Portfolio Assets. The third party will not be acting as an agent of the Authorized Participant with respect to the delivery of the Portfolio Assets to the Trust or acting at the direction of the Authorized Participant with respect to the delivery of the Portfolio Assets to the Trust. Additionally, the Trust will redeem Shares by delivering Portfolio Assets to a third party that is not the Authorized Participant and is not affiliated with the Sponsor or the Trust, and the Trust—not the Authorized Participant—is responsible for selecting the third party to receive the Portfolio Assets. Finally, the third party will not be acting as an agent of the Authorized Participant with respect to the receipt of Portfolio Assets from the Trust or acting at the direction of the Authorized Participant with respect to the receipt of Portfolio Assets from the Trust.

#### Acquiring and Selling Portfolio Assets Pursuant to Creation and Redemption of Shares Under the Trust-Directed Trade Model

Under the Trust-Directed Trade Model, on any Business Day, an Authorized Participant may create Shares by placing an order to purchase one or more Creation Units with the Transfer Agent through the Marketing Agent. Such orders are subject to approval by the Marketing Agent and the Transfer Agent. To be processed on the date submitted, creation orders must be placed before 4:00 p.m. E.T. or the close of regular trading on the Exchange, whichever is earlier, but may be required to be placed earlier at the discretion of the Sponsor. A purchase order will be effective on the date it is received by the Transfer Agent and approved by the Marketing Agent (“Purchase Order Date”).

Creation Units are processed in cash. By placing a purchase order, an

Authorized Participant agrees to deposit, or cause to be deposited, an amount of cash equal to the quantity of Portfolio Assets attributable to each Share of the Trust (net of accrued but unpaid expenses and liabilities) multiplied by the number of Shares (10,000) comprising a Creation Unit (the “Basket Amount”). The Sponsor will cause to be published each Business Day, prior to the commencement of trading on the Exchange, the Basket Amount relating to a Creation Unit applicable for such Business Day. That amount is derived by multiplying the Basket Amount by the value of Portfolio Assets ascribed by the Pricing Index. However, the Authorized Participant is also responsible for any additional cash required to account for the price at which the Trust agrees to purchase the requisite amount of Portfolio Assets from a Digital Asset Trading Counterparty to the extent it is greater than the Pricing Index price on each Purchase Order Date.

Prior to the delivery of Creation Units, the Authorized Participant must also have wired to the Transfer Agent the nonrefundable transaction fee due for the creation order. Authorized Participants may not withdraw a creation request. If an Authorized Participant fails to consummate the foregoing, the order may be cancelled.

Following the acceptance of a purchase order, the Authorized Participant must wire the cash amount described above to the Cash Custodian, and the Digital Asset Trading Counterparty must deposit the required amount of Portfolio Assets with the Custodian by the end of the day E.T. on the Business Day following the Purchase Order Date. The Portfolio Assets will be purchased from Digital Asset Trading Counterparties that are not acting as agents of the Trust or agents of the Authorized Participant. These transactions will be done on an arms-length basis, and there is no contractual relationship between the Trust, the Sponsor, or the Digital Asset Trading Counterparty to acquire such Portfolio Assets. Prior to any movement of cash from the Cash Custodian to the Digital Asset Trading Counterparty or movement of Shares from the Transfer Agent to the Authorized Participant’s DTC account to settle the transaction, the Portfolio Assets must be deposited at the Custodian.

The Digital Asset Trading Counterparty must deposit the required amount of Portfolio Assets by end of day E.T. on the Business Day following the Purchase Order Date prior to any movement of cash from the Cash Custodian or Shares from the Transfer

<sup>24</sup> The Digital Asset Trading Counterparties with which the Sponsor will engage in Portfolio Asset transactions are unaffiliated third parties that are not acting as agents of the Trust, the Sponsor or the Authorized Participant, and all transactions will be done on an arms-length basis. There is no contractual relationship between the Trust, the Sponsor or the Digital Asset Trading Counterparty.

<sup>25</sup> The Sponsor will maintain ownership and control of the Portfolio Assets in a manner consistent with good delivery requirements for spot commodity transactions.

Agent. Upon receipt of the deposit amount of Portfolio Assets at the Custodian from the Digital Asset Trading Counterparty, the Custodian will notify the Sponsor that the Portfolio Assets have been received. The Sponsor will then notify the Transfer Agent that the Portfolio Assets have been received, and the Transfer Agent will direct DTC to credit the number of Shares ordered to the Authorized Participant's DTC account and will wire the cash previously sent by the Authorized Participant to the Digital Asset Trading Counterparty to complete settlement of the Purchase Order and the acquisition of the Portfolio Assets by the Trust, as described above.

As between the Trust and the Authorized Participant, the expense and risk of the difference between the value of Portfolio Assets calculated by the Administrator for daily valuation using the Pricing Benchmarks and the price at which the Trust acquires the Portfolio Assets will be borne solely by the Authorized Participant to the extent that the Trust pays more for Portfolio Assets than the price used by the Trust for daily valuation. Any such additional cash amount will be included in the amount of cash calculated by the Administrator on the Purchase Order Date, communicated to the Authorized Participant on the Purchase Order Date, and wired by the Authorized Participant to the Cash Custodian on the day following the Purchase Order Date. If the Digital Asset Trading Counterparty fails to deliver the Portfolio Assets to the Custodian, no cash is sent from the Cash Custodian to the Digital Asset Trading Counterparty, no Shares are transferred to the Authorized Participant's DTC account, the cash is returned to the Authorized Participant, and the Purchase Order is cancelled.

Under the Trust-Directed Trade Model and according to the Registration Statement, the procedures by which an Authorized Participant can redeem one or more Creation Units mirror the procedures for the creation of Creation Units. On any Business Day, an Authorized Participant may place an order with the Transfer Agent through the Marketing Agent to redeem one or more Creation Units. To be processed on the date submitted, redemption orders must be placed before 4:00 p.m. E.T. or the close of regular trading on the Exchange, whichever is earlier, or earlier as determined by the Sponsor. A redemption order will be effective on the date it is received by the Transfer Agent and approved by the Marketing Agent ("Redemption Order Date"). The redemption procedures allow Authorized Participants to redeem

Creation Units and do not entitle an individual shareholder to redeem any Shares in an amount less than a Creation Unit, or to redeem Creation Units other than through an Authorized Participant. In connection with receipt of a redemption order accepted by the Marketing Agent and Transfer Agent, the Sponsor, on behalf of the Trust, is responsible for selling the Portfolio Assets to an approved Digital Asset Trading Counterparty in an amount equal to the Basket Amount.

The redemption distribution from the Trust will consist of a transfer to the redeeming Authorized Participant, or its agent, of the amount of cash the Trust received in connection with a sale of the Basket Amount of Portfolio Assets to a Digital Asset Trading Counterparty made pursuant to the redemption order. The Sponsor will cause to be published each Business Day, prior to the commencement of trading on the Exchange, the redemption distribution amount relating to a Creation Unit applicable for such Business Day. The redemption distribution amount is derived by multiplying the Basket Amount by the value of Portfolio Assets ascribed by the Pricing Benchmarks. However, as between the Trust and the Authorized Participant, the expense and risk of the difference between the value of Portfolio Assets ascribed by the Pricing Benchmarks and the price at which the Trust sells the Portfolio Assets will be borne solely by the Authorized Participant to the extent that the Trust receives less for Portfolio Assets than the value ascribed by the Pricing Benchmarks. Prior to the delivery of Creation Units, the Authorized Participant must also have wired to the Transfer Agent the nonrefundable transaction fee due for the redemption order.

The redemption distribution due from the Trust will be delivered by the Transfer Agent to the Authorized Participant once the Cash Custodian has received the cash from the Digital Asset Trading Counterparty. The Custodian will not send the Basket Amount of Portfolio Assets to the Digital Asset Trading Counterparty until the Cash Custodian has received the cash from the Digital Asset Trading Counterparty and is instructed by the Sponsor to make such transfer. Once the Digital Asset Trading Counterparty has sent the cash to the Cash Custodian in an agreed upon amount to settle the agreed upon sale of the Basket Amount of Portfolio Assets, the Transfer Agent will notify the Sponsor. The Sponsor will then notify the Custodian to transfer the Portfolio Assets to the Digital Asset Trading Counterparty, and the Transfer

Agent will wire the cash proceeds to the Authorized Participant once the Trust's DTC account has been credited with the Shares represented by the Creation Unit from the redeeming Authorized Participant. Once the Authorized Participant has delivered the Shares represented by the Creation Unit to be redeemed to the Trust's DTC account, the Cash Custodian will wire the requisite amount of cash to the Authorized Participant. If the Trust's DTC account has not been credited with all of the Shares of the Creation Unit to be redeemed, the redemption distribution will be delayed until such time as the Transfer Agent confirms receipt of all such Shares. If the Digital Asset Trading Counterparty fails to deliver the cash to the Cash Custodian, the transaction will be cancelled, and no transfer of Portfolio Assets or Shares will occur.

#### Acquiring and Selling Portfolio Assets Pursuant to Creation and Redemption of Shares Under the Agent Execution Model

Under the Agent Execution Model, the Prime Execution Agent, acting in an agency capacity, would conduct Portfolio Assets purchases and sales on behalf of the Trust with third parties through its Coinbase Prime service pursuant to the Prime Execution Agent Agreement. To utilize the Agent Execution Model, the Trust may maintain some Portfolio Assets or cash in the Trading Balance with the Prime Execution Agent. The Prime Execution Agent Agreement provides that the Trust does not have an identifiable claim to any particular Portfolio Assets (and cash); rather, the Trust's Trading Balance represents an entitlement to a pro rata share of the Portfolio Assets (and cash) the Prime Execution Agent holds on behalf of customers who hold similar entitlements against the Prime Execution Agent. In this way, the Trust's Trading Balance represents an omnibus claim on the Prime Execution Agent's Portfolio Assets (and cash) held on behalf of the Prime Execution Agent's customers.

To avoid having to pre-fund purchases or sales of Portfolio Assets in connection with cash creations and redemptions and sales of Portfolio Assets to pay Trust expenses not assumed by the Sponsor, to the extent applicable, the Trust may borrow Portfolio Assets or cash as trade credit ("Trade Credit") from Coinbase Credit, Inc. (the "Trade Credit Lender") on a short-term basis pursuant to the Coinbase Credit Committed Trade Financing Agreement (the "Trade Financing Agreement").

On the day of the Purchase Order Date, the Trust would enter into a transaction to buy Portfolio Assets through the Prime Execution Agent for cash. Because the Trust's Trading Balance may not be funded with cash on the Purchase Order Date for the purchase of Portfolio Assets in connection with the Purchase Order under the Agent Execution Model, the Trust may borrow Trade Credits in the form of cash from the Trade Credit Lender pursuant to the Trade Financing Agreement or may require the Authorized Participant to deliver the required cash for the Purchase Order on the Purchase Order Date. The extension of Trade Credits on the Purchase Order Date allows the Trust to purchase Portfolio Assets through the Prime Execution Agent on the Purchase Order Date, with such Portfolio Assets being deposited in the Trust's Trading Balance.

On the day following the Purchase Order Date (the "Purchase Order Settlement Date"), the Trust would deliver Shares to the Authorized Participant in exchange for cash received from the Authorized Participant. Where applicable, the Trust would use the cash to repay the Trade Credits borrowed from the Trade Credit Lender. On the Purchase Order Settlement Date for a Purchase Order utilizing the Agent Execution Model, the Portfolio Assets associated with the Purchase Order and purchased on the Purchase Order Date is swept from the Trust's Trading Balance with the Prime Execution Agent to the Trust Digital Asset Account with the Custodian pursuant to a regular end-of-day sweep process. Transfers of Portfolio Assets into the Trust's Trading Balance are off-chain transactions and transfers from the Trust's Trading Balance to the Trust Digital Asset Account are "on-chain" transactions represented on the Portfolio Assets blockchains, as applicable. Any financing fee owed to the Trade Credit Lender is deemed part of trade execution costs and embedded in the trade price for each transaction.

For a Redemption Order utilizing the Agent Execution Model, on the day of the Redemption Order Date the Trust would enter into a transaction to sell Portfolio Assets through the Prime Execution Agent for cash. The Trust's Trading Balance with the Prime Execution Agent may not be funded with Portfolio Assets on trade date for the sale of Portfolio Assets in connection with the redemption order under the Agent Execution Model, when Portfolio Assets remains in the Trust Digital Asset Account with the Custodian at the point of intended

execution of a sale of Portfolio Assets. In those circumstances the Trust may borrow Trade Credits in the form of Portfolio Assets from the Trade Credit Lender, which allows the Trust to sell Portfolio Assets through the Prime Execution Agent on the Redemption Order Date, and the cash proceeds are deposited in the Trust's Trading Balance with the Prime Execution Agent. On the business day following the Redemption Order Date (the "Redemption Order Settlement Date") for a redemption order utilizing the Agent Execution Model where Trade Credits were utilized, the Trust delivers cash to the Authorized Participant in exchange for Shares received from the Authorized Participant. In the event Trade Credits were used, the Trust will use the Portfolio Assets that are moved from the Trust Digital Asset Account with the Custodian to the Trading Balance with the Prime Execution Agent to repay the Trade Credits borrowed from the Trade Credit Lender.

For a redemption of Creation Units utilizing the Agent Execution Model, the Sponsor would instruct the Custodian to prepare to transfer the Portfolio Assets associated with the redemption order from the Trust Digital Asset Account with the Custodian to the Trust's Trading Balance with the Prime Execution Agent. On the Redemption Order Settlement Date, the Trust would enter into a transaction to sell Portfolio Assets through the Prime Execution Agent for cash, and the Prime Execution Agent credits the Trust's Trading Balance with the cash. On the same day, the Authorized Participant would deliver the necessary Shares to the Trust and the Trust delivers cash to the Authorized Participant.

#### Applicable Standard

The Commission has historically approved or disapproved exchange filings to list and trade series of Trust Issued Receipts, including spot, Commodity-Based Trust Shares, on the basis of whether the listing exchange has in place a comprehensive surveillance sharing agreement with a regulated market of significant size related to the underlying commodity to be held.<sup>26</sup> However, the Commission

<sup>26</sup> See Securities Exchange Act Release No. 83723 (July 26, 2018), 83 FR 37579 (August 1, 2018) (SR-BatsBZX-2016-30) (Order Setting Aside Action by Delegated Authority and Disapproving a Proposed Rule Change, as Modified by Amendments No. 1 and 2, to List and Trade Shares of the Winklevoss Bitcoin Trust) ("Winklevoss Order"). In the Winklevoss Order, the Commission set forth both the importance and definition of a surveilled, regulated market of significant size, explaining that, for approved commodity-trust ETPs, "there has been in every case at least one significant, regulated

recently approved the listing and trading of shares of spot bitcoin exchange-traded products ("Spot Bitcoin ETPs") and spot ether exchange-traded products ("Spot Ether ETPs"), finding that there were sufficient "other means" of preventing fraud and manipulation sufficient to satisfy the requirements of Section 6(b)(5) of the Exchange Act.<sup>27</sup> In each of the Spot Bitcoin ETP Approval Order and Spot Ether Approval Order, the Commission concluded, through a robust correlation analysis, that fraud or manipulation that impacts prices in spot bitcoin markets or spot ether markets would likely similarly impact CME bitcoin futures prices and CME ether futures prices, respectively.<sup>28</sup> The Commission further found that, because the CME's surveillance can assist in detecting those impacts on CME bitcoin futures prices and CME ether futures prices, a listing exchange's CSSA with the CME can be reasonably expected to assist in surveilling for fraudulent and manipulative acts and practices in the context of the Spot Bitcoin ETPs and Spot Ether ETPs.<sup>29</sup>

The Trust is structured and will operate in a manner materially the same as the Spot Bitcoin ETPs and Spot Ether ETPs.<sup>30</sup> The Sponsor believes that the Exchange's ability to obtain information

market for trading futures on the underlying commodity—whether gold, silver, platinum, palladium, or copper—and the ETP listing exchange has entered into surveillance-sharing agreements with, or held Intermarket Surveillance Group membership in common with, that market." Winklevoss Order, 83 FR at 37594.

<sup>27</sup> See Securities Exchange Act Release No. 34-99306 (January 10, 2024), 89 FR 3008 (January 17, 2024) (SR-NYSEARCA-2021-90; SR-NYSEARCA-2023-44; SRNYSEARCA-2023-58; SR-NASDAQ-2023-016; SR-NASDAQ-2023-019; SR-CboeBZX-2023028; SR-CboeBZX-2023-038; SR-CboeBZX-2023-040; SR-CboeBZX-2023-042; SR-CboeBZX-2023-044; SR-CboeBZX-2023-072) (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) (the "Spot Bitcoin ETP Approval Order"); Securities Exchange Act Release No. 100224 (May 23, 2024), 89 FR 46937 (May 30, 2024) (SR-NYSEARCA-2023-70; SR-NYSEARCA-2024-31; SR-NASDAQ-2023-045; SR-CboeBZX-2023-069; SR-CboeBZX-2023-070; SR-CboeBZX-2023-087; SR-CboeBZX-2023-095; SR-CboeBZX-2024-018) (Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, to List and Trade Shares of Ether-Based Exchange-Traded Products) (the "Spot Ether ETP Approval Order").

<sup>28</sup> See Spot Bitcoin ETP Approval Order, 89 FR at 3010; Spot Ether ETP Approval Order, 89 FR at 46938.

<sup>29</sup> See Spot Bitcoin ETP Approval Order, 89 FR at 3010; Spot Ether ETP Approval Order, 89 FR at 46938-39.

<sup>30</sup> The Sponsor is also the sponsor of the Bitwise Bitcoin ETP and the Bitwise Ethereum ETF, which were approved pursuant to the Spot Bitcoin ETP Approval Order and Spot Ether ETP Approval, respectively, and which are both currently listed and traded on NYSE Arca.



regarding trading in bitcoin futures and ether futures from the CME, which, like the Exchange, is a member of the ISG, would assist the Exchange in detecting potential fraud or manipulation with respect to trading in the Shares. The Sponsor thus believes that, for reasons similar to those set forth in the Spot Bitcoin ETP Approval Order and Spot Ether ETP Approval Order, listing and trading Shares of the Trust would be consistent with the requirements of the Act.

The Sponsor acknowledges that the Portfolio Assets currently include minority positions in digital assets that are not bitcoin or ether. The Sponsor also represents that, consistent with proposed Rule 8.800–E(c)(1), no more than 10% of the weight of its digital asset holdings will consist of digital assets concerning which the Exchange may not be able to obtain information via the ISG or via a CSSA. In the context of prior spot digital asset ETP proposal disapproval orders for bitcoin and ether, the Commission expressed concerns about the underlying digital asset market due to the potential for fraud and manipulation and has outlined the reasons why such ETP proposals have been unable to satisfy these concerns.<sup>31</sup> For purposes of the Trust’s proposal, the Sponsor anticipates that the Commission may have the same

concerns about digital assets other than bitcoin and ether.

The Commission has recognized that a listing exchange could demonstrate that other means to prevent fraudulent and manipulative acts and practices are sufficient to justify dispensing with the requisite surveillance-sharing agreement.<sup>32</sup> In evaluating the effectiveness of this type of resistance, the Commission does not apply a “cannot be manipulated” standard. Instead, the Commission requires that such resistance to fraud and manipulation be novel and beyond those protections that exist in traditional commodity markets or equity markets for which the Commission has long required surveillance-sharing agreements in the context of listing derivative securities products.<sup>33</sup> The Sponsor believes the Trust’s use of the Reference Prices provided by the Valuation Vendor to value the Trust’s holdings and to determine NAV and ITV for the Trust, in tandem with the Trust’s cash create and redeem structure represents a novel means to prevent fraud and manipulation from impacting the price of the Shares, by offering protections beyond those that exist in traditional commodity markets and consistent with those that exist in equity markets.

As described in more detail below, the Sponsor believes that its use of Reference Prices accomplishes these objectives in the following ways:

1. The Valuation Vendor calculates the Reference Prices for the Portfolio Assets exclusively through trading activity on spot digital asset trading platforms that are “CME CF Constituent Trading Platforms.”

CME CF Constituent Trading Platforms are identified by the Valuation Vendor and must meet the following eligibility criteria, as determined by the Valuation Vendor:

- The average daily volume of the venue’s Relevant Pair<sup>34</sup> spot trading contributed during the observation window for the Reference Price (*i.e.*, 3:00 p.m. to 4:00 p.m. E.T.) must exceed 3% for two consecutive calendar quarters.

- The venue has policies to ensure fair and transparent market conditions at all times and has processes in place to identify and impede illegal, unfair, or manipulative trading practices.

- The venue does not impose undue barriers to entry or restrictions on market participants, and utilizing the venue does not expose market participants to undue credit risk, operational risk, legal risk, or other risks.

- The venue complies with applicable laws and regulations, including, but not limited to capital markets regulations, money transmission regulations, client money custody regulations, know-your-client (KYC) regulations, and anti-money laundering (AML) regulations.

- The venue cooperates with inquiries and investigations of regulators and the Administrator upon request and must execute data sharing agreements with the CME Group.

Continued compliance with these criteria is reviewed on an annual basis by an independent committee, the CME CF Oversight Committee, and the Valuation Vendor’s trading platform selection process has been continuously audited since 2020.<sup>35</sup> As of the date of this filing, the CME CF Constituent Trading Platforms are Bitstamp, Coinbase, Gemini, Kraken, itBit and LMAX Digital.<sup>36</sup> The Sponsor believes that the Valuation Vendor’s enforcement of the rigorous criteria applicable to the CME CF Constituent Trading Platforms effectively acts as a first line of defense against manipulation of the Shares by ensuring that only data from spot trading platforms equipped to detect and impede market manipulation is included in the calculation of the Reference Prices that will determine the Trust’s NAV and ITV.

2. The Reference Prices are administered and provided by the Valuation Vendor, which is an Administrator of Benchmarks under the UK Benchmarks Regime (“BMR”).

The Valuation Vendor received its regulatory authorization in 2019 and has held this regulatory authorization continuously since then. The Valuation Vendor’s compliance with the BMR’s comprehensive regulation of financial benchmarks has been audited since 2020.<sup>37</sup> The Sponsor believes that the Valuation Vendor is the leading provider of benchmarks and indices for regulated financial products that reference digital assets in the US and

<sup>31</sup> See Securities Exchange Act Release Nos. 83723 (July 26, 2018), 83 FR 37579 (August 1, 2018) (SR–BatsBZX–2016–30) (Order Setting Aside Action by Delegated Authority and Disapproving a Proposed Rule Change, as Modified by Amendments No. 1 and 2, To List and Trade Shares of the Winklevoss Bitcoin Fund) (the “Winklevoss Order”); 87267 (October 9, 2019), 84 FR 55382 (October 16, 2019) (SR–NYSEArca–2019–01) (Order Disapproving a Proposed Rule Change, as Modified by Amendment No. 1, Relating to the Listing and Trading of Shares of the Bitwise Bitcoin ETF Fund Under NYSE Arca Rule 8.201–E) (the “Bitwise Order”); 88284 (February 26, 2020), 85 FR 12595 (March 3, 2020) (SR–NYSEArca–2019–39) (Order Disapproving a Proposed Rule Change, as Modified by Amendment No. 1, to Amend NYSE Arca Rule 8.201–E (Commodity-Based Trust Shares) and to List and Trade Shares of the United States Bitcoin and Treasury Investment Trust Under NYSE Arca Rule 8.201–E) (the “Wilshire Phoenix Order”); 83904 (August 22, 2018), 83 FR 43934 (August 28, 2018) (SR–NYSEArca–2017–139) (Order Disapproving a Proposed Rule Change to List and Trade the Shares of the ProShares Bitcoin ETF and the ProShares Short Bitcoin ETF); 83912 (August 22, 2018), 83 FR 43912 (August 28, 2018) (SR–NYSEArca–2018–02) (Order Disapproving a Proposed Rule Change Relating to Listing and Trading of the Direxion Daily Bitcoin Bear 1X Shares, Direxion Daily Bitcoin 1.25X Bull Shares, Direxion Daily Bitcoin 1.5X Bull Shares, Direxion Daily Bitcoin 2X Bull Shares, and Direxion Daily Bitcoin 2X Bear Shares Under NYSE Arca Rule 8.200–E); 83913 (August 22, 2018), 83 FR 43923 (August 28, 2018) (SR–CboeBZX–2018–01) (Order Disapproving a Proposed Rule Change to List and Trade the Shares of the GraniteShares Bitcoin ETF and the GraniteShares Short Bitcoin ETF).

<sup>32</sup> See Winklevoss Order, 84 FR 37580, 37582–91; Bitwise Order, 84 FR 55383, 55385–406; Wilshire Phoenix Order, 85 FR 12597.

<sup>33</sup> See Winklevoss Order, 84 FR 37582; Wilshire Phoenix Order, 85 FR 12597.

<sup>34</sup> Relevant Pair is defined as each Portfolio Asset versus the quote for that asset in U.S. Dollar terms.

<sup>35</sup> The latest IASE 300 Reasonable Assurance Auditors Report by KPMG is publicly available on the Valuation Vendor’s website: <https://www.cfbenchmarks.com/legal/audit>.

<sup>36</sup> The Sponsor notes that, given the rigorous application of the selection criteria described above, the list of CME CF Constituent Exchanges has never included *FTX.com*, *FTX.US*, *Binance.com*, or *Binance.US*.

<sup>37</sup> See note 35, *supra*.

internationally. Reference prices provided by the Valuation Vendor underpin derivatives contracts regulated by the Commodity Futures Trading Commission and listed by CME Group, as well as exchange-traded funds offered by BlackRock, Franklin Templeton, and the Sponsor under the regulatory purview of the Commission. In addition, to ensure compliance with BMR Article 14, the Valuation Vendor conducts surveillance of its benchmarks. When a surveillance alert is triggered, the Valuation Vendor conducts an investigation, including seeking further information from CME CF Constituent Trading Platforms. Each such investigation is memorialized in a report shared with the CME CF Cryptocurrency Committee. The UK Financial Conduct Authority (“FCA”) has regulatory oversight of this process, which is also subject to audit. The Sponsor believes that the Valuation Vendor’s robust surveillance efforts would allow it to promptly address manipulation or attempted manipulation of Reference Prices through a regulatory filing with the UK FCA and, accordingly, that this surveillance of the underlying spot trading platforms constitutes a second line of defense against manipulation in the Shares.

3. The Valuation Vendor has in place information sharing agreements with the CME CF Constituent Trading Platforms, from which it draws pricing data to construct its benchmarks.

These agreements allow the Valuation Vendor to obtain identifying information of any perpetrators of actual or attempted benchmark manipulation of any Reference Prices from the CME CF Constituent Trading Platforms. This identifying information can then be shared with the UK FCA for potential enforcement action under the provisions of the Market Abuse Regime (MAR), which specifically proscribes benchmark manipulation as a criminal offense in the UK. The Sponsor believes that the availability of this information to the Valuation Vendor supports enforcement and sanction efforts in response to actual or attempted manipulation in digital asset markets, and provides a third line of defense against any potential manipulation in the Shares.

\* \* \* \* \*

Finally, the Sponsor believes that the cash creation and redemption structure of the Trust also underscores the protections that the Reference Prices afford to the Trust. The Trust’s Shares will have their NAV and ITV determined by the Reference Prices and because all shares in the Trust will be

created and redeemed and secondary traded with cash (not physical digital assets), any attempts to manipulate Shares would have to involve transactions on the spot trading platforms that are CME CF Constituent Trading Platforms to be able to influence the price of the Shares. The Sponsor believes that the Valuation Vendor’s surveillance of the CME CF Constituent Trading Platforms to detect such activity and the information sharing mechanisms in place between the Valuation Vendor and the CME CF Constituent Trading Platforms would both deter such activity and facilitate enforcement action should it occur.

#### Availability of Information

The Trust’s website (<https://www.bitwiseinvestments.com/>) will include quantitative information on a per Share basis updated on a daily basis, including, (i) the current NAV per Share daily and the prior Business Day’s NAV per Share and the reported closing price of the Shares; (ii) the mid-point of the bid-ask price<sup>38</sup> as of the time the NAV per Share is calculated (“Bid-Ask Price”) and a calculation of the premium or discount of such price against such NAV per Share; and (iii) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid-Ask Price against the NAV per Share, within appropriate ranges, for each of the four previous calendar quarters (or for as long as the Trust has been trading as an ETP if shorter). In addition, on each business day the Trust’s website will provide pricing information for the Shares and disclosed the Trust’s holdings, including: (i) the name of each Portfolio Asset; (ii) the quantity of each Portfolio Asset; and (iii) the weighting of each Portfolio Asset.

One or more major market data vendors will provide the ITV per Share updated every 15 seconds, as calculated by the Exchange or a third party financial data provider during the Exchange’s Core Trading Session (9:30 a.m. to 4:00 p.m. E.T.).<sup>39</sup> The ITV will be calculated using the same methodology as the NAV per Share of the Trust (as described above), specifically by using the prior day’s closing NAV per Share as a base and updating that value during the NYSE Arca Core Trading Session to reflect

<sup>38</sup> The bid-ask price of the Fund is determined using the highest bid and lowest offer on the Consolidated Tape as of the time of calculation of the closing day NAV.

<sup>39</sup> The ITV on a per Share basis disseminated during the NYSE Arca Core Trading Session should not be viewed as a real-time update of the NAV, which is calculated once a day.

changes in the value of the Trust’s NAV during the trading day.

The ITV disseminated during the NYSE Arca Core Trading Session should not be viewed as an actual real-time update of the NAV per Share, which will be calculated only once at the end of each trading day. The ITV will be widely disseminated on a per Share basis every 15 seconds during the NYSE Arca Core Trading Session by one or more major market data vendors. In addition, the ITV will be available through on-line information services.

The NAV for the Trust will be calculated by the Administrator once a day and will be disseminated daily to all market participants at the same time. Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the Consolidated Tape Association (“CTA”).

Quotation and last sale information for the Portfolio Assets will be widely disseminated through a variety of major market data vendors. In addition, real-time price (and volume) data for the Portfolio Assets is available by subscription major market data vendors. The spot price of the Portfolio Assets is available on a 24-hour basis from major market data vendors. Information relating to trading, including price and volume information, will be available from major market data vendors and from the trading platforms on which the Portfolio Assets are traded. The normal trading hours for digital asset trading platforms are 24-hours per day, 365-days per year.

On each business day, the Sponsor will publish the Reference Prices, the Trust’s NAV, and the NAV per Share on the Trust’s website as soon as practicable after its determination. If the NAV and NAV per Share have been calculated using a price per Portfolio other than the Reference Prices, the publication on the Trust’s website will note the valuation methodology used and the price per Portfolio Asset resulting from such calculation.

The Trust will provide website disclosure of its NAV daily. The website disclosure of the Trust’s NAV will occur at the same time as the disclosure by the Administrator of the NAV to Authorized Participants so that all market participants are provided such portfolio information at the same time. Therefore, the same portfolio information will be provided on the public website as well as in electronic files provided to Authorized Participants. Accordingly, each investor will have access to the current NAV of the Trust through the Trust’s website, as well as from one or more major market data vendors.

The value of the Index, as well as additional information regarding the Index such as the Index Methodology, is publicly available on a continuous basis on the Index Provider's website.

#### Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Trust.<sup>40</sup> Trading in Shares of the Trust will be halted if the circuit breaker parameters in NYSE Arca Rule 7.12–E have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable.

The Exchange may halt trading during the day in which an interruption to the dissemination of the ITV or Index occurs.<sup>41</sup> If the interruption to the dissemination of the ITV or Index persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the Core Trading Session following the interruption. In addition, if the Exchange becomes aware that the NAV with respect to the Shares is not disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants.

#### Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m. E.T. in accordance with NYSE Arca Rule 7.34–E (Early, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Rule 7.6–E, the minimum price variation ("MPV") for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

The Shares will conform to the initial and continued listing criteria under NYSE Arca Rule 8.800–E, as proposed. The trading of the Shares will be subject to proposed NYSE Arca Rule 8.800–E(i), which sets forth certain restrictions on Equity Trading Permit Holders ("ETP Holders") acting as registered Market

Makers in Commodity-Based Trust Shares to facilitate surveillance.<sup>42</sup> The Exchange represents that, for initial and continued listing, the Trust will be in compliance with Rule 10A–3 under the Act,<sup>43</sup> as provided by NYSE Arca Rule 5.3–E. A minimum of 100,000 Shares of the Trust will be outstanding at the commencement of trading on the Exchange.

#### Surveillance

The Exchange represents that trading in the Shares of the Trust will be subject to the existing trading surveillances administered by the Exchange, as well as cross-market surveillances administered by FINRA on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.<sup>44</sup> The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

<sup>42</sup> Under NYSE Arca Rule 8.201–E(g), an ETP Holder acting as a registered Market Maker in the Shares is required to provide the Exchange with information relating to its accounts for trading in the underlying commodity, related futures or options on futures, or any other related derivatives. Commentary .04 of NYSE Arca Rule 11.3–E requires an ETP Holder acting as a registered Market Maker, and its affiliates, in the Shares to establish, maintain and enforce written policies and procedures reasonably designed to prevent the misuse of any material nonpublic information with respect to such products, any components of the related products, any physical asset or commodity underlying the product, applicable currencies, underlying indexes, related futures or options on futures, and any related derivative instruments (including the Shares). As a general matter, the Exchange has regulatory jurisdiction over its ETP Holders and their associated persons, which include any person or entity controlling an ETP Holder. To the extent the Exchange may be found to lack jurisdiction over a subsidiary or affiliate of an ETP Holder that does business only in commodities or futures contracts, the Exchange could obtain information regarding the activities of such subsidiary or affiliate through surveillance sharing agreements with regulatory organizations of which such subsidiary or affiliate is a member.

<sup>43</sup> 17 CFR 240.10A–3. See note 8, *supra*.

<sup>44</sup> FINRA conducts cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA's performance under this regulatory services agreement.

The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares with other markets and other entities that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares from markets and other entities that are members of ISG or with which the Exchange has in place a CSSA.<sup>45</sup> The Exchange is also able to obtain information regarding trading in the Shares in connection with such ETP Holders' proprietary or customer trades which they effect through ETP Holders on any relevant market.

Under proposed Rule 8.800–E(i), an ETP Holder acting as a registered Market Maker in the Shares is required to provide the Exchange with information relating to its accounts for trading in any underlying commodity, related futures or options on futures, or any other related derivatives. Commentary .04 of NYSE Arca Rule 11.3–E requires an ETP Holder acting as a registered Market Maker, and its affiliates, in the Shares to establish, maintain and enforce written policies and procedures reasonably designed to prevent the misuse of any material nonpublic information with respect to such products, any components of the related products, any physical asset or commodity underlying the product, applicable currencies, underlying indexes, related futures or options on futures, and any related derivative instruments (including the Shares). As a general matter, the Exchange has regulatory jurisdiction over its ETP Holders and their associated persons, which include any person or entity controlling an ETP Holder. To the extent the Exchange may be found to lack jurisdiction over a subsidiary or affiliate of an ETP Holder that does business only in commodities or futures contracts and that subsidiary or affiliate is a member of another regulatory organization, the Exchange could obtain information regarding the activities of such subsidiary or affiliate through a surveillance sharing

<sup>45</sup> For a list of the current members of ISG, see [www.isgportal.org](http://www.isgportal.org). The Exchange notes that not all Portfolio Assets may trade on markets that are members of ISG or with which the Exchange has in place a CSSA, but that, consistent with proposed Rule 8.800–E(c)(1), at least 90% of the Trust's commodity and/or digital asset holdings will consist of commodities and/or digital assets concerning which the Exchange may obtain information via the ISG, from other members of the ISG, or via a CSSA.

<sup>40</sup> See NYSE Arca Rule 7.12–E.

<sup>41</sup> A limit up/limit down condition in the futures market would not be considered an interruption requiring the Trust to be halted.

agreement with that regulatory organization.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

All statements and representations made in this filing regarding (a) the description of the portfolios of the Trust, (b) limitations on portfolio holdings or reference assets, or (c) the applicability of Exchange listing rules specified in this rule filing shall constitute continued listing requirements for listing the Shares on the Exchange.

The Sponsor has represented to the Exchange that it will advise the Exchange of any failure by the Trust to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If the Trust is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under NYSE Arca Rule 5.5–E(m).

#### Information Bulletin

Prior to the commencement of trading, the Exchange will inform its ETP Holders in an “Information Bulletin” of the special characteristics and risks associated with trading the Shares. Specifically, the Information Bulletin will discuss the following: (1) the procedures for creations of Shares in Creation Units; (2) NYSE Arca Rule 9.2–E(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) information regarding how the value of the ITV and NAV is disseminated; (4) the possibility that trading spreads and the resulting premium or discount on the Shares may widen during the Opening and Late Trading Sessions, when an updated ITV will not be calculated or publicly disseminated; (5) the requirement that members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction and (6) trading information.

In addition, the Information Bulletin will reference that the Trust is subject to various fees and expenses as described in the annual report. The Information Bulletin will disclose that information about the Shares of the Trust is publicly available on the Trust’s website.

The Information Bulletin will also discuss any relief, if granted, by the Commission or the staff from any rules under the Act.

#### 2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>46</sup> that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in proposed NYSE Arca Rule 8.800–E. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares with other markets that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares and Portfolio Asset derivatives from such markets. In addition, the Exchange may obtain information regarding trading in the Shares and Portfolio Asset derivatives from markets that are members of ISG or with which the Exchange has in place a CSSA. Also, pursuant to proposed NYSE Arca Rule 8.800–E(i), the Exchange is able to obtain information regarding Market Maker accounts for trading in the Shares and the underlying Portfolio Assets or any Portfolio Asset derivatives through ETP Holders acting as registered Market Makers, in connection with such ETP Holders’ proprietary or customer trades through ETP Holders which they effect on any relevant market.

The proposed rule change is also designed to prevent fraudulent and manipulative acts and practices because the Trust is structured similarly to and will operate in materially the same manner as the Spot Bitcoin ETPs and Spot Ether ETPs previously approved by the Commission. The Exchange further believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices because, as noted by the Commission in the Bitcoin ETP Approval Order and Ether ETP Approval Order, the Exchange’s ability to obtain information

regarding trading in the Shares and futures from other markets that are members of the ISG (including the CME) would assist the Exchange in detecting and deterring misconduct. In particular, the CME bitcoin futures market and CME ether futures market are large, surveilled, and regulated markets that are closely connected with the spot markets for bitcoin and ether, respectively, through which the Exchange could obtain information to assist in detecting and deterring potential fraud or manipulation.

The proposed rule change is also designed to prevent fraudulent and manipulative acts and practices because the Trust’s use of Reference Prices to calculate its NAV serves as a means sufficient to mitigate the impact of instances of fraud and manipulation on a reference price for the Portfolio Assets. As noted above, the Reference Prices for the Portfolio Assets are calculated by the Valuation Vendor based exclusively on trading activity at the CME CF Constituent Trading Platforms, each of which must meet robust eligibility criteria designed to protect the Reference Prices against fraud and manipulation. In addition, the Valuation Vendor is an Administrator of Benchmarks under the BMR that, among other things, conducts surveillance of its benchmarks to detect and investigate potential manipulation. The Valuation Vendor also has information sharing agreements with each of the CME CF Constituent Trading Platforms that support access to identifying information for perpetrators of actual or attempted manipulation to aid in pursuing regulatory action against those actors. The layers of defense provided by the Trust’s use of Reference Prices to calculate NAV, in conjunction with the Trust’s use of cash creations and redemptions, constitute a novel means to detect, prevent, and respond to fraud, attempted fraud, and similar wrongdoing, including market manipulation, consistent with the requirements of the Act.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that there is a considerable amount of price and market information available on public websites and through professional and subscription services for the Portfolio Assets. Investors may obtain, on a 24-hour basis, Portfolio Asset pricing information based on the spot price for the Portfolio Assets from various financial information service providers. The closing price and settlement prices of the Portfolio Assets are readily available from the Valuation Trading

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

Platforms and other publicly available websites. In addition, such prices are published in public sources, or on-line information services such as Bloomberg and Reuters. The NAV per Share will be calculated daily and made available to all market participants at the same time. The Trust will provide website disclosure of its NAV daily. One or more major market data vendors will disseminate for the Trust on a daily basis information with respect to the most recent NAV per Share and Shares outstanding. In addition, if the Exchange becomes aware that the NAV per Share is not disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants. Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the CTA. The ITV will be widely disseminated on a per Share basis every 15 seconds during the NYSE Arca Core Trading Session (normally 9:30 a.m. E.T. to 4:00 p.m. E.T.) by one or more major market data vendors. The Exchange represents that the Exchange may halt trading during the day in which an interruption to the dissemination of the ITV or the value of the Index occurs. If the interruption to the dissemination of the ITV or the value of the Index persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the NYSE Arca Core Trading Session on the trading day following the interruption.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of an additional type of exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a CSSA for at least 90% of the Trust's commodity and/or digital asset holdings. In addition, as noted above, investors will have ready access to information regarding the Trust's NAV, ITV, and quotation and last sale information for the Shares.

#### *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 notes that the proposed rule change will facilitate the listing and trading of an additional type of exchange-traded product that would enhance competition among market participants, to the benefit of investors and the marketplace.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

No written comments were solicited or received with respect to the proposed rule change.

### **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 up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the 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-NYSEARCA-2024-98 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-NYSEARCA-2024-98. 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-NYSEARCA-2024-98 and should be submitted on or before December 24, 2024.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>47</sup>

**Stephanie J. Fouse,**  
*Assistant Secretary.*

[FR Doc. 2024-28343 Filed 12-2-24; 8:45 am]

**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-101776; File No. SR-Phlx-2024-63]

### **Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Remove Rules Related to the Nasdaq-100® Volatility Index**

November 27, 2024.

Pursuant to 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 November 21, 2024, Nasdaq PHLX LLC ("Phlx" 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

<sup>47</sup> 17 CFR 200.30-3(a)(12).

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

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