*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–BOX–2016–36. 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 Web site (*http://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 Web site 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 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–BOX–2016–36, and should be submitted on or before August 23, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[10]

**Robert W. Errett,**

*Deputy Secretary.*

[FR Doc. 2016–18206 Filed 8–1–16; 8:45 am]

**BILLING CODE 8011–01–P**

[10] 17 CFR 200.30–3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

**[Release No. 34–78426; File No. SR–NYSEArca–2016–101]**

## Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to the Listing and Trading of Shares of SolidX Bitcoin Trust Under NYSE Arca Equities Rule 8.201

July 27, 2016.

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the ''Act'')[2] and Rule 19b–4 thereunder,[3] notice is hereby given that, on July 13, 2016, NYSE Arca, Inc. (the ''Exchange'' or ''NYSE Arca'') filed with the Securities and Exchange Commission (the ''Commission'') the proposed rule change as described in Items I and II 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 following under NYSE Arca Equities Rule 8.201: SolidX Bitcoin Trust (''Trust''). The proposed rule change is available on the Exchange's Web site at *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.

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

1. Purpose

Under NYSE Arca Equities Rule 8.201, the Exchange may propose to list and/or trade pursuant to unlisted trading privileges (''UTP'') ''Commodity-Based Trust Shares''.[4] The Exchange proposes to list and trade shares (''Shares'') of the Trust pursuant to NYSE Arca Equities Rule 8.201.[5]

The sponsor of the Trust is SolidX Management LLC (''Sponsor''), a Delaware limited liability company. The Sponsor is a wholly-owned subsidiary of SolidX Partners Inc. The trustee for the Trust (''Trustee'') serves pursuant to a trust agreement. The Bank of New York Mellon will be the administrator (''Administrator'') and the custodian, with respect to cash, of the Trust (''Custodian'').

The Trust is a grantor trust formed under the laws of the State of New York. The Trust has no fixed termination date.

According to the Registration Statement, each Share will represent a fractional undivided beneficial interest in the Trust's net assets. The Trust's assets will consist of bitcoin[6] held on the Trust's behalf by the Sponsor utilizing a secure process as described below in ''bitcoin Security and Storage for the Trust''. The Trust will not normally hold cash or any other assets, but may hold a very limited amount of cash in connection with the creation and redemption of ''Baskets''[7] and to pay Trust expenses, as described below.

According to the Registration Statement, the Trust will invest in bitcoin only. The activities of the Trust are limited to: (i) Issuing Baskets in exchange for bitcoin or the cash deposited with the Custodian as consideration; (ii) purchasing bitcoin from various exchanges and in over-the-counter (''OTC'') transactions; (iii) selling bitcoin (or transferring bitcoin, at the Sponsor's discretion) as necessary to cover the Sponsor's management fee,

[1] 15 U.S.C. 78s(b)(1).

[2] 15 U.S.C. 78a.

[3] 17 CFR 240.19b–4.

[4] Commodity-Based Trust Shares are securities issued by a trust that represent investors' discrete identifiable and undivided beneficial ownership interest in the commodities deposited into the Trust.

[5] On July 11, 2016, the Trust filed a registration statement (''Registration Statement'') on Form S–1 under the Securities Act of 1933 (15 U.S.C. 77a). The descriptions of the Trust, the Shares and bitcoin contained herein are based, in part, on the Registration Statement.

[6] A ''bitcoin'' is an asset that can be transferred among parties via the Internet, but without the use of a central administrator or clearing agency (''bitcoin''). The asset, bitcoin, is generally written with a lower case ''b''. The asset, bitcoin, is differentiated from the computers and software (or the protocol) involved in the transfer of bitcoin among users, which constitute the ''Bitcoin Network''. The asset, bitcoin, is the intrinsically linked unit of account that exists within the Bitcoin Network. *See* ''bitcoin and the Bitcoin Industry'' below.

[7] The Trust will issue and redeem ''Baskets'', each equal to a block of 10,000 Shares, only to ''Authorized Participants''. *See* ''Creation and Redemption of Shares'' below.

Trust expenses not assumed by the Sponsor and other liabilities; (iv) selling bitcoin as necessary in connection with redemptions; (v) delivering bitcoin or cash in exchange for Baskets surrendered for redemption; and (vi) maintaining insurance coverage for the bitcoin held by the Trust.

According to the Registration Statement, the Trust is neither an investment company registered under the Investment Company Act of 1940, as amended,[8] nor a commodity pool for purposes of the Commodity Exchange Act (''CEA''),[9] and neither the Sponsor nor the Trustee is subject to regulation as a commodity pool operator or a commodity trading adviser in connection with the Shares.

Investment Objective

According to the Registration Statement and as further described below, the Trust will seek to provide investors with exposure to the daily change in the U.S. dollar price of bitcoin, before expenses and liabilities of the Trust, as measured by the TradeBlock XBX Index (''XBX''). The Trust intends to achieve this objective by investing substantially all of its assets in bitcoin traded on various domestic and international bitcoin exchanges and OTC markets depending on liquidity and otherwise at the Sponsor's discretion. The Trust is not actively managed. It does not engage in any activities designed to obtain a profit from, or to ameliorate losses caused by, changes in the price of bitcoin.

Investment in Bitcoin

Subject to certain requirements and conditions described below and in the Registration Statement, the Trust, under normal market conditions,[10] will use available offering proceeds to purchase bitcoin that are traded on various domestic and international exchanges and OTC markets, without being leveraged or exceeding relevant position limits. Generally, the Sponsor will directly place purchase or sale orders for bitcoin on behalf of the Trust on domestic and international exchanges and with OTC participants using delivery-versus-payment (''DVP'') and receive-versus-payment (''RVP'') arrangements.

Bitcoin and the Bitcoin Industry

General

The following is a brief introduction to the global bitcoin market. The data presented below are derived from information released by various third-party sources, including white papers, other published materials, research reports and regulatory guidance.

The Bitcoin Network

A bitcoin is an asset that can be transferred among parties via the Internet, but without the use of a central administrator or clearing agency. The term ''decentralized'' is often used in descriptions of bitcoin, in reference to bitcoin's lack of necessity for administration by a central party. The Bitcoin Network (*i.e.,* the network of computers running the software protocol underlying bitcoin involved in maintaining the database of bitcoin ownership and facilitating the transfer of bitcoin among parties) and the asset, bitcoin, are intrinsically linked and inseparable. Bitcoin was first described in a white paper released in 2008 and published under the name ''Satoshi Nakamoto'', and the protocol underlying bitcoin was subsequently released in 2009 as open source software.

Bitcoin Ownership and the Blockchain

To begin using bitcoin, a user may download specialized software referred to as a ''bitcoin wallet''. A user's bitcoin wallet can run on a computer or smartphone. A bitcoin wallet can be used both to send and to receive bitcoin. Within a bitcoin wallet, a user will be able to generate one or more ''bitcoin addresses'', which are similar in concept to bank account numbers, and each address is unique. Upon generating a bitcoin address, a user can begin to transact in bitcoin by receiving bitcoin at his or her bitcoin address and sending it from his or her address to another user's address. Sending bitcoin from one bitcoin address to another is similar in concept to sending a bank wire from one person's bank account to another person's bank account.

Balances of the quantity of bitcoin associated with each bitcoin address are listed in a database, referred to as the ''blockchain''. Copies of the blockchain exist on thousands of computers on the Bitcoin Network throughout the Internet. A user's bitcoin wallet will either contain a copy of the blockchain or be able to connect with another computer that holds a copy of the blockchain.

When a bitcoin user wishes to transfer bitcoin to another user, the sender must first request a bitcoin address from the recipient. The sender then uses his or her bitcoin wallet software, to create a proposed addition to the blockchain. The proposal would decrement the sender's address and increment the recipient's address by the amount of bitcoin desired to be transferred. The proposal is entirely digital in nature, similar to a file on a computer, and it can be sent to other computers participating in the Bitcoin Network. Such digital proposals are referred to as ''bitcoin transactions''. Bitcoin transactions and the process of one user sending bitcoin to another should not be confused with buying and selling bitcoin, which is a separate process (as discussed below in ''bitcoin Trading On Exchanges'' and ''bitcoin Trading Over-the-Counter'').

A bitcoin transaction is similar in concept to an irreversible digital check. The transaction contains the sender's bitcoin address, the recipient's bitcoin address, the amount of bitcoin to be sent, a confirmation fee and the sender's digital signature. The sender's use of his or her digital signature enables participants on the Bitcoin Network to verify the authenticity of the bitcoin transaction.

A user's digital signature is generated via usage of the user's so-called ''private key'', one of two numbers in a so-called cryptographic ''key pair''. A key pair consists of a ''public key'' and its corresponding private key, both of which are lengthy numerical codes, derived together and possessing a unique relationship.

Public keys are used to create bitcoin addresses. Private keys are used to sign transactions that initiate the transfer of bitcoin from a sender's bitcoin address to a recipient's bitcoin address. Only the holder of the private key associated with a particular bitcoin address can digitally sign a transaction proposing a transfer of bitcoin from that particular bitcoin address.

A user's bitcoin address (which is derived from a public key) may be safely distributed, but a user's private key must remain known solely by its rightful owner. The utilization of a private key is the only mechanism by which a bitcoin user can create a digital signature to transfer bitcoin from him or herself to another user. Additionally, if a malicious third party learns of a user's private key, that third party could forge the user's digital signature and send the user's bitcoin to any arbitrary bitcoin address (*i.e.,* the third party could steal the user's bitcoin).

[8] 15 U.S.C. 80a–1.

[9] 17 U.S.C. 1.

[10] The term ''under normal circumstances'' includes, but is not limited to, the absence of extreme volatility or trading halts in the price of bitcoin or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

When a bitcoin holder sends bitcoin to a destination bitcoin address, the transaction is initially considered unconfirmed. Confirmation of the validity of the transaction involves verifying the signature of the sender, as created by the sender's private key. Confirmation also involves verifying that the sender has not ''double spent'' the bitcoin (*e.g.,* confirming Party A has not attempted to send the same bitcoin both to Party B and to Party C). The confirmation process occurs via a process known as ''bitcoin mining''.

Bitcoin mining utilizes a combination of computer hardware and software to accomplish a dual purpose: (i) To verify the authenticity and validity of bitcoin transactions (*i.e.,* the movement of bitcoin between addresses) and (ii) the creation of new bitcoin. Neither the Sponsor nor the Trust intends to engage in bitcoin mining.

Bitcoin miners do not need permission to participate in verifying transactions. Rather, miners compete to solve a prescribed and complicated mathematical calculation using computers dedicated to the task. Rounds of the competition repeat approximately every ten minutes. In any particular round of the competition, the first miner to find the solution to the mathematical calculation is the miner who gains the privilege of announcing the next block to be added to the blockchain.

A new block that is added to the blockchain serves to take all of the recent-yet-unconfirmed transactions and verify that none are fraudulent. The recent-yet-unconfirmed transactions also generally contain transaction fees that are awarded to the miner who produces the block in which the transactions are inserted, and thereby confirmed. The successful miner also earns the so-called ''block reward'', an amount of newly created bitcoin. Thus, bitcoin miners are financially incentivized to conduct their work. The financial incentives received by bitcoin miners are a vital part of the process by which the Bitcoin Network functions.

Upon successfully winning a round of the competition (winning a round is referred to as mining a new block), the miner then transmits a copy of the newly-formed block to peers on the Bitcoin Network, all of which then update their respective copies of the blockchain by appending the new block, thereby acknowledging the confirmation of the transactions that had previously existed in an unconfirmed state.

A recipient of bitcoin must wait until a new block is formed in order to see the transaction convert from an unconfirmed state to a confirmed state. According to the Registration Statement, with new rounds won approximately every ten minutes, the average wait time for a confirmation is five minutes.

The protocol underlying bitcoin provides the rules by which all users and miners on the Bitcoin Network must operate. A user or miner attempting to operate under a different set of rules will be ignored by other network participants, thus rendering that user's or miner's behavior moot. The protocol also lays out the block reward, the amount of bitcoin that a miner earns upon creating a new block. The initial block reward when Bitcoin was introduced in 2009 was 50 bitcoin per block. That number has and will continue to halve approximately every four years until approximately 2140, when it is estimated that block rewards will go to zero. The next halving is projected for July 2016, which will reduce the block reward to 12.5 bitcoin from its current level of 25.[11] The halving thereafter will occur in another four years and will reduce the block reward to 6.25 bitcoin, and so on. Currently, there are approximately 15 million bitcoin that have been created, a number that will grow with certainty to a maximum of 21 million, estimated to occur by the year 2140. Bitcoin mining should not be confused with buying and selling bitcoin, which, as discussed below, is a separate process.

Use of Bitcoin and the Blockchain

Beyond using bitcoin as a value transfer mechanism, applications related to the blockchain technology underlying bitcoin have become increasingly prominent.[12] Blockchain-focused applications take advantage of certain unique characteristics of the blockchain such as secure time stamping (secure time stamps are on newly created blocks), highly redundant storage (copies of the blockchain are distributed throughout the Internet) and tamper-resistant data secured by secure digital signatures.

According to the Registration Statement, blockchain-focused applications in usage and under development include, but are not limited to, supply chain management, secure cloud storage, identity management, counterfeit and fraud detection systems, database security enhancement, evidence capture, secure document and contract signing, asset title transfer and financial asset settlement. Whether used for value transfer or other blockchain-focused applications, each transaction or use of the blockchain requires a fee, priced and paid in bitcoin. Therefore, the usage of bitcoin, the asset, is inherently involved in blockchain-focused applications, thus linking the growth and adoption of blockchain-focused applications to the growth and adoption of bitcoin.

According to the Registration Statement, as a value transfer mechanism, over 100,000 merchants worldwide currently accept bitcoin as payment for goods and services. Notable merchants accepting bitcoin for certain types of purchases include Microsoft, Dell, Expedia, Overstock.com and Dish Network. Common bitcoin purchases include Web site hosting, home furnishings, gift cards and consumer electronics. Bitcoin is also accepted by a number of non-profit organizations worldwide, including United Way Worldwide, the American Red Cross, Wikipedia and Fidelity Charitable.[13]

Bitcoin Exchanges

Bitcoin exchanges operate Web sites that facilitate the purchase and sale of bitcoin for various government-issued currencies, including the U.S. dollar, the euro or the Chinese yuan. Activity on bitcoin exchanges should not be confused with the process of users sending bitcoin from one bitcoin address to another bitcoin address, the latter being an activity that is wholly within the confines of the Bitcoin Network and the former being an activity that occurs entirely on private Web sites.

Bitcoin exchanges operate in a manner that is unlike the traditional capital markets infrastructure in the U.S. and in other developed nations. Bitcoin exchanges combine the process of order matching, trade clearing, trade settlement and custody into a single entity. For example, a user can send U.S. dollars via wire to a bitcoin exchange and then visit the exchange's Web site to purchase bitcoin. The entirety of the transaction—from trade to clearing to settlement to custody (at least temporary custody)—is accomplished by the bitcoin exchange in a matter of seconds. The user can then withdraw the purchased bitcoin into a wallet to take custody of the bitcoin directly.

According to the Registration Statement, there are currently several

[11] *http://www.bitcoinblockhalf.com/.*

[12] Additional applications based on blockchain technology—both the blockchain underlying bitcoin as well as separate public blockchains incorporating similar characteristics of the blockchain underlying bitcoin—are currently in development by numerous entities, including financial institutions like banks.

[13] Attached as Exhibit 3, Item 1 is a chart setting forth a summary of bitcoin transaction volume (*i.e.,* transfers of bitcoin between parties on the Bitcoin Network, which is different than and should not be confused with bitcoin exchange-traded volume) from January 2009 through January 2016.

U.S.-based regulated entities that facilitate bitcoin trading and that comply with U.S. anti-money laundering (''AML'') and know your customer (''KYC'') regulatory requirements:

- Coinbase, which is based in California, is a bitcoin exchange that maintains money transmitter licenses in over thirty states, the District of Columbia and Puerto Rico (''Coinbase''). Coinbase is subject to the regulations enforced by the various state agencies that issued their respective money transmitter licenses to Coinbase. In New York, Coinbase applied for a BitLicense, a regulatory framework created by the New York Department of Financial Services (''DFS'') that sets forth consumer protection, AML compliance, and cyber security rules tailored for digital currency companies operating and transacting business in New York.
- itBit is a bitcoin exchange that was granted a limited purpose trust company charter by the DFS in May 2015 (''itBit''). Limited purpose trusts, according to the DFS, are permitted to undertake certain activities, such as transfer agency, securities clearance, investment management, and custodial services, but without the power to take deposits or make loans.
- Gemini is a bitcoin exchange that is also regulated by the DFS. In October 2015, the DFS granted Gemini authorization to operate as a limited purpose trust company (''Gemini'').
- SecondMarket, Inc. d/b/a Genesis Global Trading is a FINRA member firm that makes a market in bitcoin by offering two-sided liquidity (''Genesis Global Trading'').

According to the Registration Statement, the majority of bitcoin transactions are executed on public bitcoin exchanges where bitcoin are bought and sold daily for value in U.S. dollar, euro and other government currencies. These bitcoin exchanges provide the most data with respect to prevailing valuations of bitcoin. The exchanges typically publish real-time trade data including last price, bid and ask spread, and trade volume on their respective Web sites and through application programming interfaces. As a result, the prices on bitcoin exchanges are the most accurate expression of the value of bitcoin. The XBX, which the Trust will use to calculate the net asset value of the Shares, accordingly tracks the price of bitcoin across multiple exchanges (*see* ''bitcoin Price Indexes'' below).

The bitcoin marketplace is a 24-hour, 365-day per year market. There currently exist globally over 30 bitcoin exchanges. The Sponsor represents that the exchanges with the most significant bitcoin trading by volume (*i.e.,* Bitfinex,[14] Bitstamp,[15] BTCC,[16] BTC-e,[17] Coinbase, Huobi,[18] itBit, OKCoin Exchange China [19] and OKCoin International [20]) traded approximately 422 million bitcoin at U.S. dollar converted prices ranging between $199 and $706 for a total trade volume of over $154 billion during the period February 2014 through January 2016. The Sponsor represents that average global daily trade volume during this period was approximately $212 million.

The various bitcoin exchanges are generally available to the public through online web portals. Trading information, including pricing, volumes, and order book is available on the exchanges' Web sites, and most such information is publicly available to anyone who visits the site. According to the Sponsor, for those exchanges that comply with applicable KYC requirements, prior to trading bitcoin, users are required to provide the exchange with KYC verifiable identification and other such documentation. Once a user establishes an account with the exchange, the user deposits government currency with the exchange by completing a wire of government currency to the exchange's bank.

Bitcoin are traded with publicly disclosed valuations for each transaction, measured by one or more government currencies such as the U.S. dollar, the euro or the Chinese yuan. Bitcoin exchanges typically report publicly on their site the valuation of each transaction and bid and ask prices for the purchase or sale of bitcoin. Although each bitcoin exchange has its own market price, it is expected that most bitcoin exchanges' market prices should be relatively consistent with the bitcoin exchange market average since market participants can choose the bitcoin exchange on which to buy or sell bitcoin (*i.e.,* exchange shopping). According to the Registration Statement, price differentials across bitcoin exchanges enable arbitrage between bitcoin prices on the various exchanges.

Bitcoin Price Indexes

*XBX Index.* Launched in July 2014, the XBX represents the value of one bitcoin in U.S. dollars at any point in time and closes as of 4:00 p.m., Eastern time (''E.T.''), each weekday. The intra-day levels of the XBX incorporate the real-time price of bitcoin based on trading activity derived from constituent exchanges throughout each trading day. The closing level of the XBX is calculated using a proprietary methodology utilizing bitcoin trading data from constituent exchanges and is published at or after 4:00 p.m., E.T., each weekday. The XBX is published to two decimal places rounded on the last digit.

Schvey, Inc. d/b/a TradeBlock (''TradeBlock'') is the index sponsor and calculation agent for the XBX. The Sponsor has entered into a licensing agreement with TradeBlock to use the XBX. The Trust is entitled to use the XBX pursuant to a sub-licensing arrangement with the Sponsor.

The XBX is a real-time U.S. dollar-denominated composite reference rate for the price of bitcoin. The XBX calculates the intra-day price of bitcoin every second, including the closing price as of 4:00 p.m., E.T. The intra-day price and closing price are based on a methodology that consists of collecting and cleansing actual trade data from several bitcoin exchanges included within the XBX.

According to the Registration Statement, to ensure that TradeBlock's exchange selection process is impartial, TradeBlock implements a standardized eligibility criteria framework based on periodically-reviewed governance principles that includes elements such as depth of liquidity, compliance with applicable legal and regulatory requirements, data availability and acceptance of U.S. dollar deposits. As of June 30, 2016, the eligible bitcoin exchanges selected by TradeBlock for inclusion in the XBX are Bitfinex, Bitstamp, Coinbase, itBit and OKCoin International. The XBX currently does not include any other bitcoin exchanges, derivative exchanges, dark pools, OTC or other trading venues.

The logic utilized for the derivation of the daily closing index level for the XBX

[14] Bitfinex is a bitcoin exchange that facilitates U.S. dollar-denominated bitcoin trading (''Bitfinex''). It is based in Hong Kong and holds a Money Services Operator license issued by the Customs and Excise Department, Money Services Supervision Bureau.

[15] Bitstamp is a bitcoin exchange that facilitates U.S. dollar-denominated bitcoin trading (''Bitstamp''). It is based in the United Kingdom with offices in London, Luxembourg and New York. The government of Luxembourg granted Bitstamp a license to operate as a regulated bitcoin exchange in the European Union.

[16] BTCC is a bitcoin exchange that is headquartered in Shanghai and facilitates yuan-denominated bitcoin trading (''BTCC'').

[17] BTC-e is a U.S. dollar-denominated bitcoin exchange (''BTC-e'').

[18] Huobi is a bitcoin exchange that is based in Beijing and facilitates yuan-denominated bitcoin trading.

[19] OKCoin Exchange China is located in Beijing and facilitates Chinese yuan-denominated bitcoin trading (''OKCoin Exchange China'').

[20] OKCoin International is located in Singapore and facilitates U.S. dollar-denominated bitcoin trading (''OKCoin International'').

is intended to analyze actual bitcoin transactional data, verify and refine the data set and yield an objective, fair-market value of one bitcoin as of 4:00 p.m., E.T., each weekday, priced in U.S. dollars. As discussed herein, the XBX intra-day price and the XBX closing price are collectively referred to as the XBX price, unless otherwise noted.

The key elements of the algorithm underlying the XBX include:

- Volume/Liquidity Weighting: Exchanges with greater liquidity receive a higher weighting in the XBX, increasing the ability to execute against the XBX in the underlying spot markets. Liquidity weighting also mitigates the impact of volume spikes during off-peak trading hours.
- Price Variance Weighting: The XBX price reflects data points that are discretely weighted in proportion to their variance from contemporaneous pricing reflected on the XBX's constituent exchanges. As the price at a particular exchange diverges from the rest of the data points, its influence on the XBX consequently decreases.
- Inactivity Adjustment: The algorithm penalizes stale ticks on any given exchange. If an exchange does not have recent trading data, its weighting is gradually reduced, until it is de-weighted entirely. Similarly, once activity resumes, the corresponding weighting for that constituent is gradually increased until it reaches the appropriate level.
- Thin Order Books: The XBX minimizes the impact of thin order books and fluctuating prices, which provides a more stable and reliable benchmark for the price of bitcoin.

The XBX index calculation methodology and governance protocol are based on principles established by the International Organization of Securities Commissions for financial benchmarks. TradeBlock conducts a quarterly review of the constituent exchanges and the algorithm used to calculate XBX prices and maintains a history of all updates. In the event of market stress or unresponsive input data from the constituent exchanges, the XBX algorithm will incorporate a minimum of one input to calculate a benchmark value. In the unlikely event of no input data from all constituent values, the XBX will default to the most recent value for which one or more inputs were present.

The Sponsor is not aware of any bitcoin derivatives currently trading based on the XBX.

*NYXBT Index.* Launched in May 2015, the NYSE Bitcoin Index (''NYXBT'') represents the value of one bitcoin in U.S. dollars at any point in time and closes as of 4:00 p.m., E.T., each weekday.

*CoinDesk Bitcoin Price Index.* CoinDesk, a digital currency content provider (''Coindesk''), launched a proprietary bitcoin price index, the CoinDesk Bitcoin Price Index (''XBP'') in September 2013. The XBP takes the average of U.S. dollar bitcoin prices from leading exchanges.

Bitcoin Trading on Exchanges

According to the Registration Statement, an individual who wishes to purchase bitcoin on a bitcoin exchange would create an account on the exchange Web site. After creating an account, the buyer would send government issued money to the Web site via traditional payment methods such as ACH and wire transfer. The buyer's account at the bitcoin exchange would be credited with the money sent, and the buyer would then be able to visit the Web site and make a purchase of bitcoin. Directly after the purchase is made, the bitcoin acquired still remains in the custody of the bitcoin exchange (*i.e.,* it remains at a bitcoin address controlled by the exchange). To take custody of the bitcoin, the purchaser would direct the exchange Web site to transfer the bitcoin to a bitcoin address controlled by the purchaser, thereby completing the process of acquiring bitcoin. A sale of bitcoin using a bitcoin exchange involves the same process but in reverse. The seller would transfer bitcoin from an address under his or her control to an address under the bitcoin exchange's control. The seller's account at the bitcoin exchange would be credited with the bitcoin sent, and the seller would be able to commence the sale of the bitcoin via the Web site. Upon completion of the sale, the seller's account would reflect the seller's balance, in government currency, which the seller could then receive by directing the exchange to send the funds via traditional payment methods to the seller's bank account. Bitcoin exchange Web sites generally show users a central limit order book (*i.e.,* a list of all bids and offers for purchases and sales of bitcoin on the exchange).

The Sponsor has trading experience with several U.S. and foreign bitcoin exchanges that generally represent the highest daily U.S. dollar bitcoin trading volume.

The Sponsor may conduct some of its bitcoin trading on behalf of the Trust through a wholly-owned subsidiary, SolidX Management Ltd., an exempted limited company established in the Cayman Islands (''Subsidiary''), to buy and sell bitcoin on behalf of the Trust on certain bitcoin exchanges which are only open to non-U.S. persons or which do not conduct business in New York or with New York residents. The officers of the Sponsor also serve as officers of the Subsidiary. When conducting trading through the Subsidiary, the Sponsor is responsible for the security of the bitcoin to the same extent as if trading bitcoin directly. Bitcoin traded through the Subsidiary will be stored in the same way as bitcoin that is traded directly by the Sponsor, and the Trust's bitcoin insurance on bitcoin traded through the Subsidiary will apply to the same extent as otherwise applicable. Furthermore, the Subsidiary will have the same trading arrangements with the applicable bitcoin exchanges as does the Sponsor itself. Accordingly, references herein to the Sponsor's trading arrangements with bitcoin exchanges on behalf of the Trust include trading conducted by the Sponsor through the Subsidiary, unless otherwise noted.

The Sponsor intends to conduct its bitcoin exchange trading on the following U.S. dollar-denominated bitcoin exchanges: Bitfinex, Bitstamp, Coinbase, Gemini, itBit, Kraken [21] and OKCoin International.[22] The Sponsor represents that all of these exchanges follow AML and KYC regulatory requirements. Because Bitfinex and Kraken do not conduct business in New York or with New York residents, and OKCoin International is only open to non-U.S. persons, the Sponsor intends to conduct its bitcoin trading on these three exchanges through the Subsidiary. As discussed above, the Sponsor does not expect the Trust to experience any differences between bitcoin exchange trades on the Trust's behalf conducted through the Subsidiary versus those conducted by the Sponsor directly.

According to the Registration Statement, during the preceding twelve-month period (June 2015 through May 2016), the aggregate trading volume on the five constituent exchanges comprising the XBX (*i.e.,* Bitfinex, Bitstamp, Coinbase, itBit and OKCoin International) represented approximately 80% of the entire global U.S. dollar-denominated bitcoin exchange market.[23] According to the

[21] Kraken is located in San Francisco (''Kraken''). Although Kraken conducts U.S. dollar bitcoin trading, it is primarily a euro-denominated bitcoin exchange.

[22] The Sponsor intends to trade with OKCoin International, the Singaporean entity, and not with the yuan-denominated OKCoin Exchange China.

[23] In addition to the five constituent exchanges comprising the XBX, the global U.S. dollar-denominated bitcoin exchange market also includes BTC-e, Gemini, LakeBTC (located in Shanghai, China) and Kraken. The Sponsor represents that although BTC-e is a U.S. dollar-denominated

Continued

Registration Statement, during the period April 2015 through April 2016 (including weekends and holidays), average daily bitcoin trading on Bitfinex, Bitstamp, Coinbase, Gemini, itBit and OKCoin International totaled approximately 64,000 bitcoin across all of those exchanges at prices that ranged between $217 and $469. Of that trading, Bitfinex accounted for 38%, Bitstamp accounted for 19%, Coinbase accounted for 13%, Gemini accounted for 1%, itBit accounted for 7% and OKCoin International accounted for 23%. With a Basket (as defined below) size of 1,000 bitcoin, the creation or redemption of one Basket would represent approximately 1.5% of the aggregate daily U.S. dollar-denominated bitcoin trading volume across these exchanges and approximately 1% of the aggregate daily (i) U.S. dollar-denominated bitcoin trading volume on these exchanges plus (ii) global U.S. dollar-denominated OTC bitcoin trading volume.

The Sponsor has established, on behalf of the Trust, DVP and RVP trading arrangements with several of the U.S. dollar-denominated bitcoin exchanges pursuant to which the Trust will be able to minimize exchange counterparty risk. These arrangements are on a trade-by-trade basis and do not bind the Sponsor or the Trust to continue to trade with any exchange. Under these arrangements, the Sponsor, on behalf of the Trust, will receive bitcoin from an exchange that has entered into a DVP/RVP arrangement with the Sponsor without having to deposit U.S. dollars with the exchange prior to trade execution. Once the Sponsor receives the bitcoin it purchased, the Sponsor will within 24 hours wire U.S. dollars to the exchange to settle the trade. When selling bitcoin on behalf of the Trust, an exchange that has entered into a DVP/RVP arrangement with the Sponsor will permit the Sponsor to sell bitcoin on the exchange without the need to deposit bitcoin with the exchange beforehand. The Sponsor will transmit bitcoin to the exchange only after the exchange has wired the U.S. dollar sales proceeds to the Sponsor. These DVP and RVP settlement terms reduce exchange counterparty risks for the Trust.

bitcoin exchange with significant trading volume, BTC-e does not comply with certain of the Sponsor's internal criteria regarding the exchanges on which the Sponsor will trade and, therefore, the Sponsor will not transact with BTC-e. The Sponsor represents that it is also aware of other smaller U.S. dollar-denominated bitcoin exchanges, but the trading volume on these exchanges is insignificant and the Sponsor does not intend to conduct business with these smaller exchanges.

Bitcoin Price Transparency

According to the Registration Statement, bitcoin trading currently occurs globally across over 30 bitcoin exchanges and trades against over 20 government currencies 24-hours per day, 365 days per year. Individual bitcoin exchanges continually publish publicly available price and volume data that is utilized by service providers to create various bitcoin indexes. Bitcoin prices are also available via major market data vendors such as Bloomberg and Thomson Reuters. Real-time and historical price data is available through numerous public web platforms including: *https://tradeblock.com/; http://www.coindesk.com/; https://bitcoinaverage.com;* and others.

Although the trading volumes on BTCC, Huobi and OKCoin Exchange China are significant, trading on these exchanges is limited to Chinese yuan, and the Sponsor therefore does not intend to transact with these exchanges. The Sponsor intends to transact with U.S. dollar-denominated exchanges only. However, the Sponsor represents that the price of bitcoin on BTCC, Huobi and OKCoin Exchange China generally has been consistent with the price of bitcoin on U.S. dollar-denominated bitcoin exchanges, including Bitfinex, Bitstamp, Coinbase, itBit and OKCoin International.

The Sponsor represents that because bitcoin trades on more than 30 exchanges globally on a 24-hour basis, it is difficult for attempted market manipulation on any one exchange to affect the global market price of bitcoin. Any such attempt to manipulate the price would result in an arbitrage opportunity among exchanges, which typically would be acted upon by market participants.

In addition to the price transparency of the bitcoin exchange market itself, the Trust will provide information regarding the Trust's bitcoin holdings as well as additional data regarding the Trust. The Sponsor expects that the dissemination of information on the Trust's Web site, along with quotations for and last-sale prices of transactions in the Shares and the intra-day indicative value (''IIV'') and net asset value (''NAV'') of the Trust will help to reduce the ability of market participants to manipulate the bitcoin market or the price of the Shares and that the Trust's arbitrage mechanism will facilitate the correction of price discrepancies in bitcoin and the Shares. The Sponsor believes that demand from new investors accessing bitcoin through investment in the Shares will broaden the investor base in bitcoin, which could further reduce the possibility of collusion among market participants to manipulate the bitcoin market.

According to the Sponsor, the XBX's price variance weighting, which decreases the influence on the XBX of any particular exchange that diverges from the rest of the data points used by the XBX, reduces the possibility of an attempt to manipulate the price of bitcoin as reflected by the XBX.

Bitcoin Trading Over-the-Counter

OTC trading of bitcoin is generally accomplished via bilateral agreements on a principal-to-principal basis. All risks and issues of credit are between the parties directly involved in the transaction. The OTC market provides a relatively flexible market in terms of quotes, price, size and other factors. The OTC market has no formal structure and no open-outcry meeting place. Parties engaging in OTC transactions will agree upon a price—often via phone or email—and one of the two parties would then initiate the transaction. For example, a seller of bitcoin could initiate the transaction by sending the bitcoin to the buyer's bitcoin address. The buyer would then wire U.S. dollars to the seller's bank account.

Based on its observations and experience in the market, the Sponsor estimates that the U.S. dollar OTC bitcoin trading volume globally represents on average approximately fifty percent of the trading volume of bitcoin traded globally in U.S. dollars on U.S. dollar-denominated bitcoin exchanges.

According to the Registration Statement, transaction costs in the OTC market are negotiable between the parties and therefore vary with some participants willing to offer competitive prices for larger volumes, although this will vary according to market conditions. Cost indicators can be obtained from various information service providers, such as the bitcoin price indexes and bitcoin exchanges. OTC trading tends to be in large blocks of bitcoin and between institutions.

In addition to using Bitfinex, Bitstamp, Coinbase, Gemini, itBit, Kraken and OKCoin International to buy and sell bitcoin, the Trust intends to participate in the OTC bitcoin market when such market opportunities are deemed by the Sponsor to be advantageous for the Trust. The Sponsor currently expects that often it will be more cost efficient to effect large trades (*e.g.,* $500,000 or greater) on behalf of the Trust in the OTC market rather than on a bitcoin exchange. The Sponsor

therefore expects to conduct most of its trading in the OTC bitcoin market.

When deciding whether to buy and sell bitcoin in the OTC market, the Sponsor will consider various market factors, including the total U.S. dollar size of the trade, the volume of bitcoin traded across the various U.S. dollar-denominated bitcoin exchanges during the preceding 24-hour period, available liquidity offered by OTC market participants and the bid and ask quotes offered by OTC market participants. The Sponsor's experience is that the prices at which trades in the OTC market are executed closely correspond to the XBX. The Sponsor expects the price at which it will trade bitcoin in the OTC market will generally track the XBX, and, therefore, should not affect the Trust's ability to track the XBX. The Sponsor also maintains an internal proprietary database, which it does not share with anyone, of potential OTC bitcoin trading counterparties, including hedge funds, family offices, private wealth managers and high-net-worth individuals. All such potential counterparties will be subject to the Sponsor's AML and KYC compliance procedures. The Sponsor will add additional potential counterparties to its internal proprietary database as it becomes aware of additional market participants. The Sponsor will decide whether or not to trade with OTC counterparties based on its ability to fill orders at the best available price amongst OTC market participants and bitcoin exchanges. Generally, the Sponsor will directly place purchase or sale orders for bitcoin on behalf of the Trust with participants in the OTC markets using DVP and RVP style arrangements.

While the Sponsor expects that most of its bitcoin trading with exchanges and OTC counterparties on behalf of the Trust will occur pursuant to DVP and RVP arrangements, the Sponsor may also enter into collateral arrangements with certain bitcoin exchanges and OTC counterparties where DVP and RVP arrangements are not practicable. Such collateral arrangements require the Sponsor, out of its own assets, and the bitcoin exchange or OTC counterparty to open and maintain collateral deposit accounts with a bank or similar financial intermediary for the purpose of collateralizing pending bitcoin transactions effected by the Sponsor on behalf of the Trust and the bitcoin exchange or OTC counterparty. The Trust would not pledge (or receive) collateral pursuant to these arrangements and the Sponsor would bear any exchange counterparty risk. The Sponsor represents that a default of an exchange or OTC counterparty under such arrangement would have no greater impact on the Trust than a default under the DVP and RVP arrangements.

To the extent a Basket creation or redemption order necessitates the buying or selling of a large block of bitcoin (*e.g.,* an amount that if an order were placed on an exchange would potentially move the price of bitcoin), the Sponsor represents that placing such a trade in the OTC market may be advantageous to the Trust. OTC trades help avoid factors such as potential price slippage (causing the price of bitcoin to move as the order is filled on the exchange), while offering speed in trade execution and settlement (an OTC trade can be executed immediately upon agreement of terms between counterparties) and privacy (to avoid other market participants entering trades in advance of a large block order).

OTC bitcoin trading is typically private and not regularly reported. For example, Genesis Global Trading and itBit release periodic reports that discuss their respective OTC trading volumes. The Trust does not intend to report its OTC trading.

Regardless of whether the Sponsor buys bitcoin on an exchange or in the OTC market, the Sponsor expects the Trust to take custody of bitcoin within one business day of receiving an order from an Authorized Participant to create a Basket (as defined in ''Creation and Redemption of Shares'' below).

Historical Chart of the Price of Bitcoin

The price of bitcoin is volatile and fluctuations are expected to have a direct impact on the value of the Shares. However, movements in the price of bitcoin in the past are not a reliable indicator of future movements. Movements may be influenced by various factors, including supply and demand, geo-political uncertainties, economic concerns such as inflation and real or speculative investor interest.[24]

Additional Bitcoin Trading Products

Certain non-U.S. based bitcoin exchanges offer derivative products on bitcoin such as options, swaps and futures.

According to the Registration Statement, BitMex (based in the Republic of Seychelles), CryptoFacilites (based in the United Kingdom), 796 Exchange (based in China) and OKCoin Exchange China all offer futures contracts settled in bitcoin. Coinut, based in Singapore, offers bitcoin binary options and vanilla options based on the Coinut index. Nadex, based in Chicago, offers bitcoin binary options denominated in U.S. dollars using the TeraBit Bitcoin Price Index.[25] IGMarkets (based in the United Kingdom), Avatrade (based in Ireland) and Plus500 (based in Israel) also offer bitcoin derivative products.

The Commodity Futures Trading Commission (''CFTC'') has approved TeraExchange, LLC as a swap execution facility (''TeraExchange'') and LedgerX provisionally as a swap execution facility, where bitcoin swap and non-deliverable forward contracts may be entered into.

The CFTC commissioners have expressed publicly that derivatives based on bitcoin are subject to regulation by the CFTC, including oversight to prevent market manipulation of the price of bitcoin. In addition, the CFTC has stated that bitcoin and other virtual currencies are encompassed in the definition of commodities under the CEA.[26]

In May 2015, the Swedish FSA approved the prospectus for ''Bitcoin Tracker One'', an open-ended exchange-traded note that tracks the price of bitcoin in U.S. dollars. The Bitcoin Tracker One initially traded in Swedish krona on the Nasdaq Nordic in Stockholm, but is now also available to trade in euro. The Bitcoin Tracker One is available to retail investors in the European Union and to those investors in the U.S. who maintain brokerage accounts with Interactive Brokers. Founded in 2013, Bitcoin Investment Trust, a private, open-ended trust available to accredited investors, is another investment vehicle that derives

[24] Attached as Exhibit 3, Item 2 is a chart illustrating the changes in the price of bitcoin during the period July 2010 through March 2016. Attached as Exhibit 3, Item 3 is a chart comparing the trailing calendar month volatility in the price of bitcoin compared to the trailing calendar month volatility in the prices of gold, platinum, copper and oil during the period May 1, 2014 through May 31, 2016 (excluding holidays and weekends). Attached as Exhibit 3, Item 4 is a chart comparing the trailing calendar month volatility in the price of bitcoin compared to the trailing calendar month volatility in the prices of gold, platinum, copper and oil during the period March 1, 2016 through May 31, 2016 (excluding holidays and weekends).

[25] The TeraBit Bitcoin Price Index is disseminated by TeraExchange.

[26] *See* ''In the Matter of Coinflip, Inc.'' (CFTC Docket 15–29 (September 17, 2015)) (order instituting proceedings pursuant to Sections 6(c) and 6(d) of the CEA, making findings and imposing remedial sanctions), in which the CFTC stated the following:

''Section 1a(9) of the CEA defines 'commodity' to include, among other things, 'all services, rights, and interests in which contracts for future delivery are presently or in the future dealt in.' 7 U.S.C. 1a(9). The definition of a 'commodity' is broad. *See, e.g.,* Board of Trade of City of Chicago v. SEC, 677 F. 2d 1137, 1142 (7th Cir. 1982). Bitcoin and other virtual currencies are encompassed in the definition and properly defined as commodities.''

its value from the price of bitcoin. Eligible shares of the Bitcoin Investment Trust are quoted on the OTCQX marketplace under the symbol ''GBTC''.

Bitcoin Security and Storage for the Trust

According to the Sponsor, given the novelty and unique digital characteristics (as set forth above) of bitcoin as an innovative asset class, traditional custodians who normally custody assets do not currently offer custodial services for bitcoin. Accordingly, the Sponsor will secure the bitcoin held by the Trust using multi-signature ''cold storage wallets'', an industry best practice. A cold storage wallet is created and stored on a computer with no access to a network, *i.e.,* an ''air-gapped'' computer with no ability to access the Internet. Such a computer is isolated from any network, including local or Internet connections. A multi-signature address is an address associated with more than one private key. For example, a ''2 of 3'' address requires two signatures (out of three) from two separate private keys (out of three) to move bitcoin from a sender address to a receiver address.

The Sponsor will utilize bitcoin private keys that are generated and stored on air-gapped computers. The movement of bitcoin will require physical access to the air-gapped computers and use of multiple authorized signers. For backup and disaster recovery purposes, the Sponsor will maintain cold wallet backups in locations geographically distributed throughout the United States, including in the Northeast and Midwest.

In addition to the Sponsor's security system, the Sponsor has arranged for the Trust to maintain comprehensive insurance coverage underwritten by various insurance carriers. The purpose of the insurance is to protect investors against loss or theft of the Trust's bitcoin. The insurance will cover loss of bitcoin by, among other things, theft, destruction, bitcoin in transit, computer fraud (*i.e.,* hacking attack) and other loss of the private keys that are necessary to access the bitcoin held by the Trust. The coverage is subject to certain terms, conditions and exclusions, as discussed in the Registration Statement. The insurance policy will carry initial limits of $25 million in primary coverage and $100 million in excess coverage, with the ability to increase coverage depending on the value of the bitcoin held by the Trust.

The Sponsor expects that the Trust's auditor will verify the existence of bitcoin held in custody by the Trust. In addition, the Trust's insurance carriers will have inspection rights associated with the bitcoin held in custody by the Trust.

Bitcoin Market Price

In the ordinary course of business, the Administrator will value the bitcoin held by the Trust based on the price set by the XBX as of 4:00 p.m., E.T., on the valuation date on any day that the NYSE Arca is open for regular trading. For further detail, *see* (i) below. If the procedures described in (i) fail and the Administrator is unable to value the Trust's bitcoin using the procedures described in (i), the Administrator will value the Trust's bitcoin using the cascading set of rules set forth in (ii) through (iv) below; the methodology used to established the value of the bitcoin held by the Trust will be the ''bitcoin Market Price''. For the avoidance of doubt, the Administrator will employ the below rules sequentially and in the order as presented, should the Sponsor determine that one or more specific rule(s) fails. The Sponsor may determine that a rule has failed if the pricing source is unavailable or, in the judgment of the Sponsor, is deemed unreliable. To the extent the Administrator uses any of the cascading set of rules, the Sponsor will make public on the Trust's Web site the rule being used.

(i) bitcoin Market Price = The price set by the XBX as of 4:00 p.m., E.T., on the valuation date. The XBX is a real-time U.S. dollar-denominated composite reference rate for the price of bitcoin. The XBX calculates the intra-day price of bitcoin every second, including the closing price as of 4:00 p.m., E.T. The intra-day price and closing price are based on a methodology that consists of collecting and cleansing actual trade data from several bitcoin exchanges included within the XBX. TradeBlock uses standardized eligibility criteria based on periodically-reviewed governance principles to select trading venues for inclusion in the XBX. As of June 30, 2016, the eligible bitcoin exchanges selected by TradeBlock for inclusion in the XBX are Bitfinex, Bitstamp, Coinbase, itBit and OKCoin International. The logic utilized for the derivation of the daily closing index level is intended to analyze actual bitcoin transactional data, verify and refine the data set and yield an objective, fair-market value of one bitcoin as of 4:00 p.m., E.T., each weekday, priced in U.S. dollars.

(ii) bitcoin Market Price = The price set by the CoinDesk Bitcoin Price Index XBP as of 4:00 p.m., E.T., on the valuation date. The XBP is a U.S. dollar-denominated composite reference rate for the price of bitcoin based on the volume-weighted price at trading venues selected by CoinDesk. Trading venues used to calculate the XBP may include bitcoin exchanges, OTC markets or derivative platforms. CoinDesk uses its discretion to select trading venues that will be included in the XBP based on guidelines, including depth of liquidity, compliance with applicable legal and regulatory requirements, data availability, domicile in the United States and acceptance of U.S. dollar deposits. To calculate the reference rate, trade data is cleansed and compiled in such a manner as to algorithmically reduce the impact of anomalistic or manipulative trading. This is accomplished by adjusting the weight of each data input based on price deviation relative to the observable set of data for the relevant trading venue, as well as recent and long-term trading volume at each venue relative to the observable set for the relevant trading venues. To calculate volume-weighted price, the weighting algorithm is applied to the price and volume of all inputs for the immediately preceding 24-hour period at 4:00 p.m., E.T., on the valuation date.

(iii) bitcoin Market Price = The volume-weighted average bitcoin price for the immediately preceding 24-hour period at 4:00 p.m., E.T., on the valuation date as published by an alternative third party's public data feed that the Sponsor determines is reasonably reliable, subject to the requirement that such data is calculated based upon a volume-weighted average bitcoin price obtained from the major U.S. dollar-denominated bitcoin exchanges (''Second Source''). Subject to the next sentence, if the Second Source becomes unavailable (*e.g.,* data sources from the Second Source for bitcoin prices become unavailable, unwieldy or otherwise impractical for use), or if the Sponsor determines in good faith that the Second Source does not reflect an accurate bitcoin price, then the Sponsor will, on a best efforts basis, contact the Second Source in an attempt to obtain the relevant data. If after such contact the Second Source remains unavailable or the Sponsor continues to believe in good faith that the Second Source does not reflect an accurate bitcoin price, then the Administrator will employ the next rule to determine the bitcoin Market Price.

(iv) bitcoin Market Price = The Sponsor will use its best judgment to determine a good faith estimate of the bitcoin Market Price.

The Trust

According to the Registration Statement, the Trust will invest in bitcoin only. The Trust will cause the Sponsor to either (i) receive bitcoin from the Trust in such quantity as may be necessary to pay the Sponsor's management fee and other Trust expenses and liabilities not assumed by the Sponsor or (ii) sell bitcoin in such quantity as may be necessary to permit payment in cash of the Sponsor's management fee and other Trust expenses and liabilities not assumed by the Sponsor. As a result, the amount of bitcoin sold will vary from time to time depending on the level of the Trust's expenses and the market price of bitcoin.

The Trust will pay the Sponsor a management fee as compensation for services performed on behalf of the Trust and for services performed in connection with maintaining the Trust. The Sponsor's fee will be payable monthly in arrears and will be accrued daily.

The Sponsor will be responsible for paying all of the routine operational, administrative and other ordinary expenses of the Trust, including, but not limited to, the fees and expenses of the Trustee and Administrator, custody fees, transfer agency fees, distribution and marketing fees, up to $100,000 per annum in legal fees, audit and accounting fees and expenses, filing fees, exchange listing fees and printing, mailing and duplication costs. The Sponsor will also be responsible for paying the premiums associated with the insurance coverage of the bitcoin held by the Trust. The Trust will be responsible for paying, or for reimbursing the Sponsor or its affiliates for paying, all the extraordinary fees and expenses, if any, of the Trust. The management fee to be paid to the Sponsor is expected to be the only ordinary recurring operating expense of the Trust.

Net Asset Value

The NAV for the Trust will equal the market value of the Trust's total assets, including bitcoin and cash, less liabilities of the Trust, which include estimated accrued but unpaid fees, expenses and other liabilities. Under the Trust's proposed operational procedures, the Administrator will calculate the NAV on each business day that the NYSE Arca is open for regular trading, as promptly as practicable after 4:00 p.m., E.T. To calculate the NAV, the Administrator will use the bitcoin Market Price. The Administrator will also determine the NAV per Share by dividing the NAV of the Trust by the number of the Shares outstanding as of the close of trading on the NYSE Arca Core Trading Session, *i.e.,* 9:30 a.m. to 4:00 p.m., E.T. (which includes the net number of any Shares deemed created or redeemed on such day).

According to the Registration Statement, Authorized Participants (as defined in ''Creation and Redemption of Shares'' below), or their clients or customers, may have an opportunity to realize a riskless profit if they can create a Basket (as defined in ''Creation and Redemption of Shares'' below) at a discount to the public trading price of the Shares or can redeem a Basket at a premium over the public trading price of the Shares. The Sponsor expects that the exploitation of such arbitrage opportunities by Authorized Participants and their clients and customers will tend to cause the public trading price to track NAV per Share closely over time. Such arbitrage opportunities will not be available to holders of Shares who are not Authorized Participants.

The Sponsor represents that bitcoin is a bearer asset, so unlike most financial assets within the modern financial system, Authorized Participants seeking to acquire quantities of bitcoin will require specialized knowledge to source and secure the bitcoin. Such potential holders of bitcoin without sufficient technological knowledge will encounter both counterparty and custodial issues that will effectively lock them out of accessing the bitcoin market. Therefore, although there is nothing preventing Authorized Participants from participating directly in the bitcoin market, the Sponsor believes, based on the current state of the bitcoin market and its participants, many probably will not until such time as the bitcoin market matures so that the technological, counterparty and custodial issues evolve to become similar to those of traditional financial instruments. Notwithstanding the foregoing, the Sponsor believes, based on conversations with market participants, that one or more Authorized Participants and/or market makers may be interested in participating directly in the bitcoin market and creating or redeeming Baskets in-kind.

According to the Sponsor, whether creating and redeeming baskets in-kind or for cash, Authorized Participants and market makers can hedge their exposure to bitcoin using non-deliverable forward contracts (''NDFs'') and swap contracts that will create synthetic long and short exposure to bitcoin. NDFs will be offered by several participants in the bitcoin marketplace, including bitcoin exchanges, bitcoin OTC market participants and the Sponsor itself, operating on a principal basis. Such arrangements make it possible for Authorized Participants that lack the trading infrastructure to transact in bitcoin to be able to hedge their exposure by entering into an NDF or swap contract. Accordingly, an Authorized Participant may hedge its exposure to bitcoin without the need to custody bitcoin, or to engage a third party to custody bitcoin. In addition, to the extent requested by Authorized Participants and market makers, the Sponsor will act as agent by buying and selling bitcoin on behalf of the Authorized Participants and market makers, including short sale orders for hedging purposes.

The NDF and swap contracts that the Sponsor will enter into as agent on behalf of the Authorized Participants and market makers will be bespoke, OTC and cash settled. The terms of the NDF and swap contracts will be negotiated between the counterparties to the NDF and swap contracts. The NDF and swap contracts may be traded electronically on at least one swap execution facility. Generally, the NDF and swap contract strike prices will be based on the bitcoin spot price, as determined by the XBX, or other pricing source as agreed to between the NDF and swap contract counterparties, when the contract is entered into. The NDF termination price will be based on the NAV of the Trust determined as of 4:00 p.m., E.T. The terms of the NDF and swap contracts will be governed by International Swaps and Derivatives Associations, Inc. (''ISDA'') agreements. The ISDA terms, including to the extent necessary any collateral arrangements, will be negotiated between the counterparties to the NDF and swap contracts.

While the Trust's investment objective is to seek to provide shareholders with exposure to the daily change in the U.S. dollar price of bitcoin, before expenses and liabilities of the Trust, as measured by the XBX, the Shares may trade in the secondary market at prices that are lower or higher relative to their NAV per Share.

The NAV per Share may fluctuate with changes in the market value of the bitcoin held by the Trust. The value of the Shares may be influenced by non-concurrent trading hours between NYSE Arca and the various bitcoin exchanges comprising the XBX, all of which constituent bitcoin exchanges operate 24 hours per day, 365 days per year. As a result, there will be periods when the NYSE Arca is closed and such bitcoin exchanges continue to trade. Significant

changes in the price of bitcoin on such exchanges could result in a difference in performance between the value of bitcoin as measured by the XBX and the most recent NAV per Share or closing trading price. The non-concurrent trading hours also may result in trading spreads and the resulting premium or discount on the Shares widening, increasing the difference between the price of the Shares and the NAV of such Shares.

The price difference may also be due to the fact that supply and demand forces at work in the secondary trading market for Shares are closely related, but not identical, to the same forces influencing the XBX spot price. Consequently, an Authorized Participant may be able to create or redeem a Basket of Shares at a discount or a premium to the public trading price per Share.

Impact on Arbitrage

Investors and market participants are able throughout the trading day to compare the market price of the Shares and the Share's IIV. According to the Sponsor, if the market price of the Shares diverges significantly from the IIV, Authorized Participants will have an incentive to execute arbitrage trades. Because of the potential for arbitrage inherent in the structure of the Trust, the Sponsor believes that the Shares will not trade at a material discount or premium to the underlying bitcoin held by the Trust. The arbitrage process, which in general provides investors the opportunity to profit from differences in prices of assets, increases the efficiency of the markets, serves to prevent potentially manipulative efforts, and can be expected to operate efficiently in the case of the Shares and bitcoin.

For example, if the Shares appear to be trading at a discount compared to the IIV, an Authorized Participant could buy the Shares on the NYSE Arca and simultaneously hedge their exposure to the price of the Shares by entering into an NDF or swap contract—in a dollar amount equal to the aggregate price of the Shares bought—that would provide the Authorized Participant with synthetic short exposure to bitcoin. The Authorized Participant then could redeem a Basket at NAV and realize a profit. Conversely, if the Shares appear to be trading at a premium compared to the IIV, an Authorized Participant could sell short the Shares on the NYSE Arca and simultaneously hedge their exposure to the short sale by entering into an NDF or swap contract—in a dollar amount equal to the aggregate price of the Shares sold—that would provide the Authorized Participant with synthetic long exposure to bitcoin. The Authorized Participant then could create a Basket at NAV, use those newly created Shares to cover the short sale and realize a profit. Such arbitrage trades can tighten the tracking between the market price of the Shares and the IIV and thus can be beneficial to all market participants.

Creation and Redemption of Shares

According to the Registration Statement, the Trust will issue and redeem ''Baskets'', each equal to a block of 10,000 Shares, only to ''Authorized Participants'' (as described below). The size of a Basket is subject to change. The creation and redemption of Baskets will principally be made in exchange for the delivery to the Trust or the distribution by the Trust of the amount of cash or bitcoin represented by the combined NAV of the Baskets being created or redeemed, the amount of which will be based on the combined bitcoin represented by the number of Shares included in the Baskets being created or redeemed determined on the day the order to create or redeem Baskets is properly received.

Orders to create and redeem Baskets may be placed only by Authorized Participants.[27] A transaction fee will be assessed on all creation and redemption transactions effected in-kind. In addition, a variable transaction fee will be charged to the Authorized Participants for creations and redemptions effected in cash to cover the Trust's expenses related to purchasing and selling bitcoin on bitcoin exchanges or in OTC transactions. Such expenses may vary, but the Trust currently expects such expenses to constitute 1% or less of the value of a Basket.

Creation Procedures

On any business day, an Authorized Participant may place an order with the Administrator to create one or more Baskets. For purposes of processing both purchase and redemption orders, a ''business day'' means any day other than a day when the NYSE Arca is closed for regular trading. Purchase orders must be placed by 1:00 p.m., E.T. The day on which the Administrator receives a valid purchase order is the ''purchase order date''. Purchase orders are irrevocable. By placing a purchase order, and prior to delivery of such Baskets, an Authorized Participant's DTC account will be charged the non-refundable transaction fee due for the purchase order.

Determination of Required Payment

The total payment required to create each Basket is determined by calculating the NAV of 10,000 Shares of the Trust as of the closing time of the NYSE Arca Core Trading Session on the purchase order date. Baskets are issued as of 9:30 a.m., E.T., on the business day immediately following the purchase order date at the applicable NAV as of the closing time of the NYSE Arca Core Trading Session on the purchase order date, but only if the required payment has been timely received.

Orders to purchase Baskets must be placed no later than 1:00 p.m., E.T., but the total payment required to create a Basket will not be determined until 4:00 p.m., E.T., on the date the purchase order is received. Authorized Participants therefore will not know the total amount of the payment required to create a Basket at the time they submit an irrevocable purchase order for the Basket. Valid orders to purchase Baskets received after 1:00 p.m., E.T., are considered received on the following business day. The NAV of the Trust and the total amount of the payment required to create a Basket could rise or fall substantially between the time an irrevocable purchase order is submitted and the time the amount of the purchase price in respect thereof is determined.

The payment required to create a Basket typically will be made in cash, but it may also be made partially or wholly in-kind at the discretion of the Sponsor if the Authorized Participant requests to convey bitcoin directly to the Trust. To the extent the Authorized Participant places an in-kind order to create, the Authorized Participant must deliver bitcoin directly to the Sponsor (*i.e.,* to the security system that holds the Trust's bitcoin) and an amount of cash referred to as the ''Cash Component'', computed as described below, each no later than 1:00 p.m., E.T., on the date the purchase order is received. The amount of bitcoin delivered by the Authorized Participant must be in an amount equal to the number of bitcoin necessary to create a Basket as of 4:00 p.m., E.T., on the date the purchase order is received. Upon delivery of the bitcoin to the Sponsor's security system and the Cash

[27] An Authorized Participant must: (1) Be a registered broker-dealer or other securities market participant, such as a bank or other financial institution, which, but for an exclusion from registration, would be required to register as a broker-dealer to engage in securities transactions and (2) be a participant in Depository Trust Company (''DTC''). To become an Authorized Participant, a person must enter into an ''Authorized Participant Agreement'' with the Sponsor and the Administrator. The Authorized Participant Agreement provides the procedures for the creation and redemption of Baskets and for the delivery of the cash (and, potentially, bitcoin in-kind) required for such creations and redemptions.

Component to the Custodian, the Administrator will cause the Trust to issue a Basket to the Authorized Participant. Expenses relating to purchasing bitcoin in assembling an in-kind creation Basket, such as bitcoin exchange-related fees and transaction fees, will be borne by Authorized Participants. With respect to creations in cash, Authorized Participants will be charged a variable transaction fee to cover expenses as set forth above.

The Cash Component is an amount equal to the difference between the NAV of the Shares (per Basket) and the ''Deposit Amount'', which is an amount equal to the market value of bitcoin (per Basket) which, for this purpose, is calculated in the same manner as the Trust values its bitcoin as set forth in ''bitcoin Market Price'' above. The Cash Component serves to compensate for any difference between the NAV per Basket and the Deposit Amount. Payment of any tax or other fees and expenses payable upon transfer of bitcoin shall be the sole responsibility of the Authorized Participant purchasing a Basket.

The Sponsor makes available through the National Securities Clearing Corporation (''NSCC'') on each business day, prior to the opening of business on the NYSE Arca, the amount of bitcoin required for an in-kind creation of a Basket. This amount is applicable in order to effect in-kind purchases of Baskets until such time as the next-announced amount is made available.

Rejection of Purchase Orders

The Administrator may reject a purchase order if: (i) It determines that the purchase order is not in proper form; (ii) the Administrator or the Sponsor believes the purchase order would have adverse tax consequences to the Trust or the shareholders; or (iii) circumstances outside the control of the Sponsor make it, for all practical purposes, not feasible to process creations of Baskets. The Administrator may reject a purchase order if the Sponsor thinks it is necessary or advisable for any reason, which the Sponsor determines is in the best interests of the Trust or shareholders.

Redemption Procedures

The procedures by which an Authorized Participant can redeem one or more Baskets mirror the procedures for the creation of Baskets. On any business day, an Authorized Participant may place an order with the Administrator to redeem one or more Baskets. Redemption orders must be placed no later than 1:00 p.m., E.T. The day on which the Administrator receives a valid redemption order is the ''redemption order date''. Redemption orders are irrevocable. The redemption procedures allow only Authorized Participants to redeem Baskets.

By placing a redemption order, an Authorized Participant agrees to deliver the Baskets to be redeemed through DTC's book-entry system to the Trust not later than 1:00 p.m., E.T., on the business day immediately following the redemption order date. By placing a redemption order, and prior to receipt of the redemption proceeds, an Authorized Participant's DTC account will be charged the non-refundable transaction fee due for the redemption order.

Determination of Redemption Proceeds

The redemption proceeds from the Trust consist of the ''cash redemption amount'' and, if making an in-kind redemption, bitcoin. The cash redemption amount is equal to the combined NAV of the number of Baskets of the Trust requested in the Authorized Participant's redemption order as of the closing time of the NYSE Arca Core Trading Session on the redemption order date. The Administrator will distribute the cash redemption amount at 4:00 p.m., E.T., on the business day immediately following the redemption order date through DTC to the account of the Authorized Participant as recorded on DTC's book-entry system. At the discretion of the Sponsor and if the Authorized Participant requests to receive bitcoin directly, some or all of the redemption proceeds may be distributed to the Authorized Participant in-kind.

Orders to redeem Baskets must be placed no later than 1:00 p.m., E.T., but the total amount of redemption proceeds typically will not be determined until after 4:00 p.m., E.T., on the date the redemption order is received. Authorized Participants therefore will not know the total amount of the redemption proceeds at the time they submit an irrevocable redemption order.

Delivery of Redemption Proceeds

The redemption proceeds due from the Trust are delivered to the Authorized Participant at 4:00 p.m., E.T., on the business day immediately following the redemption order date if, by such time on such business day immediately following the redemption order date, the Trust's DTC account has been credited with the Baskets to be redeemed. If the Trust's DTC account has not been credited with all of the Baskets to be redeemed by such time, the redemption distribution is delivered to the extent of whole Baskets received. Any remainder of the redemption distribution is delivered on the next business day to the extent of remaining whole Baskets received if the Sponsor receives the fee applicable to the extension of the redemption distribution date which the Sponsor may, from time to time, determine and the remaining Baskets to be redeemed are credited to the Trust's DTC account by 4:00 p.m., E.T., on such next business day. Any further outstanding amount of the redemption order shall be cancelled. The Sponsor will also be authorized to deliver the redemption distribution notwithstanding that the Baskets to be redeemed are not credited to the Trust's DTC account by 4:00 p.m., E.T., on the business day immediately following the redemption order date if the Authorized Participant has collateralized its obligation to deliver the Baskets through DTC's book-entry system on such terms as the Sponsor may determine from time to time.

In the case of in-kind redemptions, the Sponsor makes available through the NSCC, prior to the opening of business on the NYSE Arca on each business day, the amount of bitcoin per Basket that will be applicable to redemption requests received in proper form.

To the extent the Authorized Participant places an in-kind order to redeem a Basket, the Sponsor will deliver, on the business day immediately following the day the redemption order is received, bitcoin to the Authorized Participant in an amount equal to the number of bitcoin necessary to redeem a Basket as of 4:00 p.m., E.T. Expenses relating to transferring bitcoin to an Authorized Participant in a redemption Basket will be borne by Authorized Participants via the redemption transaction fee. With respect to redemptions in cash, Authorized Participants will be charged a variable transaction fee to cover expenses as set forth above.

Suspension or Rejection of Redemption Orders

The Administrator may, in its discretion, suspend the right of redemption or postpone the redemption settlement date (1) for any period during which an emergency exists as a result of which the redemption distribution is not reasonably practicable or (2) for such other period as the Sponsor determines to be necessary for the protection of the shareholders. None of the Sponsor, the Administrator or the Custodian will be liable to any person or in any way for any loss or damages that may result from any such suspension or postponement.

The Administrator will reject a redemption order if the order is not in proper form as described in the Authorized Participant Agreement or if the fulfillment of the order, in the opinion of its counsel, might be unlawful.

Availability of Information

The Trust's Web site will provide an intra-day indicative value (''IIV'') 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. The IIV will be calculated 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 changes in the value of the Trust's bitcoin holdings during the trading day.

The IIV disseminated during the NYSE Arca Core Trading Session should not be viewed as an actual real-time update of the NAV, which will be calculated only once at the end of each trading day. The IIV 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 IIV will be published on the NYSE Global Index Feed and will be available through on-line information services such as Bloomberg and Reuters.

The Web site for the Trust, which will be publicly accessible at no charge, will contain the following information: (a) The current NAV per Share daily and the prior business day's NAV and the reported closing price; (b) the mid-point of the bid-ask price [28] in relation to the NAV as of the time the NAV is calculated (''Bid-Ask Price'') and a calculation of the premium or discount of such price against such NAV; (c) data in chart form displaying the frequency distribution of discounts and premiums of the Bid-Ask Price against the NAV, within appropriate ranges for each of the four previous calendar quarters (or for the life of the Trust, if shorter); (d) the prospectus; and (e) other applicable quantitative information. The Trust will also disseminate the Trust's holdings on a daily basis on the Trust's Web site. The price of bitcoin will be made available by one or more major market data vendors, updated at least every 15 seconds during the Exchange's Core Trading Session. Information about the XBX, including key elements of how the XBX algorithm is calculated, is publicly available at *https://tradeblock.com/markets/index/.*

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. The Exchange will also make available on its Web site daily trading volume of the Shares, closing prices of the Shares and the corresponding NAV for the Trust. In addition, bitcoin prices are available from automated quotation systems, published or other public sources or on-line information services such as Bloomberg or Reuters. 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 bitcoin will be widely disseminated through a variety of major market data vendors, including Bloomberg and Reuters. In addition, the complete real-time price (and volume) data for bitcoin is available by subscription from Reuters and Bloomberg. The spot price of bitcoin is available on a 24-hour basis from major market data vendors, including Bloomberg and Reuters. Information relating to trading, including price and volume information, in bitcoin will be available from major market data vendors and from the exchanges on which bitcoin are traded. The normal trading hours for bitcoin exchanges are 24-hours per day, 365-days per year.

The Trust will provide Web site disclosure of its bitcoin holdings daily. The Web site disclosure of the Trust's portfolio composition will occur at the same time as the disclosure by the Sponsor of the portfolio composition to Authorized Participants so that all market participants are provided portfolio composition information at the same time. Therefore, the same portfolio information will be provided on the public Web site as well as in electronic files provided to Authorized Participants. Accordingly, each investor will have access to the current portfolio composition of the Trust through the Trust's Web site.

Trading Rules

The Trust will be subject to the criteria in NYSE Arca Equities Rule 8.201, including 8.201(e), for initial and continued listing of the Shares. A minimum of 100,000 Shares will be required to be outstanding at the start of trading. With respect to application of Rule 10A–3 under the Act, the Trust will rely on the exception contained in Rule 10A–3(c)(7). The Exchange believes that the anticipated minimum number of Shares outstanding at the start of trading is sufficient to provide adequate market liquidity.

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. Trading in the Shares on the Exchange will occur in accordance with NYSE Arca Equities Rule 7.34(a). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, 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.

Further, NYSE Arca Equities Rule 8.201 sets forth certain restrictions on Equity Trading Permit Holders (''ETP Holders'') acting as registered Market Makers in the Shares to facilitate surveillance. Pursuant to NYSE Arca Equities Rule 8.201(g), an ETP Holder acting as a registered Market Maker in the Shares is required to provide the Exchange with information relating to its trading in the underlying bitcoin, related futures or options on futures or any other related derivatives. Commentary .04 of NYSE Arca Equities Rule 6.3 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. A subsidiary or affiliate of an ETP Holder that does business only in commodities or futures contracts would not be subject to Exchange jurisdiction, but 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.

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares. Trading on the Exchange in the Shares may be halted because of market

[28] The bid-ask price of the Trust is determined using the highest bid and lowest offer on the Consolidated Tape as of the time of calculation of the closing day NAV.

conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) The extent to which conditions in the underlying bitcoin markets have caused disruptions and/or lack of trading or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. In addition, trading in Shares will be subject to trading halts caused by extraordinary market volatility pursuant to the Exchange's ''circuit breaker'' rule.[29]

The Exchange will halt trading in the Shares if the NAV of the Trust is not calculated or disseminated daily. The Exchange may halt trading during the day in which an interruption occurs to the dissemination of the IIV or to the dissemination of bitcoin pricing data by one or more bitcoin Market Price sources. If the interruption to the dissemination of the IIV or the value of bitcoin persists past the trading day in which it occurs, the Exchange will halt trading no later than the beginning of the trading day following the interruption.[30] 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.

Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances administered by the Exchange, as well as cross-market surveillances administered by the Financial Industry Regulatory Authority (''FINRA'') on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.[31] 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.

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 Intermarket Surveillance Group (''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 comprehensive surveillance sharing agreement (''CSSA'').[32]

Also, pursuant to NYSE Arca Equities Rule 8.201(g), the Exchange is able to obtain information regarding trading in the Shares and the underlying bitcoin or any bitcoin derivative 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 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 (i) the description of the portfolio, (ii) limitations on portfolio holdings or reference assets or (iii) the applicability of Exchange rules and surveillance procedures shall constitute continued listing requirements for listing the Shares on the Exchange.

The issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund 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 Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under NYSE Arca Equities Rule 5.5(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 purchases and redemptions of Shares in Baskets (including noting that the Shares are not individually redeemable); (2) NYSE Arca Equities Rule 9.2(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) how information regarding how the Index and the IIV are disseminated; (4) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; (5) 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 IIV will not be calculated or publicly disseminated; and (6) trading information. For example, the Information Bulletin will advise ETP Holders, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Trust. The Exchange notes that investors purchasing Shares directly from the Trust will receive a prospectus. ETP Holders purchasing Shares from the Trust for resale to investors will deliver a prospectus to such investors.

In addition, the Information Bulletin will reference that the Trust is subject to various fees and expenses as described in the Registration Statement. The Information Bulletin will disclose that information about the Shares of the Trust is publicly available on the Trust's Web site.

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)[33] 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

[29] *See* NYSE Arca Equities Rule 7.12.

[30] The Exchange notes that the Exchange may halt trading during the day in which an interruption to the dissemination of the IIV or the value of bitcoin occurs.

[31] 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.

[32] For the list of current members of ISG, *see https://www.isgportal.org/home.html.*

[33] 15 U.S.C. 78f(b)(5).

pursuant to the initial and continued listing criteria in NYSE Arca Equities Rule 8.201. 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 from such markets. In addition, the Exchange may obtain information regarding trading in the Shares from markets that are members of ISG or with which the Exchange has in place a CSSA. Also, pursuant to NYSE Arca Equities Rule 8.201(g), the Exchange is able to obtain information regarding trading in the Shares and the underlying bitcoin or any bitcoin derivative 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 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 bitcoin price and bitcoin market information available on public Web sites and through professional and subscription services. Investors may obtain on a 24-hour basis bitcoin pricing information based on the spot price for bitcoin from various financial information service providers. The closing price and settlement prices of bitcoin are readily available from the bitcoin exchanges and other publicly available Web sites. In addition, such prices are published in public sources or on-line information services such as Bloomberg and Reuters. The Trust will provide Web site disclosure of its bitcoin holdings daily. Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the CTA. The IIV 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 IIV will be published on the NYSE Global Index Feed and will be available through on-line information services such as Bloomberg and Reuters. The Exchange represents that the Exchange may halt trading during the day in which an interruption to the dissemination of the IIV or the value of bitcoin occurs. If the interruption to the dissemination of the IIV or the value of bitcoin persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day 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. The NAV per Share will be calculated daily and made available to all market participants at the same time. One or more major market data vendors will disseminate for the Trust on a daily basis information with respect to the recent NAV per Share and Shares outstanding.

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. In addition, as noted above, investors will have ready access to information regarding the Trust's bitcoin holdings, IIV 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, and the first such product based on bitcoin, which will 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 such proposed rule change; or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

**IV. Solicitation of Comments**

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

*Electronic Comments*

- Use the Commission's Internet comment form (*http://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include File Number SR–NYSEArca–2016–101 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–2016–101. 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 Web site (*http://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 Web site 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 10:00 a.m. and 3:00 p.m. Copies of the

filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–NYSEArca–2016–101 and should be submitted on or before August 23, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[34]

**Robert W. Errett,**

*Deputy Secretary.*

[FR Doc. 2016–18204 Filed 8–1–16; 8:45 am]

**BILLING CODE 8011–01–P**

## SECURITIES AND EXCHANGE COMMISSION

**[Release No. 34–78427; File No. SR–BOX–2016–34]**

## Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule on the BOX Market LLC (''BOX'') Options Facility

July 27, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on July 18, 2016, BOX Options Exchange LLC (the ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act,[3] and Rule 19b–4(f)(2) thereunder,[4] which renders the proposal effective upon filing with the Commission. 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 the Substance of the Proposed Rule Change

The Exchange is filing with the Securities and Exchange Commission (''Commission'') a proposed rule change to amend the Fee Schedule to on the BOX Market LLC (''BOX'') options facility. While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on August 1, 2016. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission's Public Reference Room and also on the Exchange's Internet Web site at *http://boxexchange.com.*

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

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

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

1. Purpose

The Exchange proposes to make a number of changes to the BOX Fee Schedule.

Exchange Fees

PIP and COPIP Transactions

The Exchange proposes to remodel the current fee structure for PIP and COPIP Transactions. Currently, PIP and COPIP transactions are assessed fees based upon the account type of the Participant and whether the order is a: (i) PIP or COPIP Order; (ii) Improvement Order in PIP or COPIP; or (iii) Primary Improvement Order. The current PIP and COPIP Transactions fee structure is as follows:

| | Account type | | | |
|---|---|---|---|---|
| | Public customer | Professional customer | Broker dealer | Market maker |
| PIP Order or COPIP Order[5] | $0.00 | $0.15 | $0.15 | $0.15. |
| Improvement Order in PIP or COPIP[6] | $0.15 | $0.37 | $0.37 | $0.30. |
| Primary Improvement Order[7] | See Section I. B.1 | See Section I. B.1 | See Section I. B.1 | See Section I. B.1. |

First, the Exchange proposes to restructure the PIP and COPIP Transactions fee schedule to differentiate between fees assessed in Penny and Non-Penny Pilot Classes. Next, the Exchange proposes to adjust the Improvement Order fees assessed for Broker Dealers, Professional Customers and Market Makers. Specifically, the Exchange proposes to establish a fee of $0.12 for Broker Dealers, Professional Customer and Market Maker Improvement Orders in Penny Pilot Classes. For Improvement Orders in Non-Penny Pilot Classes, the Exchange proposes to establish a fee of $0.38 for Market Makers, Broker Dealers and Professional Customers. Public Customer Improvement Order fees will remain the same, as well as the PIP and COPIP Order fees for all Participants.

The proposed PIP and COPIP fee structure will be as follows:

[34] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] 15 U.S.C. 78s(b)(3)(A)(ii).

[4] 17 CFR 240.19b–4(f)(2).

[5] A PIP Order or COPIP Order is a Customer Order (an agency order for the account of either a customer or a broker-dealer) designated for the PIP or COPIP, respectively.

[6] An Improvement Order is a response to a PIP or COPIP auction.

[7] A Primary Improvement Order is the matching contra order submitted to the PIP or COPIP on the opposite side of the PIP or COPIP order.