SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-101470; File No. SR-NYSEARCA-2024-87)

October 29, 2024

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change to Adopt New NYSE Arca Rule 8.800-E to Provide for the Listing and Trading of Commodity- and Digital Asset-Based Investment Interests and to List and Trade Shares of the Grayscale Digital Large Cap Fund LLC

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 ("Act")[2] and Rule 19b-4 thereunder,[3] notice is hereby given that, on October 15, 2024, NYSE Arca, Inc. ("NYSE Arca" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to adopt new NYSE Arca Rule 8.800-E to provide for the listing and trading of Commodity- and Digital Asset-Based Investment Interests, which are securities issued by a trust, limited liability company, or other similar entity that holds specified commodities, digital assets, Derivative Securities Products, and/or cash. The Exchange also proposes to list and trade shares of the Grayscale Digital Large Cap Fund LLC (the "Fund") under proposed NYSE Arca Rule 8.800-E. The proposed rule change is available on the Exchange's website at www.nyse.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

2   15 U.S.C. 78a.

3   17 CFR 240.19b-4.

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

In its filing with the Commission, the 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

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

Proposed Listing Rules

Proposed Rule 8.800-E(a) provides that the Exchange will consider for trading, whether by listing or pursuant to unlisted trading privileges, Commodity- and/or Digital Asset-Based Investment Interests that meet the criteria of this rule. The Exchange will file separate proposals under Section 19(b) of the Securities Exchange Act of 1934 before trading, either by listing or pursuant to unlisted trading privileges, Commodity- and/or Digital Asset-Based Investment Interests. All statements or representations contained in such rule filing regarding (a) the description of the index, portfolio, or reference asset, (b) limitations on index or portfolio holdings or reference assets, or (c) the applicability of Exchange listing rules specified in such

rule filing will constitute continued listing requirements. An issuer of such securities must notify the Exchange of any failure to comply with such continued listing requirements. If an issue of Commodity- and/or Digital Asset-Based Investment Interests does not satisfy these requirements, the Exchange may halt trading in the securities and will initiate delisting proceedings pursuant to Rule 5.5-E(m).

Proposed Rule 8.800-E(b) provides that this rule is applicable only to Commodity- and/or Digital Asset-Based Investment Interests. Except to the extent inconsistent with this Rule, or unless the context otherwise requires, the provisions of the Bylaws and all other rules and procedures of the Board of Directors shall be applicable to the trading on the Exchange of such securities. Commodity- and/or Digital Asset-Based Investment Interests are included within the definition of "security" or "securities" as such terms are used in the Bylaws and Rules of the Exchange.

Proposed Rule 8.800-E(c)(1) defines a Commodity- and/or Digital Asset-Based Investment Interest as a security (a) that is issued by a trust, limited liability company, or other similar entity (the "Fund") that holds (1) specified commodities and/or digital assets deposited with the Fund, or (2) specified commodities and/or digital assets and, in addition to such specified commodities and/or digital assets, Derivative Securities Products (as defined in NYSE Arca Rule 1.1) deposited with the Fund and/or cash; (b) that is issued by such Fund in a specified aggregate minimum number in return for a deposit of a quantity of the underlying commodity(ies), digital asset(s), Derivative Securities Products, and/or cash; and (c) that, when aggregated in the same specified minimum number, may be redeemed at a holder's request by such Fund which will deliver to the redeeming holder the quantity of the underlying commodity(ies), digital asset(s), Derivative Securities Products, and/or cash.

Proposed Rule 8.800-E(c)(2) provides that the term "commodity," as used in this rule, includes commodities as defined in Section 1a(9) of the Commodity Exchange Act.

Proposed Rule 8.800-E(c)(3) defines the term "digital asset," for purposes of this rule, as any digital representation of value recorded on a cryptographically secured, distributed ledger (i.e., blockchain) or similar technology.

Proposed Rule 8.800-E(d) provides that the Exchange may trade, either by listing or pursuant to unlisted trading privileges, Commodity- and/or Digital Asset-Based Investment Interests based on an underlying commodity(ies), digital asset(s), and/or Derivative Securities Products. Each issue of a Commodity- and/or Digital Asset-Based Investment Interest shall be designated as a separate series and shall be identified by a unique symbol.

Proposed Rule 8.800-E(e)(1) sets forth initial listing criteria for Commodity- and/or Digital Asset-Based Investment Interests. Proposed Rule 8.800-E(e)(1)(i) provides that the Exchange will establish a minimum number of Commodity- and/or Digital Asset-Based Investment Interests required to be outstanding at the time of commencement of trading on the Exchange. Proposed Rule 8.800-E(1)(ii) provides that there shall be no limitation on the percentage of a Fund's portfolio that may be invested in commodity and/or digital asset holdings, except that, in the aggregate, at least 90% of the weight of such holdings shall, on both an initial and continuing basis, consist of commodities and/or digital assets concerning which the Exchange is able to obtain information via the Intermarket Surveillance Group ("ISG") from other members of the ISG or via a comprehensive surveillance sharing agreement ("CSSA").

Proposed Rule 8.800-E(e)(2) and subparagraphs (i) through (viii) thereunder set forth continued listing criteria for Commodity- and/or Digital Asset-Based Investment Interests. Proposed Rule 8.800-E(e)(2) provides that the Exchange will maintain surveillance procedures

for securities listed under this rule and will consider the suspension of trading in, and will initiate delisting proceedings under NYSE Arca Rule 5.5-E(m) of, such series under any of the following circumstances:

- if, following the initial twelve-month period following commencement of trading on the Exchange of Commodity- and/or Digital Asset-Based Investment Interests, the Fund has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Commodity- and/or Digital Asset-Based Investment Interests (proposed Rule 8.800-E(e)(2)(i));

- if, following the initial twelve-month period following commencement of trading on the Exchange of Commodity- and/or Digital Asset-Based Investment Interests, the Fund has fewer than 50,000 securities issued and outstanding (proposed Rule 8.800-E(e)(2)(ii));

- if, following the initial twelve-month period following commencement of trading on the Exchange of Commodity- and/or Digital Asset-Based Investment Interests, the market value of all securities issued and outstanding is less than $1,000,000 (proposed Rule 8.800-E(e)(2)(iii));

- if the value of the underlying commodity(ies) and/or digital asset(s) is no longer calculated or available on at least a 15-second delayed basis from a source unaffiliated with the sponsor, Fund, custodian or the Exchange (proposed Rule 8.800-E(e)(2)(iv));

- if the Intra-Day Fund Value is no longer made available on at least a 15-second delayed basis (proposed Rule 8.800-E(e)(2)(v));

- if any of the continued listing requirements set forth in this Rule 8.800-E are not

continuously maintained (proposed Rule 8.800-E(e)(2)(vi));

- if the Exchange submits a rule filing pursuant to Section 19(b) of the Securities Exchange Act of 1934 to permit the listing and trading of a series of Commodity- and/or Digital Asset-Based Investment Interests and any of the statements or representations regarding (a) the description of the index, portfolio, or reference asset, (b) limitations on index or portfolio holdings or reference assets, or (c) the applicability of Exchange listing rules specified in such rule filing are not continuously maintained (proposed Rule 8.800-E(e)(2)(vii)); or

- if such other event shall occur or condition exists which in the opinion of the Exchange makes further dealings on the Exchange inadvisable (proposed Rule 8.800-E(e)(2)(viii)).

Proposed Rule 8.800-E(e)(3) and the subparagraphs thereunder set forth certain requirements specific to Commodity- and/or Digital Asset-Based Investment Interests issued by a trust. Proposed Rule 8.800-E(e)(3)(i) provides that the stated term of a trust shall be as stated in the trust prospectus; however, a trust may be terminated under such earlier circumstances as may be specified in the trust prospectus. In addition, a trust may terminate in accordance with the provisions of the trust prospectus, which may provide for termination if the value of the trust falls below a specified amount. Proposed Rule 8.800-E(e)(3)(ii) provides for the following requirements on an initial and continued listing basis: (1) that the trustee of a trust must be a trust company or banking institution having substantial capital and surplus and the experience and facilities for handling corporate trust business, and that, in cases where, for any reason, an individual has been appointed as trustee, a qualified trust company or banking institution must be appointed co-trustee; and (2) that no change is to be made in the trustee of a listed issue without

prior notice to and approval of the Exchange.

Proposed Rule 8.800-E(f) provides that, upon termination of a Fund issuing securities pursuant to Rule 8.800-E, the Exchange requires that Commodity- and/or Digital Asset-Based Investment Interests issued in connection with the Fund be removed from Exchange listing.

Proposed Rule 8.800-E(g) provides that voting rights shall be as set forth in the applicable prospectus of the Fund issuing Commodity- and/or Digital Asset-Based Investment Interests.

Proposed Rule 8.800-E(h) provides that neither the Exchange nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating any underlying commodity value, the current value of the underlying commodity required to be deposited to the Fund in connection with issuance of Commodity- and/or Digital Asset-Based Investment Interests; resulting from any negligent act or omission by the Exchange, or any agent of the Exchange, or any act, condition or cause beyond the reasonable control of the Exchange, its agent, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; or any error, omission or delay in the reports of transactions in an underlying commodity.

Proposed Rule 8.800-E(i) provides that an ETP Holder acting as a registered Market Maker in Commodity- and/or Digital Asset-Based Investment Units with no exposure to a non-U.S. currency or currencies must file with the Exchange in a manner prescribed by the Exchange and keep current a list identifying all accounts for trading that a Market Maker may have or over which it may exercise investment discretion in an underlying commodity, related commodity futures or options on commodity futures, or any other related commodity derivatives; an

underlying digital asset, related digital asset futures or options on digital assets, or any other related digital asset derivatives; or an underlying series of Derivative Securities Products, related future or options on such Derivative Securities Products, or any other related derivatives of such Derivative Securities Products. An ETP Holder acting as a registered Market Maker in Commodity- and/or Digital Asset-Based Investment Interests with exposure to one or more non-U.S. currencies ("Underlying FX") also must file with the Exchange, in a manner prescribed by the Exchange, and keep current a list identifying all accounts for trading in Underlying FX and derivatives overlying Underlying FX which the Market Maker may have or over which it may exercise investment discretion, as well as a list of all commodity and commodity-related accounts referenced above. No Market Maker in Commodity- and/or Digital-Asset Based Investment Interests shall trade in a commodity, Underlying FX, or any related derivative in an account that the Market Maker (1) directly or indirectly controls trading activities or has a direct interest in the profits or losses thereof, (2) is required by this rule to disclose to the Exchange, and (3) has not reported to the Exchange.

In addition to the existing obligations under Exchange rules regarding the production of books and records, the ETP Holder acting as a Market Maker in Commodity- and/or Digital Asset Based Investment Interests shall make available to the Exchange such books, records, or other information pertaining to transactions by such entity or registered or non-registered employee affiliated with such entity for its or their own accounts for trading the underlying physical commodity, related commodity futures or options on commodity futures, applicable Underlying FX, or any other related commodity or applicable Underlying FX derivatives, as may be requested by the Exchange.

Finally, the Exchange proposes to include the following commentary to Rule 8.800-E.

Proposed Commentary .01 provides that ETP Holders shall provide to all purchasers of newly

issued Commodity- and/or Digital Asset-Based Investment Interests a prospectus for the series of

Commodity- and/or Digital Asset-Based Investment Interests. Proposed Commentary .02

provides that transactions in Commodity- and/or Digital-Asset Based Investment Interests will

occur during the trading hours specified in NYSE Arca Rule 7.34-E.

The Exchange also proposes to amend Rule 5.3-E to include Commodity- and/or Digital

Asset-Based Investment Interests listed pursuant to proposed Rule 8.800-E among the derivative

or special purpose securities that are subject to a limited set of corporate governance and

disclosure policies and to amend Rule 5.3-E(e) to include Commodity- and/or Digital Asset-

Based Investment Interests listed pursuant to proposed Rule 8.800-E among the derivative or

special purpose securities to which the requirements concerning shareholder/annual meetings do

not apply.

Commodity- and/or Digital Asset-Based Investment Interests listed and traded pursuant

to proposed Rule 8.800-E would be substantially similar to Commodity-Based Trust Shares

listed and traded pursuant to current Rule 8.201-E, with two main differences. First, whereas

Commodity-Based Trust Shares are issued by a trust, Commodity- and/or Digital Asset-Based

Investment Interests could be issued, as a proposed, by a trust, limited liability company, or other

similar entity. Second, whereas Commodity-Based Trust Shares are based on an underlying

commodity only, the Exchange proposes that Commodity- and/or Digital Asset-Based

Investment Interests could be based on an underlying commodity or commodities, as well as

digital assets and Derivative Securities Products.[4] The Exchange believes this flexibility with

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[4]   The Exchange notes that the requirement set forth in proposed Rule 8.800-E(c)(1) regarding digital asset
        holdings is based on a similar provision set forth in current Rule 8.600-E regarding Managed Fund Shares.

respect to the structure of the entity issuing Commodity- and/or Digital Asset-Based Investment Interests and the holdings underlying such securities would benefit both issuers and the investing public and would facilitate the availability of a new type of exchange-traded product ("ETP").

Grayscale Digital Large Cap Fund

The Exchange proposes to list and trade shares ("Shares")[5] of the Fund pursuant to proposed NYSE Arca Rule 8.800-E.[6]

The manager of the Fund is Grayscale Investments, LLC ("Manager"), a Delaware limited liability company. The Manager is a wholly owned indirect subsidiary of Digital

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See Rule 8.600-E, Commentary .01(d)(1).

[5]   The Shares are expected to be listed under the ticker symbol "GDLC."

[6]   On May 13, 2021, the Fund filed its registration statement on Form 10 under the Securities Act (File No. 000-56284) (the "Registration Statement on Form 10"). On June 28, 2021, the Fund filed Amendment No. 1 to the Registration Statement on Form 10. On August 13, 2021, the Fund filed Amendment No. 2 to the Registration Statement on Form 10. On November 29, 2021, the Fund filed Amendment No. 3 to the Registration Statement on Form 10. On January 20, 2022, the Fund filed Amendment No. 4 to the Registration Statement on Form 10. On February 4, 2022, the Fund filed Amendment No. 5 to the Registration Statement on Form 10. On July 12, 2021, the Registration Statement on Form 10 was automatically deemed effective. On September 27, 2021, September 1, 2022, September 1, 2023, and September 6, 2024, the Fund filed its annual report on Form 10-K under the Securities Act (File No. 000-56284) (the "Annual Reports"). On November 5, 2021, February 10, 2022, May 6, 2022, November 4, 2022, February 8, 2023, May 5, 2023, November 3, 2023, February 7, 2024, and May 3, 2024, the Fund filed its quarterly reports on Form 10-Q under the Securities Act (File No. 000-56284) (the "Quarterly Reports"). The descriptions of the Fund, the Shares, and the digital assets contained herein are based, in part, on the Annual Reports and Quarterly Reports. On February 7, 2018, the Fund submitted to the Commission a Form D as a limited liability company. Shares of the Fund have been quoted on OTC Market's OTCQX Best Marketplace under the symbol "GDLC" since October 14, 2019. On October 15, 2019 and September 23, 2020, the Fund published annual reports for GDLC for the periods ended June 30, 2019 and June 30, 2020, respectively. On November 11, 2019, February 13, 2020, May 8, 2020, November 6, 2020, February 12, 2021, and May 13, 2021, the Fund published quarterly reports for GDLC for the periods ended September 30, 2019, December 31, 2019, March 31, 2020, September 30, 2020, December 31, 2020, and March 31, 2021, respectively. Reports published before October 5, 2020, the date on which the Fund's Shares became registered pursuant to Section 12(g) of the Act, can be found on OTC Market's website (https://www.otcmarkets.com/stock/GDLC/disclosure), and reports published on or after October 5, 2020 can be found on OTC Market's website and the Commission's website (https://www.sec.gov/edgar/browse/?CIK= 1729997 &owner=exclude). The Shares will be of the same class and will have the same rights as shares of GDLC. According to Grayscale Investments, LLC, freely tradeable shares of GDLC will remain freely tradeable Shares on the date of the listing of the Shares that are unregistered under the Securities Act. Restricted shares of GDLC will remain subject to private placement restrictions on such date, and the holders of such restricted shares will continue to hold those Shares subject to those restrictions until they become freely tradable Shares.

Currency Group, Inc. ("Digital Currency Group"). The custodian for the Fund is Coinbase Custody Trust Company, LLC ("Custodian").[7] The administrator and transfer agent of the Fund will be BNY Mellon Asset Servicing, a division of The Bank of New York Mellon (the "Transfer Agent"). The distribution and marketing agent for the Fund will be Foreside Fund Services, LLC (the "Marketing Agent"). The index provider and digital asset reference rate provider for the Fund is CoinDesk Indices, Inc. (the "Index Provider" and the "Reference Rate Provider").

The Fund is a Cayman Islands limited liability company, formed on January 25, 2018, that operates pursuant to a limited liability company agreement between the Manager and the Shareholders ("LLC Agreement"). The Fund has no fixed termination date.

The Fund is one of the world's largest diversified crypto investment funds by assets under management as of the date of this filing. The Fund has approximately $490.8 million in assets under management,[8] and its Shares have historically traded in the millions of dollars in daily volume and are held by more than a quarter of a million American investor accounts seeking exposure to the Fund's large cap digital assets (the "Fund Components") without the cost and complexity of purchasing any of the individual assets directly.[9] As of the date of this filing, the Fund Component weightings are Bitcoin (75.46%), Ether (17.90%), Solana (SOL) (4.13%), XRP (1.86%) and Avalanche (AVAX) (0.65%).[10] However, because the Fund is not currently listed as an ETP, the value of the Shares has not been able to closely track the value of the

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[7] According to the Annual Report, Digital Currency Group owns a minority interest in Coinbase, Inc., which is the parent company of the Custodian, representing less than 1.0% of its equity.

[8] As of October 4, 2024.

[9] As of the date of this filing.

[10] The Manager will ensure that the Fund's holdings are consistent with the requirements of Rule 8.800-E(c)(1).

Fund's underlying Fund Components. The Manager thus believes that allowing Shares of the

Fund to list and trade on the Exchange as an ETP (i.e., converting the Fund to a spot ETP) would

unlock over $167 million of value[11] for the Fund's shareholders and provide other investors with

a safe and secure way to invest in the Fund Components on a regulated national securities

exchange.

Operation of the Fund

According to the Annual Report, the Fund's assets consist solely of the Fund

Components.[12]

Each Share represents a proportional interest, based on the total number of Shares

outstanding, in each of the digital assets held by the Fund, as determined by reference to the

respective Digital Asset Reference Rates and weightings of each the Fund's digital asset

holdings,[13] less the Fund's expenses and other liabilities (which include accrued but unpaid fees

and expenses). The Manager expects that the market price of the Shares will fluctuate over time

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[11]   As of October 4, 2024.

[12]   The Fund will not obtain exposure to any Fund Component via futures, options on futures, or any other derivative. The Fund may from time to time come into possession of Forked Assets (as defined below) by virtue of its ownership of the Fund Components, generally through a fork in the respective Fund Component's blockchain, an airdrop offered to holders of the respective Fund Component or other similar event. "Rights to Forked Assets" are rights to acquire, or otherwise establish dominion and control over, any virtual currency or other asset or right, which rights are incident to the Fund's ownership of the Fund Components and arise without any action of the Fund, or of the Manager on behalf of the Fund. A "Forked Asset" is any virtual currency token, or other asset or right, acquired by the Fund through the exercise (subject to the applicable provisions of the LLC Agreement) of any Rights to Forked Assets. Although the Fund is permitted to take certain actions with respect to Forked Assets in accordance with its LLC Agreement, at this time the Fund will prospectively irrevocably abandon any Forked Assets. In the event the Fund seeks to change this position, the Exchange would file a subsequent proposed rule change with the Commission.

[13]   The "Digital Asset Reference Rates" are determined by reference to the Index Price or an Indicative Price. The "Indicative Price" is a volume-weighted average price in U.S. dollars for a Fund Component as of 4:00 p.m., New York time, for the immediately preceding 60-minute period derived from data collected from Digital Asset Trading Platforms trading such Fund Component selected by the Reference Rate Provider. The "Index Price" for a Fund Component would be determined by the Reference Rate Provider by further cleansing and compiling the trade data used to determine the Indicative Price in such a manner as to algorithmically reduce the impact of anomalistic or manipulative trading.

in response to the market prices of the Fund Components. In addition, because the Shares reflect

the estimated accrued but unpaid expenses of the Fund, except as otherwise affected by a

rebalancing of the Fund's portfolio, the number of Fund Components represented by a Share is

generally expected to gradually decrease over time as the Fund Components are used to pay the

Fund's expenses.

The activities of the Fund are limited to (i) issuing "Baskets" (as defined below) in

exchange for Fund Components and cash transferred to the Fund as consideration in connection

with creations, (ii) transferring or selling Fund Components as necessary to cover the

"Manager's Fee"[14] and/or any Additional Fund expenses, (iii) transferring Fund Components and

cash in exchange for Baskets surrendered for redemption (subject to obtaining regulatory

approval from the Commission and approval of the Manager), (iv) causing the Manager to sell

Fund Components on the termination of the Fund, and (v) engaging in all administrative and

security procedures necessary to accomplish such activities in accordance with the provisions of

the LLC Agreement, the Custodian Agreement, the Index License Agreement, and the

Participant Agreements (each as defined below).[15]

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[14]   The Manager's Fee means a fee, payable in the Fund Components then held by the Fund in proportion to such Fund Components' respective weightings, which accrues daily in U.S. dollars at an annual rate of currently 2.5%, but which will be lowered in connection with the Fund becoming an ETP, of the NAV Fee Basis Amount of the Fund as of 4:00 p.m., New York time, on each day, provided that for a day that is not a business day, the calculation of the Manager's Fee will be based on the NAV Fee Basis Amount from the most recent business day, reduced by the accrued and unpaid Manager's Fee for such most recent business day and for each day after such most recent business day and prior to the relevant calculation date. The "NAV Fee Basis Amount" is calculated in the manner set forth under "Valuation of Fund Components and Determination of NAV" below.

[15]   Neither the Fund, nor the Manager, nor the Custodian, nor any other person associated with the Fund will, directly or indirectly, engage in action where any portion of the Fund Components becomes subject to proof-of-stake validation or is used to earn additional Fund Components or generate income or other earnings.

The Fund will not be actively managed.[16] The Fund will not take any actions to take advantage, or mitigate, the impacts of volatility in the prices of the Fund Components.

Investment Objective

According to the Annual Report, and as further described below, the Fund's investment objective is for the value of the Shares (based on net asset value ("NAV") per Share) to reflect the value of the Fund Components held by the Fund, as determined by reference to their Digital Asset Reference Rates and weightings within the Fund, less the Fund's expenses and other liabilities.

While an investment in the Shares is not a direct investment in the Fund Components, the Shares are designed to provide investors with a cost-effective and convenient way to gain investment exposure to the digital assets held by the Fund. Generally speaking, a substantial direct investment in the Fund Components may require expensive and sometimes complicated arrangements in connection with the acquisition, security and safekeeping of the Fund Components and may involve the payment of substantial fees to acquire such Fund Components from third-party facilitators through cash payments of U.S. dollars. Because the value of the Shares is correlated with the value of Fund Components held by the Fund, it is important to understand the investment attributes of, and the market for, the Fund Components.

The Fund uses the Digital Asset Reference Rate of each Fund Component to calculate its NAV, which is the aggregate value, expressed in U.S. dollars, of the Fund's assets, less the U.S. dollar value of the Fund's expenses and other liabilities calculated in the manner set forth under "Valuation of Fund Components and Determination of NAV." "NAV per Share" is calculated by

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[16]   The Fund is a passive entity that is managed and administered by the Manager and does not have any officers, directors or employees. The Manager will retain limited discretion to exclude digital assets from the Fund Components only in certain rules-based circumstances, as further discussed below.

dividing NAV by the number of Shares then outstanding.

Valuation of the Digital Assets and Determination of NAV

The following is a description of the material terms of the LLC Agreement as it relates to valuation of the Fund digital assets and the NAV calculations.[17]

At 4:00 p.m., New York time, on each business day or as soon thereafter as practicable, the Manager will evaluate the digital assets held by the Fund and calculate and publish the NAV of the Fund. To calculate the NAV, the Manager will:

1. For each Fund Component then held by the Fund:

   a. Determine the Digital Asset Reference Rate for the Fund Component as of such business day;

   b. Multiply the Digital Asset Reference Rate by the aggregate number of tokens of the Fund Component held by the Fund as of 4:00 p.m., New York time, on the immediately preceding business day;

   c. Add the U.S. dollar value of the number of tokens of the Fund Component receivable under pending creation orders, if any, as calculated by multiplying the applicable Fund Component Basket Amount[18] by the

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[17]   While the Manager uses the terminology "NAV" in this filing, the term used in the LLC Agreement is "Digital Asset Holdings."

[18]   "Fund Component Basket Amount" means, as of any trade date, the amount of tokens of such Fund Component required to be delivered in connection with each Creation Basket, as determined by dividing the amount of tokens of such Fund Component held by the Fund at 4:00 p.m., New York time, on such trade date, after deducting the applicable Fund Component Aggregate Liability Amount (defined below), by the number of Shares outstanding at such time (the quotient so obtained calculated to one one-hundred-millionth (i.e., carried to the eighth decimal place)) and multiplying the quotient so obtained for the Fund Component by 100. "Fund Component Aggregate Liability Amount" means for any Fund Component and any trade date, an amount of tokens of such Fund Component equal to the sum of (x) all accrued but unpaid Fund Component Fee Amounts for such Fund Component as of 4:00 p.m., New York time, on such trade date and (y) the Fund Component Expense Amount as of 4:00 p.m., New York time, on such trade date.

applicable Digital Asset Reference Rate, and multiplying the result by the number of Baskets pending under such pending creation orders; and

    d. Subtract the U.S. dollar value of the number of tokens of the Fund Component to be distributed under pending redemption orders, if any, as calculated by multiplying the applicable Fund Component Basket Amount by the applicable Digital Asset Reference Rate, and multiplying the result by the number of Baskets pending under such pending redemption orders;[19]

2. Calculate the sum of the resulting U.S. dollar values for all Fund Components then held by the Fund, as determined pursuant to paragraph 1 above;

3. Add (i) the amount of U.S. dollars then held by the Fund plus (ii) the amount of any U.S. dollars to be received by the Fund in connection with any pending creations;

4. Subtract the amount of any U.S. dollars to be distributed under pending redemption orders;

5. Subtract the U.S. dollar amount of accrued and unpaid Additional Fund Expenses, if any;[20]

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[19]   "Baskets" and "Basket Amount" have the meanings set forth in "Creation and Redemption of Shares" below.

[20]   "Additional Fund Expenses" are any expenses incurred by the Fund in addition to the Manager's Fee that are not Manager-paid expenses, including, but not limited to, (i) taxes and governmental charges, (ii) expenses and costs of any extraordinary services performed by the Manager (or any other service provider) on behalf of the Fund to protect the Fund or the interests of shareholders, (iii) any indemnification of the Custodian or other agents, service providers or counterparties of the Fund, (iv) the fees and expenses related to the listing, quotation or trading of the Shares on any marketplace or other alternative trading system, as determined by the Manager, on which the Shares may then be listed, quoted or traded, including but not limited to, NYSE Arca, Inc. (including legal, marketing and audit fees and expenses) to the extent exceeding $600,000 in any given fiscal year and (v) extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters.

6. Subtract the U.S. dollar value of the accrued and unpaid Manager's Fee as of 4:00 p.m., New York time on the immediately preceding business day (the amount derived from steps 1 through 7, the "NAV Fee Basis Amount"); and

7. Subtract the U.S. dollar value of the accrued and unpaid Manager's Fee that accrues for such business day, as calculated based on the NAV Fee Basis Amount for such business day.

Notwithstanding the foregoing, in the event that the Manager determines that the primary methodology used to determine any of the Digital Asset Reference Rates is not an appropriate basis for valuation of the Fund's digital assets, the Manager will utilize the cascading set of rules as described in "Fund Valuation of Fund Components" below.

<u>Background on Fund Components</u>[21]

Bitcoin and the Bitcoin Network

Bitcoin is a digital asset that is created and transmitted through the operations of the peer-to-peer Bitcoin network, a decentralized network of computers that operates on cryptographic protocols. No single entity owns or operates the Bitcoin network, the infrastructure of which is collectively maintained by a decentralized user base. The Bitcoin network allows people to exchange tokens of value, called Bitcoin, which are recorded on a public transaction ledger known as a blockchain. Bitcoin can be used to pay for goods and services, or it can be converted to fiat currencies, such as the U.S. dollar, at rates determined on Digital Asset Markets that trade Bitcoin or in individual end-user-to-end-user transactions under a barter system.

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[21] The description of the Fund Components in this section, which reflects the Fund Components as of the date of this filing, was provided by the Manager and is based on the Annual Report.

The Bitcoin network was initially contemplated in a white paper that also described Bitcoin and the operating software to govern the Bitcoin network. The white paper was purportedly authored by Satoshi Nakamoto. However, no individual with that name has been reliably identified as Bitcoin's creator, and the general consensus is that the name is a pseudonym for the actual inventor or inventors. The first Bitcoins were created in 2009 after Nakamoto released the Bitcoin network source code (the software and protocol that created and launched the Bitcoin network). The Bitcoin network has been under active development since that time by a group of engineers known as core developers. The core developers are able to access, and can alter, the Bitcoin network source code and, as a result, they are responsible for quasi-official releases of updates and other changes to the Bitcoin network's source code. The release of updates to the Bitcoin network's source code does not guarantee that the updates will be automatically adopted. Users and miners must accept any changes made to the Bitcoin source code by downloading the proposed modification of the Bitcoin network's source code. A modification of the Bitcoin network's source code is effective only with respect to the Bitcoin users and miners that download it. If a modification is accepted by only a percentage of users and miners, a division in the Bitcoin network will occur such that one network will run the pre-modification source code and the other network will run the modified source code. Such a division is known as a "fork."

Core development of the Bitcoin network source code has increasingly focused on modifications of the Bitcoin network protocol to increase speed and scalability and also allow for non-financial, next generation uses. For example, following the recent activation of Segregated Witness on the Bitcoin network, an alpha version of the Lightning network was released. The Lightning network is an open-source decentralized network that enables instant off-blockchain

transfers of the ownership of Bitcoin without the need of a trusted third party. The system utilizes bidirectional payment channels that consist of multi-signature addresses. One on-blockchain transaction is needed to open a channel and another on-blockchain transaction can close the channel. Once a channel is open, value can be transferred instantly between counterparties who are engaging in real Bitcoin transactions without broadcasting them to the Bitcoin network. New transactions will replace previous transactions and the counterparties will store everything locally as long as the channel stays open to increase transaction throughput and reduce computational burden on the Bitcoin network. Other efforts include increased use of smart contracts and distributed registers built into, built atop or pegged alongside the Bitcoin blockchain. For example, the white paper for Blockstream, an organization that includes core developer Pieter Wuille, calls for the use of "pegged sidechains" to develop programming environments that are built within Bitcoin blockchain ledgers that can interact with and rely on the security of the Bitcoin network and the Bitcoin blockchain, while remaining independent from them. Open-source projects such as RSK are a manifestation of this concept and seek to create the first open-source, smart contract platform built on the Bitcoin blockchain to enable automated, condition-based payments with increased speed and scalability. The Fund's activities will not directly relate to such projects, though such projects may utilize Bitcoin as tokens for the facilitation of their non-financial uses, thereby potentially increasing demand for Bitcoin and the utility of the Bitcoin network as a whole. Conversely, projects that operate and are built within the blockchain may increase the data flow on the Bitcoin network and could either "bloat" the size of the Bitcoin blockchain or slow confirmation times. At this time, such projects remain in early stages and have not been materially integrated into the Bitcoin blockchain or the Bitcoin network.

The supply of new Bitcoin is mathematically controlled so that the number of Bitcoin grows at a limited rate pursuant to a pre-set schedule. The number of Bitcoin awarded for solving a new block is automatically halved after every 210,000 blocks are added to the blockchain. Currently, the fixed reward for solving a new block is 3.125 Bitcoin per block and this is expected to decrease by half to become 1.5625 Bitcoin after the next 210,000 blocks have entered the Bitcoin Network, which is expected to be mid-2028. This deliberately controlled rate of Bitcoin creation means that the number of Bitcoin in existence will increase at a controlled rate until the number of Bitcoin in existence reaches the pre-determined 21 million Bitcoin. As of June 30, 2024, approximately 19.7 million Bitcoins were outstanding and the date when the 21 million Bitcoin limitation will be reached is estimated to be the year 2140.

Ether and the Ethereum Network

Ether is a digital asset that is created and transmitted through the operations of the peer-to-peer "Ethereum Network," a decentralized network of computers that operates on cryptographic protocols. No single entity owns or operates the Ethereum Network, the infrastructure of which is collectively maintained by a decentralized user base. The Ethereum Network allows people to exchange tokens of value, called Ether, which are recorded on a public transaction ledger known as a blockchain. Ether can be used to pay for goods and services, including computational power on the Ethereum Network, or it can be converted to fiat currencies, such as the U.S. dollar, at rates determined on "Digital Asset Markets"[22] or in

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[22] A "Digital Asset Market" is a "Brokered Market," "Dealer Market," "Principal-to-Principal Market" or "Exchange Market" (referred to as "Trading Platform Markets" in this proposal), as each such term is defined in the Financial Accounting Standards Board Accounting Standards Codification Master Glossary. The "Digital Asset Trading Platform Market" is the global trading platform market for the trading of digital assets, which consists of transactions on electronic Digital Asset Trading Platforms. A "Digital Asset Trading Platform" is an electronic marketplace where trading platform participants may trade, buy and sell digital assets based on bid-ask trading. The largest Digital Asset Trading Platforms are online and typically trade on a 24-hour basis, publishing transaction price and volume data.

individual end-user-to-end-user transactions under a barter system.

Furthermore, the Ethereum Network also allows users to write and implement smart contracts—that is, general-purpose code that executes on every computer in the network and can instruct the transmission of information and value based on a sophisticated set of logical conditions. Using smart contracts, users can create markets, store registries of debts or promises, represent the ownership of property, move funds in accordance with conditional instructions and create digital assets other than Ether on the Ethereum Network. Smart contract operations are executed on the Ethereum blockchain in exchange for payment of Ether. The Ethereum Network is one of a number of projects intended to expand blockchain use beyond just a peer-to-peer money system.

The Ethereum Network went live on July 30, 2015.

Smart Contracts and Development on the Ethereum Network

Smart contracts are programs that run on a blockchain that can execute automatically when certain conditions are met. Smart contracts facilitate the exchange of anything representative of value, such as money, information, property, or voting rights. Using smart contracts, users can send or receive digital assets, create markets, store registries of debts or promises, represent ownership of property or a company, move funds in accordance with conditional instructions and create new digital assets.

Development on the Ethereum Network involves building more complex tools on top of smart contracts, such as decentralized apps ("DApps"); organizations that are autonomous, known as decentralized autonomous organizations ("DAOs"); and entirely new decentralized networks. For example, a company that distributes charitable donations on behalf of users could hold donated funds in smart contracts that are paid to charities only if the charity satisfies certain

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pre-defined conditions.

Moreover, the Ethereum Network has also been used as a platform for creating new digital assets and conducting their associated initial coin offerings. As of March 31, 2024, a majority of digital assets were built on the Ethereum Network, with such assets representing a significant amount of the total market value of all digital assets.

More recently, the Ethereum Network has been used for decentralized finance ("DeFi") or open finance platforms, which seek to democratize access to financial services, such as borrowing, lending, custody, trading, derivatives and insurance, by removing third-party intermediaries. DeFi can allow users to lend and earn interest on their digital assets, exchange one digital asset for another and create derivative digital assets such as stablecoins, which are digital assets pegged to a reserve asset such as fiat currency. Over the course of 2023, between $20 billion and $30 billion worth of digital assets were locked up as collateral on DeFi platforms on the Ethereum Network.[23]

SOL and the Solana Network

The Solana protocol introduced the Proof-of-History ("PoH") consensus mechanism as an alternative to Proof-of-Stake ("PoS") blockchains like Ethereum and Proof-of-Work ("PoW") blockchains like Bitcoin.[24] PoH is a consensus mechanism that automatically orders on-chain transactions by creating a historical record that proves an event has occurred at a specific moment in time. PoH is intended to provide a transaction processing speed and capacity advantage over traditional PoW and PoS networks, which rely on sequential production of blocks

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[23]   DeFiLlama, "Ethereum Total Value Locked," https://defillama.com/chain/Ethereum.

[24]   Neither the Fund, nor the Manager, nor the Custodian, nor any other person associated with the Fund will, directly or indirectly, engage in action where any portion of the Fund's Fund Components becomes subject to proof-of-stake validation or is used to earn additional Fund Components or generate income or other earnings.

and can lead to delays caused by validator confirmations.

The Solana protocol was first conceived by Anatoly Yakovenko in a 2017 whitepaper. Development of the Solana network is overseen by the Solana Foundation, a Swiss non-profit organization, and Solana Labs, Inc., a Delaware corporation, which administered the original network launch and token distribution. Smart contract operations are executed on the Solana blockchain in exchange for payment of SOL.

XRP and the XRP Network

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

For example, the XRP ledger can accommodate 4,400 transactions per second. This is, in part, because XRP is not mined like Bitcoin, but is designed for the ledgers to close in seconds based on a system of consensus. Further, because of the consensus methodology underlying the XRP design, network transaction fees are substantially lower than Bitcoin, typically less than $0.01.

Given the unique qualities of XRP and the natural suitability of this digital asset to solve the friction experience with payments, the XRP Creators started a company, calling it Ripple, to further develop the ecosystem around XRP and build software solutions to address the friction in

sending, processing, and sourcing liquidity for global payments. Thus, the company, Ripple, began as, and continues to be, a payments software company. Today, Ripple is focused on designing and deploying state-of-the-art and industry-leading software to enable banks and financial institutions to more easily effect cross-border payments. For maximum efficiency, Ripple's software can integrate XRP to solve liquidity and value transfer challenges.

AVAX and the Avalanche Network

AVAX is a digital asset that is created and transmitted through the operations of the peer-to-peer Avalanche network, a decentralized network of computers that operates on cryptographic protocols. No single entity owns or operates the Avalanche network, the infrastructure of which is collectively maintained by a decentralized user base. The Avalanche network allows people to exchange tokens of value, called AVAX, which are recorded on a public transaction ledger known as a blockchain. AVAX can be used to pay for goods and services, including computational power on the Avalanche network, or it can be converted to fiat currencies, such as the U.S. dollar, at rates determined on digital asset exchanges or in individual end-user-to-end-user transactions under a barter system. Furthermore, the Avalanche network was designed to allow users to write and implement smart contracts—that is, general-purpose code that executes on every computer in the network and can instruct the transmission of information and value based on a sophisticated set of logical conditions. Using smart contracts, users can create markets, store registries of debts or promises, represent the ownership of property, move funds in accordance with conditional instructions and create digital assets other than AVAX on the Avalanche network. Smart contract operations are executed on the Avalanche blockchain in exchange for payment of AVAX. Like the Ethereum Network, the Avalanche network is one of a number of projects intended to expand blockchain use beyond just a peer-to-peer money system.

The Avalanche network uses a variation of a proof-of-stake consensus protocol. Unlike with other blockchains, whereby every validator node validates every transaction, each Avalanche validator is only required to validate what is known as the "Primary Network." The Primary Network in turn secures the following three blockchains, which are each dedicated to a specific use and, together with the Primary Network, comprise the core Avalanche infrastructure: the Exchange (X) Chain, on which AVAX and other assets exist and are traded; the Platform (P) Chain, which coordinates validators and creates subnets (as defined below); and the Contract (C) Chain, which executes smart contracts.

Whereas all validators are required to validate the Primary Network and the three blockchains described above, active validators of the Primary Network may additionally elect to validate certain non-core blockchains (i.e., blockchains that are not fundamental to or necessary for the Avalanche Network to operate) of the Avalanche Platform. Avalanche uses a dynamic set of validators to validate the non-core blockchains (each such set of validators, a "subnet"). This integration functionality is intended to allow Avalanche users to tokenize and transact in any digital asset. Avalanche is reportedly one of the fastest networks when measured by transaction time-to-finality at relatively low transaction costs. The Avalanche Network was founded by Professor Emin Gün Sirer, a professor at Cornell University, and launched in September 2020.

Custody of the Fund Components

Digital assets and digital asset transactions are recorded and validated on blockchains, the public transaction ledgers of a digital asset network. Each digital asset blockchain serves as a record of ownership for all of the units of such digital asset, even in the case of certain privacy-preserving digital assets, where the transactions themselves are not publicly viewable. All digital assets recorded on a blockchain are associated with a public blockchain address, also referred to

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as a digital wallet. Digital assets held at a particular public blockchain address may be accessed and transferred using a corresponding private key.

Key Generation

Public addresses and their corresponding private keys are generated by the Custodian in secret key generation ceremonies at secure locations inside faraday cages, which are enclosures used to block electromagnetic fields and thus mitigate against attacks. The Custodian uses quantum random number generators to generate the public and private key pairs.

Once generated, private keys are encrypted, separated into "shards," and then further encrypted. After the key generation ceremony, all materials used to generate private keys, including computers, are destroyed. All key generation ceremonies are performed offline. No party other than the Custodian has access to the private key shards of the Fund, including the Fund itself.

Key Storage

Private key shards are distributed geographically in secure vaults around the world, including in the United States. The locations of the secure vaults may change regularly and are kept confidential by the Custodian for security purposes.

The "Digital Asset Account" is a segregated custody account controlled and secured by the Custodian to store private keys, which allows for the transfer of ownership or control of the Fund's Fund Components on the Fund's behalf. The Digital Asset Account uses offline storage, or "cold storage," mechanisms to secure the Fund's private keys. The term cold storage refers to a safeguarding method by which the private keys corresponding to digital assets are disconnected and/or deleted entirely from the internet. Cold storage of private keys may involve keeping such keys on a non-networked (or "air-gapped") computer or electronic device or storing the private

keys on a storage device (for example, a USB thumb drive) or printed medium (for example, papyrus, paper, or a metallic object). A digital wallet may receive deposits of digital assets but may not send digital assets without use of the digital assets' corresponding private keys. In order to send digital assets from a digital wallet in which the private keys are kept in cold storage, either the private keys must be retrieved from cold storage and entered into an online, or "hot," digital asset software program to sign the transaction, or the unsigned transaction must be transferred to the cold server in which the private keys are held for signature by the private keys and then transferred back to the online digital asset software program. At that point, the user of the digital wallet can transfer its digital assets.

Security Procedures

The Custodian is the custodian of the Fund's private keys (which, as noted above, facilitate the transfer of ownership or control of the Fund Components) in accordance with the terms and provisions of the custodian agreement by and between the Custodian, the Manager and the Fund (the "Custodian Agreement"). Transfers from the Digital Asset Account require certain security procedures, including, but not limited to, multiple encrypted private key shards, usernames, passwords and 2-step verification. Multiple private key shards held by the Custodian must be combined to reconstitute the private key to sign any transaction in order to transfer the Fund's assets. Private key shards are distributed geographically in secure vaults around the world, including in the United States.

As a result, if any one secure vault is ever compromised, this event will have no impact on the ability of the Fund to access its assets, other than a possible delay in operations, while one or more of the other secure vaults is used instead. These security procedures are intended to remove single points of failure in the protection of the Fund's assets.

Transfers of Fund Components to the Digital Asset Account will be available to the Fund once processed on the relevant blockchain.

Subject to obtaining regulatory approval to operate a redemption program and authorization of the Manager, the process of accessing and withdrawing Fund Components from the Fund to redeem a Basket by an Authorized Participant[25] will follow the same general procedure as transferring Fund Components to the Fund to create a Basket by an Authorized Participant, only in reverse.

The Manager will maintain ownership and control of the Fund Components in a manner consistent with good delivery requirements for spot commodity transactions.

<u>Fund Component Value</u>

Digital Asset Trading Platform Valuation

According to the Annual Report, the value of digital assets is determined by the value that various market participants place on digital assets through their transactions. The most common means of determining the value of a digital asset is by surveying one or more Digital Asset Trading Platforms where the digital asset is traded publicly and transparently (e.g., Coinbase, Kraken, LMAX Digital, Crypto.com, and Bitstamp). Additionally, there are over-the-counter dealers or market makers that transact in digital assets.

Digital Asset Trading Platform Public Market Data

On each online Digital Asset Trading Platform, digital assets are traded with publicly disclosed valuations for each executed trade, measured by one or more fiat currencies such as the U.S. dollar or Euro, or by the digital asset Bitcoin. Over-the-counter dealers or market makers do not typically disclose their trade data.

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[25]   "Authorized Participant" has the meaning set forth in "Creation and Redemption of Shares" below.

As of June 30, 2024, the Digital Asset Trading Platforms included in the Digital Asset Reference Rates were Coinbase, Kraken, LMAX Digital, Crypto.com, and Bitstamp. As further described below, the Manager and the Fund reasonably believe each of these Digital Asset Trading Platforms are in material compliance with applicable U.S. federal and state licensing requirements and maintain practices and policies designed to comply with know-your-customer ("KYC") and anti-money-laundering ("AML") regulations.

Bitstamp: A U.K.-based trading platform registered as a money services business ("MSB") with the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") and licensed as a virtual currency business under the New York State Department of Financial Services ("NYDFS") BitLicense, as well as a money transmitter in various U.S. states.

Coinbase: A U.S.-based trading platform registered as an MSB with FinCEN and licensed as a virtual currency business under the NYDFS BitLicense, as well as a money transmitter in various U.S. states.

Crypto.com: A Singapore-based trading platform registered as an MSB with FinCEN and licensed as a money transmitter in various U.S. states. Crypto.com does not hold a BitLicense.

Kraken: A U.S.-based trading platform registered as an MSB with FinCEN and licensed as a money transmitter in various U.S. states. Kraken does not hold a BitLicense.

LMAX Digital: A U.K.-based trading platform registered as a broker with the Financial Conduct Authority. LMAX Digital does not hold a BitLicense.

Currently, there are several Digital Asset Trading Platforms operating worldwide, and online Digital Asset Trading Platforms represent a substantial percentage of buying and selling activity and provide the most data with respect to prevailing valuations of the Fund Components. These trading platforms include established trading platforms such as those included in the

Digital Asset Reference Rates, which provide a number of options for buying and selling the

Fund Components. The below tables reflect the trading volume in each Fund Component and

market share[26] of the Fund Component-U.S. dollar trading pairs of each of the Digital Asset

Trading Platforms included in the Digital Asset Reference Rates as of June 30, 2024

(collectively, "Constituent Trading Platforms"), using data reported by the Reference Rate

Provider from February 1, 2018 (the inception of the Fund's operations) to June 30, 2024:

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[26]   Bitcoin market share is calculated using trading volume (in Bitcoins) for certain Digital Asset Trading Platforms, including Coinbase, LMAX Digital and Crypto.com, as well as certain other large U.S.-dollar denominated Digital Asset Trading Platforms that were not included in the Digital Asset Reference Rate as of June 30, 2024, including Binance.US (data included from April 1, 2020 through July 14, 2023), Bitfinex, Bitflyer (data included from December 24, 2018), Bitstamp, Bittrex (data included from July 31, 2018 through December 3, 2023), Bullish (data included from March 31,2024), Cboe Digital (data included from October 1, 2020 through December 31, 2024), FTX.US (data included from April 1, 2022 through November 12, 2022), Gemini, itBit, Kraken, LakeBTC (data included from from January 27, 2019 through May 6, 2021), HitBTC (data included from April 1, 2019 through March 31, 2020) and OKCoin (data included since inception through December 31, 2022). Ether market share is calculated using trading volume (in Ether) for certain Digital Asset Trading Platforms, including Coinbase, LMAX Digital and Crypto.com, as well as certain other large U.S.-dollar denominated Digital Asset Trading Platforms that were not included in the Digital Asset Reference Rate as of June 30, 2024, including Bitstamp, Binance.US (data included from April 1, 2020 through October 14, 2023), Bittrex (data included from July 31, 2018 through December 3, 2023), Bitfinex, Bitflyer (data included from November 13, 2022), Cboe Digital (data included from October 1, 2020 through December 31, 2023), Gemini, HitBTC (data included from June 13, 2019 through March 31, 2020), itBit (data included from December 27, 2018), Kraken, OKCoin (data included from December 25, 2018 through December 31, 2022) and FTX.US (data included from July 1, 2021 through November 12, 2022). SOL market share is calculated using trading volume (in SOL) provided by the Reference Rate Provider for certain Digital Asset Exchanges, including Coinbase, Kraken and LMAX Digital, as well as certain other large U.S. dollar-denominated Digital Asset Trading Platforms that were not included in the Digital Asset Reference Rate as of June 30, 2023, including Binance.US (data included from October 1, 2021 through June 13, 2023), Bitfinex, Bitstamp (data included from January 1, 2023), Bittrex (data included from January 1, 2023 through December 3, 2023), Crypto.com (data included from October 31, 2022), Gate.io (data included from January 1, 2023 through July 2, 2023), Gemini (data included from March 1, 2022), itBit (data included from November 6, 2022), OKCoin (data included from March 22, 2022 through December 8, 2022), and FTX.US (data included from October 1, 2021 through November 10, 2022).

Bitcoin Trading Platforms included in the Digital Asset Reference Rate as of June 30, 2024

	Volume (Bitcoin)	Market Share
Coinbase..	37,581,691	30.39%
LMAX Digital..	9,763,031	7.90%
Crypto.com...	1,403,569	1.14%
Total Bitcoin-U.S. Dollar trading pair	**48,748,291**	**39.43%**

Ether Trading Platforms included in the Digital Asset Reference Rate as of June 30, 2024

	Volume (Ether)	Market Share
Coinbase..	422,567,767	34.84%
LMAX Digital..	73,620,833	6.07%
Crypto.com...	34,980,599	2.88%
Total Ether-U.S. Dollar trading pair................................	**531,169,199**	**43.79%**

SOL Trading Platforms included in the Digital Asset Reference Rate as of June 30, 2024

	Volume (SOL)	Market Share
Coinbase..	1,696,262,917	66.32%
Kraken...	405,019,540	15.83%
LMAX Digital..	25,673,612	1.00%
Total SOL-U.S. Dollar trading pair	**2,126,956,069**	**83.15%**

AVAX Trading Platforms included in the Digital Asset

Reference Rate as of June 30, 2024	Volume (AVAX)	Market Share
Coinbase..	769,187,967	80.19%
Kraken...	79,459,277	8.28%
Crypto.com...	15,247,633	1.59%
Total AVAX-U.S. Dollar trading pair............................	**863,894,877**	**90.06%**

XRP Trading Platforms included in the Digital Asset

Reference Rate as of June 30, 2024	Volume (XRP)	Market Share
Bitstamp	106,620,277,322	35.85%
Coinbase..	72,598,818,507	24.41%
Kraken	37,254,406,142	12.53%
Total XRP-U.S. Dollar trading pair	**216,473,501,971**	**72.79%**

The domicile, regulation, and legal compliance of the Digital Asset Trading Platforms included in the Digital Asset Reference Rates vary. Information regarding each Digital Asset Trading Platform may be found, where available, on the websites for such Digital Asset Trading Platforms, among other places.

The Index and the Digital Asset Reference Rates

Since July 1, 2022, the digital assets held by the Fund have consisted of the digital assets that make up the CoinDesk Large Cap Select Index (the "DLCS" or the "Index"), as rebalanced

from time to time, subject to the Manager's discretion to exclude individual digital assets in certain rules-based circumstances as further described in the "Index Components Compared to Fund Components – Exclusion Criteria" below. The DLCS is designed and managed by the Index Provider.

The digital assets that make up the DLCS (the "Index Components") are drawn from the universe (the "Index Universe") of investable digital assets meeting the following criteria: (i) the digital asset must be ranked in the top 250 in the Index Provider's Digital Asset Classification Standard ("DACS") report; (ii) custodian services for the digital asset must be available from Coinbase Custody, a division of Coinbase Global Inc., and must be accessible to U.S. investors; (iii) the digital asset must not be a stablecoin or categorized as a meme coin as determined by the Index Provider; and (iv) the digital asset must have been listed on a Constituent Trading Platform for a minimum of 30 days leading up to the Index Rebalancing Period (as defined below).

The Index Provider applies market capitalization, liquidity and data availability criteria to the digital assets in the Index Universe in order to arrive at between five and ten digital assets that, in the Index Provider's judgment, represent a diversified benchmark for the largest and most liquid digital assets in the digital asset market (the "Large Cap sector"), rather than exposure to all digital assets in the Index Universe. The respective weightings of the Index Components within the DLCS are determined by the Index Provider based on market capitalization criteria and are referred to as the "Index Weightings." The process followed by the Index Provider to determine the Index Universe, the Index Components and their respective Index Weightings is referred to as the "DLCS Methodology."

The Fund seeks to (i) provide large cap coverage of the digital asset market; (ii) minimize transaction costs through low turnover of the Fund's portfolio; and (iii) create a portfolio that

could be replicated through direct purchases in the Digital Asset Market. Because Index Components target the Large Cap sector and are included in the DLCS in accordance with market capitalization and liquidity criteria, as of June 30, 2024, the DLCS covered approximately 83% of the market capitalization of the entire digital asset market, excluding stablecoins and meme coins, based on data provided by the Index Provider calculated using data from CoinMarketCap.com. Additionally, as of June 30, 2024, the DLCS covered approximately 92% of the market capitalization of the Index Universe.

The Fund Components consist of the Index Components except that the Manager may determine to exclude a particular Index Component in its discretion under certain rules-based circumstances (including to comply with the requirements of Rule 8.800-E). The weightings of each Fund Component (the "Weightings") are generally expected to be the same as the Index Weightings except when the Manager determines to exclude one or more digital assets from the Fund Components, in which case the Weightings are generally expected to be calculated proportionally to the respective Index Weightings for the remaining Index Components. The Fund uses the DLCS Methodology, described further below, to construct its portfolio.

The Manager will ensure that the Fund's holdings are consistent with the requirements of Rule 8.800-E(c)(1), including by working with the Reference Rate Provider to modify the DLCS such that at least 90% of the Weightings will consist of commodities and/or digital assets concerning which the Exchange may obtain information via the ISG from other members of the ISG or via CSSA.[27]

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[27]   The Manager notes that, as of the date of this filing, the Fund Components that meet this standard are Bitcoin and Ether, which make up approximately 76% and 18% of the Index, respectively.

Eligibility and Weighting

Under the DLCS Methodology and subject to the below, a digital asset included in the Index Universe will generally be eligible for inclusion in the DLCS as an Index Component, and thus the Fund's portfolio as a Fund Component, if it satisfies market capitalization, liquidity and data availability metrics determined by the Index Provider. Digital assets will be included in the DLCS on a market capitalization-weighted basis. For example, a digital asset with a larger market capitalization will have a higher representation in the DLCS, and thus the Fund's portfolio (unless the Manager excludes the digital asset from the Fund). Market capitalization refers to a digital asset's market value, as determined by multiplying the number of tokens of such digital asset in circulation by the market price of a token of such digital asset. The market price per token of a Fund Component will be determined by reference to the applicable Digital Asset Reference Rate. The market capitalization of any digital assets not in the DLCS, and therefore not held by the Fund, will be determined based on data that the Index Provider obtains directly from trading platforms and other service providers. Because the Fund creates Shares in exchange for Fund Components on a daily basis, the market capitalization of each Fund Component is calculated, and its Weighting therefore fluctuates, daily in accordance with changes in the market price of such Fund Components.

The DLCS, and therefore the Fund, is rebalanced on a quarterly basis according to the DLCS Methodology during a period beginning 14 days before the second business day of each January, April, July, and October (each such period, an "Index Rebalancing Period").

Inclusion of New Fund Components

In order for a new digital asset to qualify for inclusion in the DLCS, and thus the Fund's portfolio during a period during which the Manager reviews for rebalancing the Fund's portfolio

in accordance with the policies and procedures set forth in the Annual Report (the "Fund Rebalancing Period"), it must be included in the Index Universe and be among the 20 highest ranked digital assets in the Index Universe by market capitalization. Such 20 digital assets are referred to as the "Selection Universe." In order for a digital asset in the Selection Universe to be included in the Fund's portfolio during a Fund Rebalancing Period, such digital asset must (i) have a current market capitalization that is at least 1.2 times the median current market capitalization of the Selection Universe; (ii) have a median daily value traded ("MDVT") for the Index Rebalancing Period that is at least 1.2 times the MDVT of the Selection Universe for the Index Rebalancing Period; (iii) trade on at least three Constituent Trading Platforms as of the first day of the Index Rebalancing Period; (iv) have been included in the Selection Universe during the Index Rebalancing Period (as defined below) for the prior quarter; (v) the inclusion of such new digital asset will not result in the Fund holding more than ten Fund Components; and (vi) such digital asset must have a minimum weight of 1.0% (collectively, the "Index Inclusion Criteria"). In the event that more than ten digital assets meet the Index Inclusion Criteria, the qualifying digital assets will be ranked by current market capitalizations. Those ranked below the top ten will be excluded.

The Index Provider may include a digital asset that does not meet the Index Inclusion Criteria in the DLCS if the Index Components no longer collectively meet the five constituent minimum, at which point the Index Provider would first relax the market capitalization and liquidity requirements included in the Index Inclusion Criteria to those included in the "Removal Criteria" described below and include the next largest digital assets by current market capitalization that met such requirements, until there were five Index Components. If after relaxing such requirements, there were still fewer than five Index Components, the Index

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Provider would further relax the requirements and include the next largest digital assets by current market capitalization until there were five Index Components.[28]

Removal of Existing Fund Components

During each Index Rebalancing Period, a digital asset will be removed as an Index Component from the DLCS, and therefore removed from the Fund if it is also a Fund Component, if (i) it is not included in the Selection Universe; (ii) it fails to be listed on at least three Constituent Trading Platforms; (iii) it has a current market capitalization that is less than 1.0 times the median current market capitalization of the Selection Universe; (iv) it has an MDVT for the Index Rebalancing Period that is less than 1.0 times the MDVT of the Selection Universe for the Index Rebalancing Period; or (v) such digital asset has a weight of less than 0.8%, and if its removal would not result in the DLCS holding less than five Index Components (collectively, the "Removal Criteria").[29]

Outside of the quarterly Index Rebalancing Period, the Index Provider may remove a digital asset as an Index Component from the DLCS under extraordinary circumstances. For example, if an Index Component is determined to be a "security" under the federal securities laws by the Commission, a federal court or other U.S. government agency, or under such consideration by any U.S. government oversight agency, it would be removed from the DLCS at a date determined and announced by the Index Provider. In the event the Index Provider removes an Index Component outside of the quarterly rebalancing period, the Manager expects the Fund

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[28]   The Manager has not previously sought to include a new Fund Component that does not meet the Index Inclusion Criteria.

[29]   For example, if a digital asset was not included in the Selection Universe, failed to meet the thresholds in market capitalization and liquidity described above, or had a weight in the Index of less than 0.8%, such digital asset would be removed from the DLCS. However, if its removal would result in the DLCS holding less than five Index Components, it would not be removed.

would rebalance and the relevant digital asset would be removed as a Fund Component as soon as practical.

Index Components Compared to Fund Components

The Fund Components consist of the Index Components except when the Manager determines to exclude a particular Index Component in view of one or more of the following criteria (the "Exclusion Criteria"), as determined in the sole discretion of the Manager:

- none or few of the Authorized Participants or service providers has the ability to trade or otherwise support the digital asset;

- the Manager believes, based on current guidance, that use or trading of the digital asset raises or potentially raises significant governmental, policy or regulatory concerns or is subject or likely subject to a specialized regulatory regime, such as the U.S. federal securities or commodities laws or similar laws in other significant jurisdictions;[30]

- the digital asset's underlying code contains, or may contain, significant flaws or vulnerabilities; or

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

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[30] The Manager will determine whether a particular digital asset that is included or eligible for inclusion in the Fund is a security for purposes of the federal securities laws by considering a number of factors, including the various definitions of "security" under the federal securities laws and federal court decisions interpreting elements of these definitions, such as the U.S. Supreme Court's decisions in the *Howey* and *Reves* cases, as well as reports, orders, press releases, public statements and speeches by the Commission and its staff providing guidance on when a digital asset may be a security for purposes of the federal securities laws. The Manager does not intend to permit the Fund to hold any digital asset that the Manager determines is a security under the federal securities laws, whether that determination is initially made by the Manager itself, or because a federal court upholds an allegation that a digital asset is a security.

The Weightings are generally expected to be the same as the Index Weightings except when one or more digital assets have been excluded from the Fund Components based on the Exclusion Criteria, in which case the Weightings are generally expected to be calculated proportionally to the respective Index Weightings for the remaining Index Components.

The Manager may exclude a digital asset or rebalance the Weighting of an existing Fund Component to the extent its inclusion as a Fund Component or projected Weighting would exceed a threshold that could, in the Manager's sole discretion, require the Fund to register as an investment company under the Investment Company Act or require the Manager to register as an investment adviser under the Investment Advisers Act.

The Manager will retain discretion to include or exclude individual digital assets from the Fund Components only in certain rules-based circumstances, as described above. Accordingly, the Manager believes that the Fund will be in compliance with Rule 10A-3[31] under the Act, as provided by NYSE Arca Rule 5.3-E.

Constituent Trading Platform Selection

According to the Annual Report, the Constituent Trading Platforms used to derive Digital Asset Reference Rates are selected by the Reference Rate Provider utilizing a methodology that is guided by the International Organization of Securities Commissions ("IOSCO") principles for financial benchmarks. For a trading platform to become a Constituent Trading Platform, it must satisfy the criteria listed below (the "Inclusion Criteria"):

- Sufficient USD or USDC liquidity relative to the size of the listed assets;

- No evidence in the past 12 months of trading restrictions on individuals or entities

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[31] With respect to the application of Rule 10A-3 (17 CFR 240.10A-3) under the Act, the Fund relies on the exemption contained in Rule 10A-3(c)(7).

that would otherwise meet the trading platform's eligibility requirements to trade;

- No evidence in the past 12 months of undisclosed restrictions on deposits or withdrawals from user accounts;

- Real-time price discovery;

- Limited or no capital controls;[32]

- Transparent ownership including a publicly-owned ownership entity;

- Publicly available language and policies addressing legal and regulatory compliance in the US, including KYC, AML and other policies designed to comply with relevant regulations that might apply to it;

- Be an exchange that is licensed and able to service investors in one or more of the following jurisdictions: United States, United Kingdom; European Union; Hong Kong; or Singapore

- Offer programmatic spot trading of the trading pair and reliably publish trade prices and volumes on a real-time basis through Rest and Websocket APIs.[33]

A Digital Asset Trading Platform is removed from the Constituent Trading Platform when it no longer satisfies the criteria for inclusion. The Reference Rate Provider does not currently include data from over-the-counter markets or derivatives platforms among the Constituent Trading Platforms. According to the Annual Report, over-the-counter data is not currently included because of the potential for trades to include a significant premium or discount paid for larger liquidity, which creates an uneven comparison relative to more active

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[32]   "Capital controls" in this context means governmental sanctions that would limit the movement of capital into, or out of, the jurisdiction in which such Digital Asset Trading Platforms operate.

[33]   Trading platforms with programmatic trading offer traders an application programming interface that permits trading by sending programmed commands to the trading platform.

markets. There is also a higher potential for over-the-counter transactions to not be arms-length, and thus not be representative of a true market price. Digital asset derivative markets are also not currently included, as the markets remain relatively thin. While the Reference Rate Provider has no plans to include data from over-the-counter markets or derivative platforms at this time, the Reference Rate Provider will consider IOSCO principles for financial benchmarks, the management of trading venues of digital asset derivatives and the aforementioned Inclusion Criteria when considering whether to include over-the-counter or derivative platform data in the future.

The Reference Rate Provider and the Manager have entered into the index license agreement, dated as of February 1, 2022 (as amended, the "Index License Agreement"), governing the Manager's use of the Digital Asset Reference Rates that are Index Prices.[34] Pursuant to the terms of the Index License Agreement, the Reference Rate Provider may adjust the calculation methodology for a Digital Asset Reference Rate without notice to, or consent of, the Fund or its shareholders. The Reference Rate Provider may decide to change the calculation methodology to maintain the integrity of the Index Price calculation should it identify or become aware of previously unknown variables or issues with the existing methodology that it believes could materially impact its performance and/or reliability. The Reference Rate Provider has sole discretion over the determination of Digital Asset Reference Rates and may change the methodologies for determining the Digital Asset Reference Rates from time to time. Shareholders will be notified of any material changes to the calculation methodology or the Digital Asset Reference Rates in the Fund's current reports and will be notified of all other

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[34]   Upon entering into the Index License Agreement, the Manager and the Reference Rate Provider terminated the license agreement between the parties dated as of February 28, 2019.

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changes that the Manager considers significant in the Fund's periodic or current reports. The

Manager will determine the materiality of any changes to the Digital Asset Reference Rates on a

case-by-case basis, in consultation with external counsel.

Reference Rate Provider may change the trading venues that are used to calculate a

Digital Asset Reference Rate or otherwise change the way in which a Digital Asset Reference

Rate is calculated at any time. For example, the Reference Rate Provider has scheduled quarterly

reviews in which it may add or remove Constituent Trading Platforms that satisfy or fail the

criteria described above. While the Reference Rate Provider is not required to publicize or

explain the changes or to alert the Manager to such changes, it has historically notified the Fund

(and other subscribers to the Index) of any material changes to the Constituent Trading

Platforms, including any additions or removals of the Constituent Trading Platforms, in addition

to issuing press releases in connection with the same in accordance with its index review and

index change communication policies. The Manager will notify investors of any such material

event by filing a current report on Form 8-K. Although the Digital Asset Reference Rate

methodology is designed to operate without any manual intervention, rare events would justify

manual intervention. Intervention of this kind would be in response to non-market-related events,

such as the halting of deposits or withdrawals of funds on a Digital Asset Trading Platform, the

unannounced closure of operations on a Digital Asset Trading Platform, insolvency or the

compromise of user funds. In the event that such an intervention is necessary, the Reference Rate

Provider would issue a public announcement through its website, API and other established

communication channels with its clients.

Determination of Digital Asset Reference Rates

Since July 1, 2022, all of the Digital Asset Reference Rates have been Indicative Prices.

The Indicative Price is calculated by multiplying the average price on each Constituent Trading Platform by the trading volume on such Constituent Trading Platform for the prior 60 minutes as of 4:00 p.m., New York time, multiplied by the Constituent Trading Platform's weighting based on trading volume relative to the other Constituent Trading Platforms included in the Reference Rate. Each Constituent Trading Platform is weighted relative to its share of trading volume to the trading volume of all Constituent Trading Platform, meaning that price inputs from Constituent Trading Platforms with higher trading volumes will be weighted more heavily in calculating the Indicative Price than price inputs from Constituent Trading Platforms with lower trading volumes. Price and volume inputs are weighted as received with no further adjustments made to the weighting of each trading platform based on market anomalies observed on a Constituent Trading Platform or otherwise.

For purposes of illustration, outlined below is an example using a limited number of trades.

Venue	Average Price	Volume	Notional	Weight	Indicative Price Contribution
Trading Platform 1	999.12	800	799,296	53.33%	532.60
Trading Platform 2	997.23	500	498,615	33.33%	332.25
Trading Platform 3	996.65	200	199,330	13.33%	132.82
Indicative Price	—	1,500	1,497,241	—	**997.67**

The Index Provider may also use Index Prices as the reference rate for an Index Component in the future, and if it does so, then the Manager will use an Index Price for the relevant Fund Component. When a Digital Asset Reference Rate is an Index Price, the Reference Rate Provider applies an algorithm to the trade data used to determine the Indicative Price. Each

Digital Asset Reference Rate's algorithm is expected to reflect a four-pronged methodology to calculate the Index Price from the Constituent Trading Platforms:

- Volume Weighting: Constituent Trading Platforms with greater liquidity receive a higher weighting in each Digital Asset Reference Rate, increasing the ability to execute against (i.e., replicate) such Digital Asset Reference Rate in the underlying spot markets.

- Price-Variance Weighting: Each Digital Asset Reference Rate reflects data points that are discretely weighted in proportion to their variance from the rest of the Constituent Trading Platforms. As the price at a Constituent Trading Platform diverges from the prices at the rest of the Constituent Trading Platforms, its weight in the Digital Asset Reference Rate consequently decreases.

- Inactivity Adjustment: Each Digital Asset Reference Rate algorithm penalizes stale activity from any given Constituent Trading Platform. When a Constituent Trading Platform does not have recent trading data, its weighting in the Reference Rate is gradually reduced until it is de-weighted entirely. Similarly, once trading activity at a Constituent Trading Platform resumes, the corresponding weighting for that Constituent Trading Platform is gradually increased until it reaches the appropriate level.

- Manipulation Resistance: In order to mitigate the effects of wash trading and order book spoofing, the Digital Asset Reference Rate only includes executed trades in its calculation. Additionally, each Digital Asset Reference Rate only includes Constituent Trading Platforms that charge trading fees in order to attach a real, quantifiable cost to any manipulation attempts.

The Reference Rate Provider re-evaluates the weighting algorithm on a periodic basis, but maintains discretion to change the way in which an Index Price is calculated based on its periodic review or in extreme circumstances. The exact methodology to calculate each Index Price is not publicly available. Still, each Index is designed to limit exposure to trading or price distortion of any individual Digital Asset Trading Platform that experiences periods of unusual activity or limited liquidity by discounting, in real-time, anomalous price movements at individual Digital Asset Trading Platforms.

For the purposes of illustration, outlined below are examples of how the attributes that impact weighting and adjustments in the aforementioned methodology may be utilized to generate an Index Price for a digital asset. The Index Price algorithm, as described above, accounts for manipulation at the outset by only including data from executed trades on Constituent Trading Platforms that charge trading fees. Then, the below-listed elements may impact the weighting of the Constituent Trading Platforms on the Index Price as follows:

- Volume Weighting: Each Constituent Trading Platform will be weighted to appropriately reflect the trading volume share of the Constituent Trading Platform relative to all the Constituent Trading Platforms during this same period. For example, assume the Constituent Trading Platforms used to calculate the Index Price of the digital asset are Coinbase, Kraken, LMAX Digital, and Bitstamp. An average hourly weighting of 67.06%, 14.57%, 11.88%, and 6.49% for Coinbase, Kraken, LMAX Digital, and Bitstamp, respectively, would represent each Constituent Trading Platform's share of trading volume during the same period.

- Inactivity Adjustment: Assume that a Constituent Trading Platform represented a 14% weighting on the Index Price of the digital asset, which is based on the per-

second calculations of its trading volume and price-variance relative to the cohort of Constituent Trading Platforms included in such Index, and then went offline for approximately two hours. The index algorithm would automatically recognize inactivity and start de-weighting the Constituent Trading Platform at the 3-minute mark and continue to do so over a 7-minute period until its influence was effectively zero, 10 minutes after becoming inactive. As soon as trading activity resumed at the Constituent Trading Platform, the index algorithm would re-weight it to the appropriate weighting based on trading volume and price-variance relative to the cohort of Constituent Trading Platforms included in the Index. Due to the period of inactivity, it would re-weight the Constituent Trading Platform activity to a weight lower than its original weighting—for example, to 12%.

- Price-Variance Weighting: The price-variance weighting adjustment is a relative measure of each Constituent Trading Platform versus the cohort of trading platform. The further the price at a trading platform is from the mean price of the cohort, the less influence that trading platform's price will have on the algorithm that produces the Index Price, as the trading platform data is discretely weighted in proportion to their variance from the rest of the trading platforms on a per-second basis and there is no minimum threshold the variance must meet for this adjustment to take place. For example, assume that for a one-hour period, the digital asset's execution prices on one Constituent Trading Platform were trading more than 7% higher than the average execution prices on another Constituent Trading Platform. The algorithm will automatically detect the anomaly (price variance) and reduce that specific Constituent Trading Platform's weighting

during that one-hour period, ensuring a reliable spot reference price that is unaffected by the localized event and that is reflective of broader market activity.

Determination of Digital Asset Reference Rates When Indicative Prices and Index Prices are Unavailable

If the Digital Asset Reference Rate for a Fund Component becomes unavailable, or if the Manager determines in good faith that such Digital Asset Reference Rate does not reflect an accurate price for such Fund Component, then the Manager will, on a best efforts basis, contact the Reference Rate Provider to obtain the Digital Asset Reference Rate directly from the Digital Asset Reference Rate Provider.

If after such contact such Digital Asset Reference Rate remains unavailable or the Manager continues to believe in good faith that such Digital Asset Reference Rate does not reflect an accurate price for the relevant digital asset, the Manager uses the following cascading set of rules to calculate the Digital Asset Reference Rates for that Fund Component.[35] For the avoidance of doubt, the Manager will employ the below rules sequentially and in the order as presented below, should one or more specific rule(s) fail:

1. Digital Asset Reference Rate = The price set by the relevant Indicative Price or Index Price as of 4:00 p.m., New York time, on the valuation date.[36] If the relevant Indicative Price or Index Price becomes unavailable, or if the Manager determines in good faith that such Indicative Price or Index Price does not reflect an accurate digital asset price, then the Manager will, on a best efforts basis, contact the Reference Rate Provider to obtain the Digital Asset Reference Rate

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[35]   The Manager updated these rules on January 11, 2022.

[36]   The valuation date is any day for which the value of the Fund Components in the Fund may be calculated utilizing the Digital Asset Reference Rates.

directly from the Reference Rate Provider. If after such contact such Indicative Price or Index Price remains unavailable or the Manager continues to believe in good faith that such Indicative Price or Index Price does not reflect an accurate price for the relevant digital asset, then the Manager will employ the next rule to determine the Digital Asset Reference Rate. There are no predefined criteria to make a good faith assessment and it will be made by the Manager in its sole discretion.

2. Digital Asset Reference Rate = The price set by Coin Metrics Real-Time Rate as of 4:00 p.m., New York time, on the valuation date (the "Secondary Digital Asset Reference Rate"). The Secondary Reference Rate is a real-time reference rate price, calculated using trade data from constituent markets selected by Coin Metrics, Inc. (the "Secondary Reference Rate Provider"). The Secondary Digital Asset Reference Rate is calculated by applying weighted-median techniques to such trade data where half the weight is derived from the trading volume on each constituent market and half is derived from inverse price variance, where a constituent market with high price variance as a result of outliers or market anomalies compared to other constituent markets is assigned a smaller weight. If the Secondary Digital Asset Reference Rate for the relevant Fund Component becomes unavailable, or if the Manager determines in good faith that the Secondary Digital Asset Reference Rate does not reflect an accurate price for such Fund Component, then the Manager will, on a best efforts basis, contact the Secondary Reference Rate Provider to obtain the Secondary Digital Asset Reference Rate directly from the Secondary Reference Rate Provider. If after such

contact the Secondary Digital Asset Reference Rate remains unavailable or the Manager continues to believe in good faith that the Secondary Digital Asset Reference Rate does not reflect an accurate price for such Fund Component, then the Manager will employ the next rule to determine the Digital Asset Reference Rate. There are no predefined criteria to make a good faith assessment and it will be made by the Manager in its sole discretion.

3. Digital Asset Reference Rate = The price set by the Fund's principal market (as defined in the Annual Report) (the "Tertiary Pricing Option") as of 4:00 p.m., New York time, on the valuation date. The Tertiary Pricing Option is a spot price derived from the relevant principal market's public data feed that is believed to be consistently publishing pricing information as of 4:00 p.m., New York time, and is provided to the Manager via an application programming interface. If the Tertiary Pricing Option becomes unavailable, or if the Manager determines in good faith that the Tertiary Pricing Option does not reflect an accurate price for such Fund Component, then the Manager will, on a best efforts basis, contact the Tertiary Pricing Provider to obtain the Tertiary Pricing Option directly from the Tertiary Pricing Provider. If after such contact the Tertiary Pricing Option remains unavailable after such contact or the Manager continues to believe in good faith that the Tertiary Pricing Option does not reflect an accurate price for such Fund Component, then the Manager will employ the next rule to determine the Digital Asset Reference Rate. There are no predefined criteria to make a good faith assessment and it will be made by the Manager in its sole discretion.

4. Digital Asset Reference Rate = The Manager will use its best judgment to determine a good faith estimate of the Digital Asset Reference Rate. There are no predefined criteria to make a good faith assessment and it will be made by the Manager in its sole discretion.

In the event of a fork, the Reference Rate Provider may calculate the Digital Asset Reference Rate based on a digital asset that the Manager does not believe to be the appropriate asset that is held by the Fund.[37] In this event, the Manager has full discretion to use a different reference rate provider or calculate the Digital Asset Reference Rate itself using its best judgment.

The Manager may, in its sole discretion, select a different reference rate provider, select a different indicative or index price provided by the Reference Rate Provider, or calculate the Indicative Price or Index Price by using the cascading set of rules set forth above.[38]

<u>The Structure and Operation of the Fund Protects Investors and Satisfies Commission Requirements for Digital Asset-Based Exchange Traded Products</u>

On January 10, 2024, the Commission approved the listing and trading of shares of the Grayscale Bitcoin Trust (BTC) and Bitwise Bitcoin ETF under NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares); the Hashdex Bitcoin ETF under NYSE Arca Rule 8.500-E

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[37] According to the Annual Report, when a modification is introduced and a substantial majority of users and validators consent to the modification, the change is implemented and the network remains uninterrupted. However, if less than a substantial majority of users and validators consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a "hard fork", with one group running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of a digital asset running in parallel, yet lacking interchangeability, such as in July 2016 when Ether "forked" into Ether and a new digital asset, Ether Classic.

[38] The Manager will provide notice of any such changes in the Fund's periodic or current reports and, if the Manager makes such a change other than on an ad hoc or temporary basis, the Exchange will file a proposed rule change under Section 19(b) with the Commission.

(Trust Units); the iShares Bitcoin Trust and Valkyrie Bitcoin Fund under Nasdaq Rule 5711(d) (Commodity-Based Trust Shares); and the ARK 21Shares Bitcoin ETF, Invesco Galaxy Bitcoin ETF, VanEck Bitcoin Trust, the WisdomTree Bitcoin Fund, Fidelity Wise Origin Bitcoin Fund, and Franklin Bitcoin ETF under BZX Rule 14.11(e)(4) (Commodity-Based Trust Shares) (collectively, the "Bitcoin ETPs").[39] In the Bitcoin ETP Approval Order, the Commission found that the proposed rule changes to list the Bitcoin ETPs demonstrated that there were "sufficient 'other means' of preventing fraud and manipulation," including that:

> [B]ased on the record before the Commission and the improved quality of the correlation analysis in the record, including the Commission's own analysis, the Commission is able to conclude that fraud or manipulation that impacts prices in spot bitcoin markets would likely similarly impact CME bitcoin futures prices. And because the CME's surveillance can assist in detecting those impacts on CME bitcoin futures prices, the Exchanges' comprehensive surveillance-sharing agreement with the CME—a U.S. regulated market whose bitcoin futures market is consistently highly correlated to spot bitcoin, albeit not of "significant size" related to spot bitcoin—can be reasonably expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the [Bitcoin ETPs].[40]

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[39] Securities Exchange Act Release No. 99306 (January 10, 2024), 89 FR 3008 (January 17, 2024) (SR-NYSEARCA-2021-90; SR-NYSEARCA-2023-44; SRNYSEARCA-2023-58; SR-NASDAQ-2023-016; SR-NASDAQ-2023-019; SR-CboeBZX-2023028; SR-CboeBZX-2023-038; SR-CboeBZX-2023-040; SR-CboeBZX-2023-042; SRCboeBZX-2023-044; SR-CboeBZX-2023-072) (Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, to List and Trade Bitcoin-Based Commodity-Based Trust Shares and Trust Units) (the "Bitcoin ETP Approval Order").

[40] Bitcoin ETP Approval Order, 89 FR at 3009-11.

Similarly, on May 23, 2024, the Commission approved the listing and trading of shares of the Grayscale Ethereum Trust and the Bitwise Ethereum ETF under NYSE Arca Rule 8.201-E (Commodity-Based Trust Shares); the iShares Ethereum Trust under Nasdaq Rule 5711(d) (Commodity-Based Trust Shares); and the VanEck Ethereum Trust, ARK 21Shares Ethereum ETF, Invesco Galaxy Ethereum ETF, Fidelity Ethereum Fund, and the Franklin Ethereum ETF under BZX Rule 14.11(e)(4) (Commodity-Based Trust Shares) (collectively, the "Ether ETPs").[41] In the Ether ETP Approval Order, the Commission found that the proposed rule changes to list the Ether ETPs demonstrated that there were "sufficient 'other means' of preventing fraud and manipulation," including that:

> [B]ased on the record before the Commission and the correlation analyses in the record, including the Commission's own analysis, the Commission is able to conclude that fraud or manipulation that impacts prices in spot ether markets would likely similarly impact CME ether futures prices. And because the CME's surveillance can assist in detecting those impacts on CME ether futures prices, the Exchanges' comprehensive surveillance-sharing agreement with the CME—a U.S.-regulated market whose ether futures market is consistently highly correlated to spot ether, albeit not of "significant size" related to spot ether—can be reasonably expected to assist in surveilling for fraudulent and manipulative acts and practices in the specific context of the [Ether ETPs].[42]

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[41] Securities Exchange Act Release No. 100224 (May 23, 2024), 89 FR 46937 (May 30, 2024) (SR-NYSEARCA-2023-70; SR-NYSEARCA-2024-31; SRNASDAQ-2023-045; SR-CboeBZX-2023-069; SR-CboeBZX-2023-070; SR-CboeBZX-2023-087; SR-CboeBZX-2023-095; SR-CboeBZX-2024-018) (Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, to List and Trade Shares of Ether-Based Exchange-Traded Products) (the "Ether ETP Approval Order").

[42] Ether ETP Approval Order, 89 FR at 46941.

The Fund is structured and will operate in a manner materially the same as the Bitcoin

ETPs and Ether ETPs and the Fund Components primarily consist of Bitcoin and Ether.

Accordingly, the Manager believes that, for the reasons set forth in the Bitcoin ETP Approval

Order and Ether ETP Approval Order, listing and trading Shares of the Fund would be consistent

with the requirements of the Act.[43]

The Manager acknowledges that the Fund Components currently include minority

positions in digital assets that are not Bitcoin or Ether (i.e., SOL, XRP, and AVAX). The

Manager also represents that, consistent with proposed Rule 8.800-E(c)(1), no more than 10% of

the weight of its digital asset holdings will consist of digital assets concerning which the

Exchange may not be able to obtain information via the ISG or via a CSSA. In the context of

prior spot digital asset ETP proposal disapproval orders for Bitcoin and Ether, the Commission

expressed concerns about the underlying Digital Asset Market due to the potential for fraud and

manipulation and has outlined the reasons why such ETP proposals have been unable to satisfy

these concerns.[44] For purposes of the Fund's proposal, the Manager anticipates that the

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[43]   In particular, Grayscale Bitcoin Trust (BTC) ("GBTC") and Grayscale Ethereum Trust (ETH) ("ETHE"),
        affiliates of the Fund that are structured substantially similarly to the Fund, currently list their shares on the
        Exchange under NYSE Arca Rule 8.201-E. The Fund will have the same service providers as GBTC and
        ETHE.

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

Commission may have the same concerns about the non-Bitcoin and Ether assets and addresses each of these in turn below.

In the Prior Spot Digital Asset ETP Disapproval Orders, the Commission outlined that a proposal relating to a digital asset-based ETP could satisfy its concerns regarding potential for fraud and manipulation by demonstrating:

1) Inherent Resistance to Fraud and Manipulation: that the underlying commodity market is inherently resistant to fraud and manipulation;

2) Other Means to Prevent Fraud and Manipulation: that there are other means to prevent fraudulent and manipulative acts and practices that are sufficient; or

3) Surveillance Sharing: that the listing exchange has entered into a surveillance sharing agreement with a regulated market of significant size relating to the underlying or reference assets.

As described below, the Manager believes the structure and operation of the Fund are designed to prevent fraudulent and manipulative acts and practices, to protect investors and the public interest, and to respond to concerns that the Commission may have with respect to potential fraud and manipulation in the context of a Digital Asset-based ETP.

How the Fund Meets Standards in the Prior Spot Digital Asset ETP Disapproval Orders

1. Resistance to or Prevention of Fraud and Manipulation

In the Prior Spot Digital Asset ETP Disapproval Orders, the Commission disagreed with the proposition that a digital asset's fungibility, transportability and exchange tradability combine to provide unique protections against, and allow such digital asset to be uniquely

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2018), 83 FR 43923 (August 28, 2018) (SR-CboeBZX-2018-01) (Order Disapproving a Proposed Rule Change to List and Trade the Shares of the GraniteShares Bitcoin ETF and the GraniteShares Short Bitcoin ETF) (the "GraniteShares Order") (together, the "Prior Spot Digital Asset ETP Disapproval Orders").

resistant to, attempts at price manipulation. The Commission reached its conclusion based on

concessions by one issuer that 95% of the reported trading in the digital asset, Bitcoin, is "fake"

or non-economic, effectively admitting that the properties of Bitcoin do not make it inherently

resistant to manipulation. Such issuer's concessions were further compounded by evidence of

potential and actual fraud and manipulation in the historical trading of Bitcoin on certain

marketplaces such as (1) "wash" trading, (2) trading based on material, non-public information,

including the dissemination of false and misleading information, (3) manipulative activity

involving Tether, and (4) fraud and manipulation.[45]

The Manager acknowledges the possibility that fraud and manipulation may exist in

commodity markets and that digital asset trading, such as certain of the Fund Components, *on

any given trading platform* may be no more uniquely resistant to fraud and manipulation than

other commodity markets.[46] However, the Manager believes that the fundamental features of

digital assets, including fungibility, transportability and exchange tradability offer novel

protections beyond those that exist in traditional commodity markets or equity markets when

combined with other means, as discussed further below.

2. Other Means to Prevent Fraud and Manipulation

The Commission has recognized that a listing exchange could demonstrate that other

means to prevent fraudulent and manipulative acts and practices are sufficient to justify

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[45]   See Bitwise Order, 84 FR at 55383 (discussing analysis of the Bitcoin spot market that asserts that 95% of
         the spot market is dominated by fake and non-economic activity, such as wash trades), 55391 (discussing
         possible sources of fraud and manipulation in the bitcoin spot market). See also Winklevoss Order, 83 FR
         at 37585–86 (discussing pending litigation against a Bitcoin trading platform for fraudulent conduct
         relating to Tether); Bitwise Order, 84 FR at 55391 n.140, 55402 & n.331 (same); Winklevoss Order, 83 FR
         at 37584–86 (discussing potential types of manipulation in the Bitcoin spot market). The Commission has
         also noted that fraud and manipulation in the Bitcoin spot market could persist for a significant duration.
         See, e.g., Bitwise Order, 84 FR at 55405 & n.379.

[46]   See generally Bitwise Order.

dispensing with the requisite surveillance-sharing agreement.[47] In evaluating the effectiveness of this type of resistance, the Commission does not apply a "cannot be manipulated" standard. Instead, the Commission requires that such resistance to fraud and manipulation be novel and beyond those protections that exist in traditional commodity markets or equity markets for which the Commission has long required surveillance-sharing agreements in the context of listing derivative securities products.[48]

The Manager believes the Fund's use of the Index and Digital Asset Reference Rates represents a novel means to prevent fraud and manipulation from impacting a reference price for the Fund Components and that it offers protections beyond those that exist in traditional commodity markets or equity markets. Specifically, digital assets, such as the Fund Components, are novel and exist outside traditional commodity markets. It therefore stands to reason that the methods by which they trade will be novel and that the market for digital assets like the Fund Components will have different attributes than traditional commodity markets. Digital assets like the Fund Components were only introduced within the past decade, twenty years after the first U.S. exchange-traded funds ("ETFs") were offered[49] and 150 years after the first futures were offered.[50] In contrast to older commodities such as gold, silver, platinum, palladium or copper, which the Commission has noted all had at least one significant, regulated market for trading futures on the underlying commodity at the time commodity trust ETPs were approved for listing and trading, the first trading in digital assets like the Fund Components took place entirely in an

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[47]   See Winklevoss Order, 84 FR at 37580, 37582-91; Bitwise Order, 84 FR at 55383, 55385-406; Wilshire Phoenix Order, 85 FR at 12597.

[48]   See Winklevoss Order, 84 FR at 37582; Wilshire Phoenix Order, 85 FR at 12597.

[49]   SEC, "Investor Bulletin: Exchange-Traded Funds (ETFs)," August 2012, https://www.sec.gov/investor/alerts/etfs.pdf.

[50]   Commodity Futures Trading Commission ("CFTC"), "History of the CFTC," https://www.cftc.gov/About/HistoryoftheCFTC/history_precftc.html

open, transparent and online setting where other commodities cannot trade.

The Fund has priced its Shares consistently for approximately two years based on the Index and its use of the Digital Asset Reference Rates. The Manager believes the Fund's use of the Index and Digital Asset Reference Rates specifically addresses the Commission's concerns in that they serve as an alternative means to prevent fraud and manipulation. Specifically, the Index and its use of the Digital Asset Reference Rates can (i) mitigate the effects of fraud, manipulation and other anomalous trading activity on the Fund Components' reference rates, (ii) provide a real-time, volume-weighted fair value of the Fund Components and (iii) appropriately handle and adjust for non-market related events.

As described in more detail below, the Manager believes that the Index and its use of Digital Asset Reference Rates accomplishes those objectives in the following ways:

1. The Digital Asset Reference Rates track the Digital Asset Trading Platform Market prices through trading activity at "U.S.-Compliant Trading Platforms";[51]

2. The Digital Asset Reference Rates are constructed and maintained by an expert third-party index provider, allowing for prudent handling of non-market-related events; and

3. The Digital Asset Reference Rates mitigate the impact of instances of fraud, manipulation and other anomalous trading activity concentrated on any one specific trading platform through a cross-trading platform composite reference rate over a 60-minute period.

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[51] "U.S.-Compliant Trading Platforms" are trading platforms in the Digital Asset Trading Platform Market that are compliant with applicable U.S. federal and state licensing requirements and practices regarding AML and KYC regulations. All Constituent Trading Platforms are U.S.-Compliant Trading Platforms. "Non-U.S.-Compliant Trading Platforms" are all other trading platforms in the Digital Asset Trading Platform Market. From these U.S.-Compliant Trading Platforms, the Reference Rate Provider then applies additional Inclusion Criteria to determine the Constituent Trading Platforms. As of June 30, 2024, the U.S.-Compliant Trading Platforms that the Reference Rate Provider considered for inclusion in the Digital Asset Reference Rates were Coinbase, Kraken, LMAX Digital and Crypto.com.

1. The Digital Asset Reference Rates track the Digital Asset Trading Platform Market price through trading activity at "U.S.-Compliant Trading Platforms."

To reduce the risk of fraud, manipulation, and other anomalous trading activity from impacting the Digital Asset Reference Rates, only U.S.-Compliant Trading Platforms are eligible to be included in the Digital Asset Reference Rates.

The Digital Asset Reference Rates maintain a minimum of two and a maximum of three trading platforms to track the Digital Asset Trading Platform Market while offering replicability for traders and market makers.[52]

U.S.-Compliant Trading Platforms possess safeguards that protect against fraud and manipulation. For example, U.S.-Compliant Trading Platforms regulated by the NYDFS under the BitLicense program have regulatory requirements to implement measures designed to effectively detect, prevent, and respond to fraud, attempted fraud, market manipulation, and similar wrongdoing, and to monitor, control, investigate and report back to the NYDFS regarding any wrongdoing.[53] These trading platforms also have the following obligations:[54]

- Submission of audited financial statements including income statements, statements of assets/liabilities, insurance, and banking;

- Compliance with capitalization requirements set at NYDFS's discretion;

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[52]   According to the Manager, the more trading platforms included in the Digital Asset Reference Rate, the more ability there is for traders and market makers to trade against the Digital Asset Reference Rate by arbitraging price differences. For example, in the event of variances between Fund Component prices on Constituent Trading Platforms and non-Constituent Trading Platforms, arbitrage trading opportunities would exist. These discrepancies generally consolidate over time, as price differences across trading platforms are realized and capitalized upon by traders and market makers.

[53]   See, e.g., "DFS Takes Action to Deter Fraud and Manipulation in Virtual Currency Markets," available at: https://www.dfs.ny.gov/about/press/pr1802071.htm.

[54]   See "New York's Final "BitLicense" Rule: Overview and Changes from July 2014 Proposal," June 5, 2015, Davis Polk, available at: https://www.davispolk.com/files/new_yorks_final_bitlicense_rule_overview_changes_july_2014_proposal.pdf.

- Prohibitions against the sale or encumbrance to protect full reserves of custodian assets;

- Fingerprints and photographs of employees with access to customer funds;

- Retention of a qualified Chief Information Security Officer and annual penetration testing/audits;

- Documented business continuity and disaster recovery plan, independently tested annually; and

- Participation in an independent exam by NYDFS.

Other U.S.-Compliant Trading Platforms have voluntarily implemented measures to protect against common forms of market manipulation.[55]

Furthermore, all U.S.-Compliant Trading Platforms are considered MSBs that are subject to FinCEN's federal and state reporting requirements that provide additional safeguards. For example, unscrupulous traders may be less likely to engage in fraudulent or manipulative acts and practices on trading platforms that (1) report suspicious activity to FinCEN as money services businesses, (2) report to state regulators as money transmitters, and/or (3) require customer identification through KYC procedures. U.S.-Compliant Trading Platforms are required to:[56]

- Identify people with ownership stakes or controlling roles in the MSB;

- Establish a formal Anti-Money Laundering (AML) policy in place with documentation, training, independent review, and a named compliance officer;

- Implement strict customer identification and verification policies and procedures;

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[55] As of the date of this filing, two of the five Constituent Trading Platforms, Coinbase, is regulated by NYDFS.

[56] See BSA Requirements for MSBs, FinCEN website: https://www.fincen.gov/bsarequirements-msbs.

- File Suspicious Activity Reports (SARs) for suspicious customer transactions;

- File Currency Transaction Reports (CTRs) for cash-in or cash-out transactions greater than $10,000; and

- Maintain a five-year record of currency exchanges greater than $1,000 and money transfers greater than $3,000.

Lastly, because of Bitcoin's and Ether's classifications as commodities, the CFTC has authority to police fraud and manipulation on U.S.-Compliant Trading Platforms that trade those digital assets.[57]

The Manager acknowledges that there are substantial differences between FinCEN and New York state regulations and the Commission's regulation of the national securities exchanges.[58] The Manager does not believe the inclusion of U.S.-Compliant Trading Platforms is in and of itself sufficient to prove that the Digital Asset Reference Rates are an alternative means to prevent fraud and manipulation such that surveillance sharing agreements are not required, but does believe that the inclusion of only U.S.-Compliant Trading Platforms in the Digital Asset Reference Rates is one significant way in which the Digital Asset Reference Rates are protected from the potential impacts of fraud and manipulation.

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[57]   "U.S. CFTC Chief Behnam Reinforces View of Ether as Commodity," CoinDesk (Mar. 28, 2023), https://www.coindesk.com/policy/2023/03/28/us-cftc-chief-behnam-reinforces-view-of-ether-as-commodity/; CME Group, https://www.cmegroup.com/markets/cryptocurrencies/ether/ether.html?gad=1&gclid=EAIaIQobChMI44K Bmu7ygAMVavvjBx2P4g5yEAAYASAAEgJSZfD_BwE&gclsrc=aw.ds.

[58]   See Bitwise Order, 84 FR at 55392; Wilshire Phoenix Order, 85 FR at 12603.

2. The Digital Asset Reference Rates are constructed and maintained by an expert third-party index provider, allowing for prudent handling of non-market-related events.

The Reference Rate Provider reviews and periodically updates which trading platforms are included in the Digital Asset Reference Rates by utilizing a methodology that is guided by the IOSCO principles for financial benchmarks.

According to the Reference Rate Provider's methodology, for a trading platform to become a Constituent Trading Platform, it must satisfy the following Inclusion Criteria:

- Sufficient USD or USDC liquidity relative to the size of the listed assets;

- No evidence in the past 12 months of trading restrictions on individuals or entities that would otherwise meet the trading platform's eligibility requirements to trade;

- No evidence in the past 12 months of undisclosed restrictions on deposits or withdrawals from user accounts;

- Real-time price discovery;

- Limited or no capital controls;

- Transparent ownership including a publicly-owned ownership entity;

- Publicly available language and policies addressing legal and regulatory compliance in the US, including KYC, AML and other policies designed to comply with relevant regulations that might apply to it;

- Be an exchange that is licensed and able to service investors in one or more of the following jurisdictions: United States, United Kingdom; European Union; Hong Kong; or Singapore

- Offer programmatic spot trading of the trading pair and reliably publish trade prices and volumes on a real-time basis through Rest and Websocket APIs.

Although the Reference Rate Provider's methodology is designed to operate without any human interference, rare events would justify manual intervention. Manual intervention would only be in response to "non-market-related events" (e.g., halting of deposits or withdrawals of funds, unannounced closure of trading platform operations, insolvency, compromise of user funds, etc.). In the event that such an intervention is necessary, the Reference Rate Provider would issue a public announcement through its website, API and other established communication channels with its clients.[59]

3. The Digital Asset References Rates mitigate the impact of instances of fraud, manipulation and other anomalous trading activity concentrated on any one specific trading platform through a cross-trading platform composite reference rate over a 60-minute period.

The Digital Asset Reference Rates are based on the price and volume data of multiple U.S.-Compliant Trading Platforms over a 60-minute period that satisfy the Reference Rate Provider's Inclusion Criteria. By referencing multiple trading venues and weighting them based on trade activity, the impact of any potential fraud, manipulation, or anomalous trading activity occurring on any single venue is reduced. Specifically, the effects of fraud, manipulation, or anomalous trading activity occurring on any single venue are de-weighted and consequently diluted by non-anomalous trading activity from other Constituent Trading Platforms.

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[59]   To the extent any such intervention has a material impact on the Fund, the Manager will also issue a public announcement.

Although each Digital Asset Reference Rate is designed to accurately capture the market price of the digital asset it tracks, third parties may be able to purchase and sell such digital assets on public or private markets not included among the constituent Digital Asset Trading Platforms of such Digital Asset Reference Rate, and such transactions may take place at prices materially higher or lower than the Digital Asset Reference Rate. Moreover, there may be variances in the prices of digital assets on the various Digital Asset Trading Platforms, including as a result of differences in fee structures or administrative procedures on different Digital Asset Trading Platforms.

For example, based on data provided by the Reference Rate Provider, on any given day during the twelve months ended June 30, 2024, the maximum differential between the 4:00 p.m., New York time spot price of Bitcoin on any single Digital Asset Trading Platform included in the Digital Asset Reference Rate was 1.47% and the average of the maximum differentials of the 4:00 p.m., New York time spot price of each Digital Asset Trading Platform included in the Digital Asset Reference Rate was 1.33%. During this same period, the average differential between the 4:00 p.m., New York time spot prices of all the Digital Asset Trading Platforms included in the Digital Asset Reference Rate was 0.01%. Further, on any given day during the twelve months ended June 30, 2024, the maximum differential between the 4:00 p.m., New York time spot price of Ether on any single Digital Asset Trading Platform included in the Digital Asset Reference Rate was 2.80% and the average of the maximum differentials of the 4:00 p.m., New York time spot price of each Digital Asset Trading Platform included in the Digital Asset Reference Rate was 2.46%. During this same period, the average differential between the 4:00 p.m., New York time spot prices of all the Digital Asset Trading Platforms included in the Digital Asset Reference Rate was 0.02%. All Digital Asset Trading Platforms that were included

in the relevant Digital Asset Reference Rate throughout the period were considered in this analysis.[60]

For approximately two years, the Fund has consistently priced its Shares at 4:00 p.m., New York time based on the Index and its use of the Digital Asset Reference Rates. While that pricing would be known to the market, the Manager believes that, even if efforts to manipulate the price of the Fund Components at 4:00 p.m., E.T. were successful on any trading platform, such activity would have had a limited effect on the pricing of the Fund, due to the controls embedded in the structure of the Index and its use of the Digital Asset Reference Rates.

Accordingly, the Manager believes that the Index and it use of the Digital Asset Reference Rates have proven their ability to (i) mitigate the effects of fraud, manipulation and other anomalous trading activity on the Fund Components reference rates, (ii) provide a real-time, volume-weighted fair value of the Fund Components and (iii) appropriately handle and adjust for non-market related events. For these reasons, the Manager believes that the Index represents an effective alternative means to prevent fraud and manipulation and the Fund's reliance on the Index and its use of the Digital Asset Reference Rates addresses the Commission's concerns with respect to potential fraud and manipulation.

Creation and Redemption of Shares

Authorized Participants may submit orders to create or redeem Shares under procedures for "Cash Orders."

The Authorized Participants will deliver only cash to create Shares and will receive only cash when redeeming Shares. Further, Authorized Participants will not directly or indirectly

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[60]   All Digital Asset Trading Platforms that were included in the Digital Asset Reference Rates throughout the period were considered in this analysis.

purchase, hold, deliver, or receive the Fund Components as part of the creation or redemption

process or otherwise direct the Fund or a third party with respect to purchasing, holding,

delivering, or receiving the Fund Components as part of the creation or redemption process.

The Fund will create Shares by receiving the Fund Components from a third party that is

not the Authorized Participant and the Fund, or an affiliate of the Fund (and in any event not the

Authorized Participant), is responsible for selecting the third party to deliver the Fund

Components. Further, the third party will not be acting as an agent of the Authorized Participant

with respect to the delivery of the Fund Components to the Fund or acting at the direction of the

Authorized Participant with respect to the delivery of the Fund Components to the Fund. The

Fund will redeem Shares by delivering the Fund Components to a third party that is not the

Authorized Participant and the Fund, or an affiliate of the Fund (and in any event not the

Authorized Participant), is responsible for selecting the third party to receive the Fund

Components. Further, the third party will not be acting as an agent of the Authorized Participant

with respect to the receipt of the Fund Components from the Fund or acting at the direction of

the Authorized Participant with respect to the receipt of the Fund Components from the Fund.

Cash Orders are made through the participation of a Liquidity Provider[61] who obtains or

receives the Fund Components in exchange for cash, and are facilitated by the Transfer Agent

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[61]   A "Liquidity Provider" means one or more eligible companies that facilitate the purchase and sale of the
Fund Components in connection with creations or redemptions pursuant to Cash Orders. The Liquidity
Providers with which Grayscale Investments, LLC, acting other than in its capacity as the Manager (in such
other capacity, the "Liquidity Engager") will engage in Fund Component transactions are third parties that
are not affiliated with the Manager or the Fund and are not acting as agents of the Fund, the Manager, or
any Authorized Participant, and all transactions will be done on an arms-length basis. Except for the
contractual relationships between each Liquidity Provider and Grayscale Investments, LLC in its capacity
as the Liquidity Engager, there is no contractual relationship between each Liquidity Provider and the
Fund, the Manager, or any Authorized Participant. When seeking to buy Fund Components in connection
with creations or sell Fund Components in connection with redemptions, the Liquidity Engager will seek to
obtain commercially reasonable prices and terms from the approved Liquidity Providers. Once agreed
upon, the transaction will generally occur on an "over-the-counter" basis.

and Grayscale Investments, LLC, acting in its capacity as the Liquidity Engager. Liquidity

Providers are not party to the Participant Agreements (as defined below) and are engaged

separately by the Liquidity Engager.

According to the Registration Statement, the Fund creates Baskets (as described below)

of Shares only upon receipt of the Fund Components and redeems Shares only by distributing the

Fund Components. "Authorized Participants" are the only persons that may place orders to create

and redeem Baskets. Each Authorized Participant must (i) be a registered broker-dealer and (ii)

enter into an agreement with the Manager and Transfer Agent that provides the procedures for

the creation and redemption of Baskets and for the delivery of the Fund Components required for

the creation and redemption of Baskets via a Liquidity Provider (each, a "Participant

Agreement"). An Authorized Participant may act for its own account or as agent for broker-

dealers, custodians and other securities market participants that wish to create or redeem Baskets.

Shareholders who are not Authorized Participants will only be able to create or redeem their

Shares through an Authorized Participant.

The Fund issues Shares to and redeems Shares from Authorized Participants on an

ongoing basis, but only in one or more "Baskets" (with a Basket being a block of 10,000 Shares).

The Fund will not issue fractions of a Basket.

The creation and redemption of Baskets will be made only in exchange for the delivery to

the Fund, or the distribution by the Fund, of the number of whole and fractional Fund

Components represented by each Basket being created or redeemed, which is determined by

dividing (x) the number of the Fund Components owned by the Fund at 4:00 p.m., New York

time, on the trade date of a creation or redemption order, after deducting the number of Fund

Components representing the U.S. dollar value of accrued but unpaid fees and expenses of the

Fund (converted using the Digital Asset Reference Rates at such time, and carried to the eighth decimal place), by (y) the number of Shares outstanding at such time (with the quotient so obtained calculated to one one-hundred-millionth of the Fund Components (i.e., carried to the eighth decimal place)), and multiplying such quotient by 10,000 (the "Basket Amount"). The U.S. dollar value of a Basket is calculated by multiplying the Basket Amount by the Digital Asset Reference Rates as of the trade date (the "Basket NAV"). The Basket NAV multiplied by the number of Baskets being created or redeemed is referred to as the "Total Basket NAV." All questions as to the calculation of the Basket Amount will be conclusively determined by the Manager and will be final and binding on all persons interested in the Fund. The number the Fund Components represented by a Share will gradually decrease over time as the Fund Components are used to pay the Fund's expenses. Each Share represented approximately 0.0004 of one Bitcoin, 0.0023 of one Ether, 0.0085 of one SOL, 0.0072 of one AVAX, and 1.0537 of one XRP as of June 30, 2024.

The creation of Baskets requires the delivery to the Fund of the Total Basket Amount and the redemption of Baskets requires the distribution by the Fund of the Total Basket Amount.

Although the Fund creates Baskets only upon the receipt of the Fund Components, and redeems Baskets only by distributing the Fund Components, an Authorized Participant will submit Cash Orders, pursuant to which the Authorized Participant will deposit cash with, or accept cash from, the Transfer Agent in connection with the creation and redemption of Baskets.

Cash Orders will be facilitated by the Transfer Agent and Liquidity Engager, acting other than in its capacity as Manager. On an order-by-order basis, the Liquidity Engager will engage one or more Liquidity Providers to obtain or receive the Fund Components in exchange for cash in connection with such order, as described in more detail below.

Unless the Manager requires that a Cash Order be effected at actual execution prices (an "Actual Execution Cash Order"),[62] each Authorized Participant that submits a Cash Order to create or redeem Baskets (a "Variable Fee Cash Order")[63] will pay a fee (the "Variable Fee") based on the Total Basket NAV, and any price differential of the Fund Components between the trade date and the settlement date will be borne solely by the Liquidity Provider until such Fund Components have been received or liquidated by the Fund. The Variable Fee is intended to cover all of a Liquidity Provider's expenses in connection with the creation or redemption order, including any trading platform fees that the Liquidity Provider incurs in connection with buying or selling the Fund Components. The amount may be changed by the Manager in its sole discretion at any time, and Liquidity Providers will communicate to the Manager in advance the Variable Fee they would be willing to accept in connection with a Variable Fee Cash Order, based on market conditions and other factors existing at the time of such Variable Fee Cash Order.

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[62] With respect to a creation or redemption pursuant to an Actual Execution Cash Order, as between the Fund and an Authorized Participant, the Authorized Participant is responsible for the dollar cost of the difference between the Fund Components' price utilized in calculating Total Basket NAV on the trade date and the price at which the Fund acquires or disposes of the Fund Components on the settlement date. If the price realized in acquiring or disposing of the corresponding Total Basket Amount is higher than the Total Basket NAV, the Authorized Participant will bear the dollar cost of such difference, in the case of a creation, by delivering cash in the amount of such shortfall (the "Additional Creation Cash") to the Cash Account or, in the case of a redemption, with the amount of cash to be delivered to the Authorized Participant being reduced by the amount of such difference (the "Redemption Cash Shortfall"). If the price realized in acquiring the corresponding Total Basket Amount is lower than the Total Basket NAV, the Authorized Participant will benefit from such difference, with the Fund promptly returning cash in the amount of such excess (the "Excess Creation Cash") to the Authorized Participant.

[63] Unless the Manager determines otherwise in its sole discretion based on market conditions and other factors existing at the time of such Cash Order, all creations and redemptions pursuant to Cash Orders are expected to be executed as Variable Fee Cash Orders, and any price differential of Fund Components between the trade date and the settlement date will be borne solely by the Liquidity Provider until such Fund Components have been received by the Fund.

Alternatively, the Manager may require that a Cash Order be effected as an Actual Execution Cash Order, in its sole discretion based on market conditions and other factors existing at the time of such Cash Order, and under such circumstances, any price differential of the Fund Components between the trade date and the settlement date will be borne solely by the Authorized Participant until such Fund Components have been received or liquidated by the Fund.

In the case of creations, to transfer the Total Basket Amount to the Fund's Digital Asset Account, the Liquidity Provider will transfer the Fund Components to one of the public key addresses associated with the Digital Asset Account and as provided by the Manager. In the case of redemptions, the same procedure is conducted, but in reverse, using the public key addresses associated with the wallet of the Liquidity Provider and as provided by such party. All such transactions will be conducted on the blockchain and parties acknowledge and agree that such transfers may be irreversible if done incorrectly.

Authorized Participants do not pay a transaction fee to the Fund in connection with the creation or redemption of Baskets, but there may be transaction fees associated with the validation of the transfer of the Fund Components by the online, end-user-to-end-user network hosting a public transaction ledger, known as a Blockchain, and the source code comprising the basis for the cryptographic and algorithmic protocols governing such network, which will be paid by the Custodian in the case of redemptions and the Authorized Participant or the Liquidity Provider in the case of creations. Service providers may charge Authorized Participants administrative fees for order placement and other services related to creation of Baskets. As discussed above, Authorized Participants will also pay the Variable Fee in connection with Variable Fee Cash Orders. Under certain circumstances Authorized Participants may also be

required to deposit additional cash in the Cash Account, or be entitled to receive excess cash from the Cash Account, in connection with creations and redemptions pursuant to Actual Execution Cash Orders. Authorized Participants will receive no fees, commissions or other form of compensation or inducement of any kind from either the Manager or the Fund and no such person has any obligation or responsibility to the Manager or the Fund to effect any sale or resale of Shares.

Creation Procedures

On any business day, an Authorized Participant may place an order with the Transfer Agent to create one or more Baskets.

Cash Orders for creation must be placed with the Transfer Agent no later than 1:59:59 p.m., New York time.

The Manager may in its sole discretion limit the number of Shares created pursuant to Cash Orders on any specified day without notice to the Authorized Participants and may direct the Marketing Agent to reject any Cash Orders in excess of such capped amount. In exercising its discretion to limit the number of Shares created pursuant to Cash Orders, the Manager expects to take into consideration a number of factors, including the availability of Liquidity Providers to facilitate Cash Orders and the cost of processing Cash Orders.

Creations under Cash Orders will take place as follows, where "T" is the trade date and each day in the sequence must be a business day. Before a creation order is placed, the Manager determines if such creation order will be a Variable Fee Cash Order or an Actual Execution Cash Order, which determination is communicated to the Authorized Participant.

Trade Date (T)	**Settlement Date** **(T+1, or T+2, as established at the time of** **order placement)**
• The Authorized Participant places a creation order with the Transfer Agent. • The Marketing Agent accepts (or rejects) the creation order, which is communicated to the Authorized Participant by the Transfer Agent. • The Manager notifies the Liquidity Provider of the creation order. • The Manager determines the Total Basket NAV and any Variable Fee and Additional Creation Cash as soon as practicable after 4:00 p.m., New York time.	• The Authorized Participant delivers to the Cash Account:* (x) in the case of a Variable Fee Cash Order, the Total Basket NAV, plus any Variable Fee; or (y) in the case of an Actual Execution Cash Order, the Total Basket NAV, plus any Additional Creation Cash, less any Excess Creation Cash, if applicable (such amount, as applicable, the "Required Creation Cash"). • The Liquidity Provider transfers the Total Basket Amount to the Fund's Vault Balance. • Once the Fund is in simultaneous possession of (x) the Total Basket Amount and (y) the Required Creation Cash, the Fund issues the aggregate number of Shares corresponding to the Baskets ordered by the Authorized Participant, which the Transfer Agent holds for the benefit of the Authorized Participant.

- Cash equal to the Required Creation Cash is delivered to the Liquidity Provider from the Cash Account.

- The Transfer Agent delivers Shares to the Authorized Participant by crediting the number of Baskets created to the Authorized Participant's DTC account.

* The "Cash Account" means the account maintained by the Transfer Agent for purposes of receiving cash from, and distributing cash to, Authorized Participants in connection with creations and redemptions pursuant to Cash Orders. For the avoidance of doubt, the Fund shall have no interest (beneficial, equitable or otherwise) in the Cash Account or any cash held therein.

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 a redemption order specifying the number of Baskets to be redeemed.

The redemption of Shares pursuant to Cash Orders will only take place if approved by the Manager in writing, in its sole discretion and on a case-by-case basis. In exercising its discretion to approve the redemption of Shares pursuant to Cash Orders, the Manager expects to take into consideration a number of factors, including the availability of Liquidity Providers to facilitate Cash Orders and the cost of processing Cash Orders

Cash Orders for redemption must be placed no later than 1:59:59 p.m., New York time on each business day. The Authorized Participants may only redeem Baskets and cannot redeem any

Shares in an amount less than a Basket.

Redemptions under Cash Orders will take place as follows, where "T" is the trade date and each day in the sequence must be a business day. Before a redemption order is placed, the Manager determines if such redemption order will be a Variable Fee Cash Order or an Actual Execution Cash Order, which determination is communicated to the Authorized Participant.

Trade Date (T)	Settlement Date (T+1 (or T+2 on case-by-case basis, as approved by Manager))
• The Authorized Participant places a redemption order with the Transfer Agent. • The Marketing Agent accepts (or rejects) the redemption order, which is communicated to the Authorized Participant by the Transfer Agent. • The Manager notifies the Liquidity Provider of the redemption order. • The Manager determines the Total Basket NAV and, in the case of a Variable Fee Cash Order, any Variable Fee, as soon as practicable after 4:00 p.m., New York time.	• The Authorized Participant delivers Baskets to be redeemed from its DTC account to the Transfer Agent. • The Liquidity Provider delivers to the Cash Account: (x) in the case of a Variable Fee Cash Order, the Total Basket NAV less any Variable Fee; or (y) in the case of an Actual Execution Cash Order, the actual proceeds to the Fund from the liquidation of the Total Basket Amount (such amount, as applicable, the "Required Redemption Cash"). • Once the Fund is in simultaneous possession of (x) the Total Basket Amount

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and (y) the Required Redemption Cash, the Transfer Agent cancels the Shares comprising the number of Baskets redeemed by the Authorized Participant.

- The Custodian sends the Liquidity Provider the Total Basket Amount, and cash equal to the Required Redemption Cash is delivered to the Authorized Participant from the Cash Account.

Suspension or Rejection of Orders and Total Basket Amount

The creation or redemption of Shares may be suspended generally,[64] or refused with respect to particular requested creations or redemptions, during any period when the transfer books of the Transfer Agent are closed or if circumstances outside the control of the Manager or its delegates make it for all practicable purposes not feasible to process creation orders or redemption orders or for any other reason at any time or from time to time.[65] The Transfer Agent may reject an order or, after accepting an order, may cancel such order if: (i) such order is not presented in proper form as described in the Participant Agreement, (ii) the transfer of the Total Basket Amount comes from an account other than a wallet address that is known to the

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[64] The Manager will notify the Exchange in the event that the creation or redemption of Shares will be suspended generally and will follow the Exchange's "Immediate Release Policy."

[65] Extenuating circumstances outside of the control of the Manager and its delegates or that could cause the transfer books of the Transfer Agent to be closed are outlined in the Participant Agreement and include, for example, public service or utility problems, power outages resulting in telephone, telecopy and computer failures, acts of God such as fires, floods or extreme weather conditions, market conditions or activities causing trading halts, systems failures involving computer or other information systems, including any failures or outages of the Ethereum Network, affecting the Authorized Participant, the Manager, the Fund, the Transfer Agent, the Marketing Agent and the Custodian and similar extraordinary events.

Custodian as belonging to a Liquidity Provider or (iii) the fulfillment of the order, in the opinion

of counsel, might be unlawful, among other reasons. None of the Manager or its delegates will

be liable for the suspension, rejection or acceptance of any creation order or redemption order.

Availability of Information

The Fund's website (https://grayscale.com/crypto-products/grayscale-digital-large-cap-

fund/) will include quantitative information on a per Share basis updated on a daily basis,

including, (i) the current NAV per Share daily and the prior business day's NAV per Share and

the reported closing price of the Shares; (ii) the mid-point of the bid-ask price[66] as of the time the

NAV per Share is calculated ("Bid-Ask Price") and a calculation of the premium or discount of

such price against such NAV per Share; and (iii) data in chart format displaying the frequency

distribution of discounts and premiums of the daily Bid-Ask Price against the NAV per Share,

within appropriate ranges, for each of the four previous calendar quarters (or for as long as the

Fund has been trading as an ETP if shorter). In addition, on each business day the Fund's website

will provide pricing information for the Shares and disclosed the Fund's holdings, including: (i)

the name of each Fund Component; (ii) the quantify of each Fund Component; and (iii) the

weighting of each Fund Component.

One or more major market data vendors will provide the Intra-Day Fund Value ("IFV")

per Share updated every 15 seconds, as calculated by the Exchange or a third party financial data

provider during the Exchange's Core Trading Session (9:30 a.m. to 4:00 p.m., E.T.).[67] The IFV

will be calculated using the same methodology as the NAV per Share of the Fund (as described

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

[67]   The IFV on a per Share basis disseminated during the NYSE Arca Core Trading Session should not be
         viewed as a real-time update of the NAV, which is calculated once a day.

above), specifically by using the prior day's closing NAV per Share as a base and updating that value during the NYSE Arca Core Trading Session to reflect changes in the value of the Fund's NAV during the trading day.

The IFV disseminated during the NYSE Arca Core Trading Session should not be viewed as an actual real-time update of the NAV per Share, which will be calculated only once at the end of each trading day. The IFV 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 IFV will be available through on-line information services.

The NAV for the Fund will be calculated by the Manager once a day and will be disseminated daily to all market participants at the same time. To the extent that the Manager has utilized the cascading set of rules described in "Index Price" above, the Fund's website will note the valuation methodology used and the price per Fund Components resulting from such calculation. Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the Consolidated Tape Association ("CTA").

Quotation and last sale information for the Fund Components will be widely disseminated through a variety of major market data vendors, including Bloomberg and Reuters. In addition, real-time price (and volume) data for the Fund Components is available by subscription from Reuters and Bloomberg. The spot price of the Fund Components 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, will be available from major market data vendors and from the trading platforms on which the Fund Components are traded. The normal trading hours for Digital Asset Trading Platforms are 24-hours per day, 365-days per year.

On each business day, the Manager will publish the Digital Asset Reference Rates, the Fund's NAV, and the NAV per Share on the Fund's website as soon as practicable after its determination. If the NAV and NAV per Share have been calculated using a price per Fund Components other than the Digital Asset Reference Rates for such Evaluation Time, the publication on the Fund's website will note the valuation methodology used and the price per Fund Components resulting from such calculation.

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

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

<u>Trading Rules</u>

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

securities that are priced less than $1.00, for which the MPV for order entry is $0.0001.

The Shares will conform to the initial and continued listing criteria under NYSE Arca Rule 8.800-E. The trading of the Shares will be subject to NYSE Arca Rule 8.800-E(i), which sets forth certain restrictions on Equity Trading Permit Holders ("ETP Holders") acting as registered Market Makers in Commodity-Based Trust Shares to facilitate surveillance. The Exchange represents that, for initial and continued listing, the Fund will be in compliance with Rule 10A-3[68] under the Act, as provided by NYSE Arca Rule 5.3-E. A minimum of 100,000 Shares of the Fund will be outstanding at the commencement of trading on the Exchange.

Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund.[69] Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Rule 7.12-E have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable.

The Exchange may halt trading during the day in which an interruption to the dissemination of the IFV or the value of the Index occurs. If the interruption to the dissemination of the IFV or the value of the Index persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the NYSE Arca Core Trading Session on the trading day following the interruption. In addition, if the Exchange becomes aware that the NAV per Share is not disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV per Share is available to all market participants.

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[68]   17 CFR 240.10A-3.

[69]   See NYSE Arca Rule 7.12-E.

<u>Surveillance</u>

The Exchange represents that trading in the Shares of the Fund will be subject to the existing trading surveillances administered by the Exchange, as well as cross-market surveillances administered by FINRA on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.[70] 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 ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares from markets and other entities that are members of ISG or with which the Exchange has in place a CSSA.[71] The Exchange is

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[70]   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.

[71]   For a list of the current members of ISG, <u>see</u> <u>www.isgportal.org</u>. The Exchange notes that not all Fund Components may trade on markets that are members of ISG or with which the Exchange has in place a CSSA, but that, consistent with proposed Rule 8.800-E(c)(1), at least 90% of the Fund's commodity and/or digital asset holdings will consist of commodities and/or digital assets for which the Exchange may obtain information via the ISG from other members or affiliates of the ISG or for which the principal market is a market with which the Exchange has a CSSA.

also able to obtain information regarding trading in the Shares in connection with such ETP

Holders' proprietary or customer trades which they effect through ETP Holders on any relevant

market.

Under proposed Rule 8.800-E(i), an ETP Holder acting as a registered Market Maker in

the Shares is required to provide the Exchange with information relating to its accounts for

trading in any underlying commodity, related futures or options on futures, or any other related

derivatives. Commentary .04 of NYSE Arca Rule 11.3-E requires an ETP Holder acting as a

registered Market Maker, and its affiliates, in the Shares to establish, maintain and enforce

written policies and procedures reasonably designed to prevent the misuse of any material

nonpublic information with respect to such products, any components of the related products,

any physical asset or commodity underlying the product, applicable currencies, underlying

indexes, related futures or options on futures, and any related derivative instruments (including

the Shares). As a general matter, the

Exchange has regulatory jurisdiction over its ETP Holders and their associated persons,

which include any person or entity controlling an ETP Holder. To the extent the Exchange may

be found to lack jurisdiction over a subsidiary or affiliate of an ETP Holder that does business

only in commodities or futures contracts and that subsidiary or affiliate is a member of another

regulatory organization, the Exchange could obtain information regarding the activities of such

subsidiary or affiliate through a surveillance sharing agreement with that regulatory organization.

In addition, the Exchange also has a general policy prohibiting the distribution of

material, non-public information by its employees.

All statements and representations made in this filing regarding (a) the description of the

portfolios of the Fund, (b) limitations on portfolio holdings or reference assets, or (c) the

applicability of Exchange listing rules specified in this rule filing shall constitute continued listing requirements for listing the Shares on the Exchange.

The Manager 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 Rule 5.5-E(m).

Information Bulletin

Prior to the commencement of trading, the Exchange will inform its ETP Holders in an "Information Bulletin" of the special characteristics and risks associated with trading the Shares. Specifically, the Information Bulletin will discuss the following: (1) the procedures for creations of Shares in Baskets; (2) NYSE Arca Rule 9.2-E(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) information regarding how the value of the Digital Asset Reference Rates and the IFV are disseminated; (4) the possibility that trading spreads and the resulting premium or discount on the Shares may widen during the Opening and Late Trading Sessions, when an updated IFV will not be calculated or publicly disseminated; and (5) trading information. The Exchange notes that investors purchasing Shares directly from the Fund will receive a prospectus.

In addition, the Information Bulletin will reference that the Fund is subject to various fees and expenses as described in the Annual Report. The Information Bulletin will disclose that information about the Shares of the Fund is publicly available on the Fund's website.

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

2.   Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[72] in general, and furthers the objectives of Section 6(b)(5) of the Act,[73] in particular, in that it is 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 a national market system, and, in general, to protect investors and the public interest.

The Exchange believes that proposed Rule 8.800-E is designed to prevent fraudulent and manipulative acts and practices in that the proposed rules relating to listing and trading of Commodity- and/or Digital Asset-Based Investment Interests provide specific initial and continued listing criteria required to be met by such securities.

Proposed Rule 8.800-E(a) provides that the Exchange will file separate proposals under Rule 19(b) of the Act before the listing and trading of Commodity- and/or Digital Asset-Based Investment Interests. All statements or representations contained in such rule filing regarding (a) the description of the index, portfolio, or reference asset, (b) limitations on index or portfolio holdings or reference assets, or (c) the applicability of Exchange listing rules specified in such rule filing will constitute continued listing requirements. An issuer of such securities must notify the Exchange of any failure to comply with such continued listing requirements. If an issue of Commodity- and/or Digital Asset-Based Investment Interests does not satisfy these

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[72]   15 U.S.C. 78f(b).

[73]   15 U.S.C. 78f(b)(5).

requirements, the Exchange may halt trading in the securities and will initiate delisting proceedings pursuant to Rule 5.5-E(m).

Proposed Rule 8.800-E(e) sets forth initial and continued listing criteria applicable to Commodity- and/or Digital Asset-Based Investment Interests. Proposed Rule 8.800-E(e)(1)(i) provides that, for each series of Commodity- and/or Digital Asset-Based Investment Interests, the Exchange will establish a minimum number of Commodity- and/or Digital Asset-Based Investment Interests required to be outstanding at the time of commencement of trading on the Exchange. Proposed Rule 8.800-E(e)(1)(ii) provides that in the aggregate, at least 90% of the weight of the commodity and/or digital asset holdings of a series of Commodity- and/or Digital Asset-Based Investment Interests shall, on both an initial and continuing basis, consist of commodities and/or digital assets for which the Exchange may obtain information pursuant to its ISG membership or for which the principal market is a market with which the Exchange has a CSSA. In addition, proposed Rule 8.800-E(e)(2) provides that the Exchange will maintain surveillance procedures for securities listed under proposed Rule 8.800-E and sets forth the circumstances under which the Exchange would consider the suspension of trading in and delisting under Rule 5.5-E(m) of a series of Commodity- and/or Digital Asset-Based Investment Interests.

With respect to proposed Rule 8.800-E, the Exchange believes that the proposed rule change is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest because Commodity- and/or Digital Asset-Based Investment Interests listed and traded pursuant to proposed Rule 8.800-E would be substantially similar to Commodity-Based Trust Shares listed and traded pursuant to current Rule 8.201-E. Commodity- and/or Digital Asset-Based

Investment Interests differ from Commodity-Based Trust Shares only in that Commodity- and/or Digital Asset-Based Investment Interests could be issued, as a proposed, by a trust, limited liability company, or other similar entity (rather than only by a trust), and in that Commodity- and/or Digital Asset-Based Investment Interests could be based, as proposed, on underlying commodities, digital assets (provided that at least 90% of commodity and/or digital asset holdings are those concerning which the Exchange may obtain information via the ISG from other members of the ISG or via CSSA), and/or Derivative Securities Products. The Exchange believes this additional flexibility with respect to the structure of the entity issuing Commodity- and/or Digital Asset-Based Investment Interests and the holdings underlying such securities would remove impediments to and perfect the mechanism of a free and open market, as well as promote competition, by promoting the listing and trading of a new type of ETP, to the benefit of all market participants. The Exchange further believes that the proposed requirement that at least 90% of any commodity and/or digital asset holdings are those concerning which the Exchange may obtain information via the ISG from other members of the ISG or via a CSSA would remove impediments to and perfect the mechanism of a free and open market, as well as protect investors and the public interest, because it would offer flexibility to issuers of series of Commodity- and/or Digital Asset-Based Investment Interests, to the benefit of investors, while facilitating information sharing among market participants regarding the vast majority of any commodities and/or digital assets underlying series of Commodity- and/or Digital Asset-Based Investment Interests. As noted above, this requirement is based on a similar provision approved by the Commission in Commentary .01(d)(1) to Rule 8.600-E regarding Managed Fund Shares.

The Exchange also believes that the proposed addition of Commodity- and/or Digital Asset-Based Investment Interests to the enumerated derivative and special purpose securities that

are subject to the provisions of Rule 5.3-E (Corporate Governance and Disclosure Policies) and

Rule 5.3-E(e) (Shareholder/Annual Meetings) would promote just and equitable principles of

trade and remove impediments to and perfect the mechanism of a free and open market and a

national market system by holding Commodity- and/or Digital Asset-Based Investment Interests

to the same requirements currently applicable to other similar derivative and special purpose

securities such as those listed pursuant to Rule 8.201-E.

      With respect to the proposed listing and trading of Shares of the Fund, the Exchange

believes that the proposed rule change is designed to prevent fraudulent and manipulative acts

and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial

and continued listing criteria in NYSE Arca Rule 8.800-E. The Exchange has in place

surveillance procedures that are adequate to properly monitor trading in the Shares in all trading

sessions and to deter and detect violations of Exchange rules and applicable federal securities

laws. The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed

regarding trading in the Shares with other markets that are members of the ISG, and the

Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information

regarding trading in the Shares and Fund Component derivatives from such markets. In addition,

the Exchange may obtain information regarding trading in the Shares and Fund Component

derivatives from markets that are members of ISG or with which the Exchange has in place a

CSSA. Also, pursuant to NYSE Arca Rule 8.800-E(i), the Exchange is able to obtain information

regarding Market Maker accounts for trading in the Shares and the underlying Fund Components

or any Fund Component derivatives through ETP Holders acting as registered Market Makers, in

connection with such ETP Holders' proprietary or customer trades through ETP Holders which

they effect on any relevant market.

The proposed rule change is also designed to prevent fraudulent and manipulative acts and practices because, although the Digital Asset Trading Platform Market is not inherently resistant to fraud and manipulation, the Index and its use of the Digital Asset Reference Rates serves as a means sufficient to mitigate the impact of instances of fraud and manipulation on a reference price for the Fund Components. Specifically, the Index and its use of the Digital Asset Reference Rates provides a better benchmark for the price of the Fund Components than the Digital Asset Trading Platform Market price because (1) the Digital Asset Reference Rates track the Digital Asset Trading Platform Market price through trading activity at U.S.-Compliant Trading Platforms; (2) is the Digital Asset Reference Rates are constructed and maintained by an expert third-party index provider, allowing for prudent handling of non-market-related events; and (3) the Digital Asset Reference Rates mitigate the impact of instances of fraud, manipulation and other anomalous trading activity concentrated on any one specific trading platform through a cross-trading platform composite reference rate over a 60-minute period. The Fund has relied on the Index and its use of the Digital Asset Reference Rates to price the Shares for approximately two years, and the Index and its use of the Digital Asset Reference Rates has proven its ability to (i) mitigate the effects of fraud, manipulation and other anomalous trading activity from impacting the Fund Components' reference rates, (ii) provide a real-time, volume-weighted fair value of the Fund Components and (iii) appropriately handle and adjust for non-market related events, such that efforts to manipulate the price of the Fund Components would have had a negligible effect on the pricing of the Fund, due to the controls embedded in the structure of the Index. In addition, certain of the Digital Asset Reference Rates' Constituent Trading Platforms also have or have begun to implement market surveillance infrastructure to further detect, prevent, and respond to fraud, attempted fraud, and similar wrongdoing, including market

manipulation. The proposed rule change is also designed to prevent fraudulent and manipulative acts and practices because, as noted above, fraud or manipulation that impacts prices in spot Bitcoin markets or spot Ether markets would likely similarly impact CME Bitcoin futures and CME Ether futures prices, and the Exchange could obtain information from the CME to assist in detecting and deterring potential fraud or manipulation with respect to certain Fund Components.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that there is a considerable amount of price and market information available on public websites and through professional and subscription services for the Fund Components. Investors may obtain, on a 24-hour basis, Fund Component pricing information based on the spot price for the Fund Components from various financial information service providers. The closing price and settlement prices of the Fund Components are readily available from the Digital Asset Trading Platforms and other publicly available websites. In addition, such prices are published in public sources, or on-line information services such as Bloomberg and Reuters. The NAV per Share will be calculated daily and made available to all market participants at the same time. The Fund will provide website disclosure of its NAV daily. One or more major market data vendors will disseminate for the Fund on a daily basis information with respect to the most recent NAV per Share and Shares outstanding. In addition, if the Exchange becomes aware that the NAV per Share is not disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants. Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the CTA. The IFV will be widely disseminated on a per Share basis every 15 seconds during the NYSE Arca Core Trading Session (normally 9:30 a.m., E.T., to 4:00 p.m., E.T.) by one or more major market data vendors. The Exchange represents

that the Exchange may halt trading during the day in which an interruption to the dissemination of the IFV or the value of the Index occurs. If the interruption to the dissemination of the IFV or the value of the Index persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the NYSE Arca Core Trading Session on the trading day following the interruption.

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

(B) institute proceedings to determine whether the proposed rule change should be

disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the

foregoing, including whether the proposed rule change is consistent with the Act. Comments

may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form

(https://www.sec.gov/rules/sro.shtml); or

- Send an email to rule-comments@sec.gov. Please include file number

SR-NYSEARCA-2024-87 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange

Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-NYSEARCA-2024-87. This file number should

be included on the subject line if email is used. To help the Commission process and review

your comments more efficiently, please use only one method. The Commission will post all

comments on the Commission's internet website (https://www.sec.gov/rules/sro.shtml). Copies

of the submission, all subsequent amendments, all written statements with respect to the

proposed rule change that are filed with the Commission, and all written communications

relating to the proposed rule change between the Commission and any person, other than those

that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be

available for website viewing and printing in the Commission's Public Reference Room, 100 F

Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3

p.m. Copies of the filing also will be available for inspection and copying at the principal office

of the Exchange. Do not include personal identifiable information in submissions; you should

submit only information that you wish to make available publicly. We may redact in part or

withhold entirely from publication submitted material that is obscene or subject to copyright

protection. All submissions should refer to file number SR-NYSEARCA-2024-87 and should be

submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE

FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated

authority.[74]

Sherry R. Haywood,

Assistant Secretary.

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[74]   17 CFR 200.30-3(a)(12).