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September 1, 2026

Vanessa A. Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street NE, Washington, DC 20549-1090

Re: File No. S7-2026-24; RIN 3235-AN81 — Request for Comment on Novel ETFs

Via Electronic Submission

Dear Ms. Countryman,

Optiver US LLC ("OUS")[1] respectfully submits this letter in response to the Commission's Request for Comment on Novel ETFs, issued June 30, 2026.[2] Optiver is a global market maker and has been improving financial markets since 1986. We trade options, futures, equities, ETFs, fixed income, and equity indices with our own capital across more than a hundred exchanges and venues worldwide, including markets in the United States regulated by the SEC and CFTC. By providing continuous, two-sided liquidity we make those markets more efficient, transparent, and stable.

Optiver has provided liquidity in exchange-traded products for over a decade and is among the largest liquidity providers by volume in ETFs listed on several major global venues. In the United States we quote and hedge U.S.-listed ETFs and make markets in listed options on those products, and we access the primary market through an authorized participant.

INTRODUCTION

Our principal economic function in U.S. ETF markets is the same described by the Commission in the adopting release accompanying Rule 6c-11.[3] We trade the difference between a fund's market

[1] Optiver US LLC ("OUS") submits this letter. References to "Optiver" are to the Optiver group of companies.
[2] Request for Comment on Novel ETFs, 91 Fed. Reg. 40647, File No. S7-2026-24, RIN 3235-AN81 (July 2, 2026) [hereinafter Request].
[3] Exchange-Traded Funds Release No. 33646, 84 Fed. Reg. 57,162, 57,165 (Oct. 24, 2019) ("The combination of the creation and redemption process with secondary market trading in ETF shares and underlying securities provides arbitrage opportunities that are designed to help keep the market price of ETF shares at or close to the NAV per share of the ETF.") [hereinafter 6c-11 Adopting Release].

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price and its net asset value per share ("NAV"), and by doing so keep the two close. We are not the sponsor, adviser, or distributor of any ETF. We do not select or market products, we receive no advisory, management or distribution fees from any fund, and we do not act as an investment adviser or fiduciary to any investor in a fund. Our comments in response to this Request are limited to Question 5 regarding the arbitrage mechanism.

QUESTION 5 – NOVEL ETFS AND THE ARBITRAGE MECHANISM

Question 5 asks, in pertinent part, "Do the assets and strategies of Novel ETFs present any questions regarding . . . the functioning of the ETF arbitrage mechanism and related secondary trading activity that supports it[.]"[4] As of this writing, we trade leveraged and single-stock ETFs in the U.S. We do not trade funds holding private assets or event contracts, and our comments on those categories reflect analysis of the market structure rather than direct experience.

There are three pre-conditions required for the ETF arbitrage mechanism to function effectively from the perspective of a liquidity provider. First, the value of the fund's portfolio should be estimable in real time. Second, an offsetting position either in the portfolio directly, or available as a close substitute for it, must be available at a quantifiable cost. Third, the resulting trade needs to be able to settle through creation or redemption at the NAV in a known time with correctly modeled risk. Where all three conditions are met, market makers find that spreads are tight and the premium or discount is small, however exotic the exposure might sound. Where any of the three pre-conditions are not present, quotes must widen or withdraw, and the arbitrage mechanism produces large and stable premiums or discounts.

The Request describes Novel ETFs as providing exposure to innovative asset classes and investment strategies.[5] We group the asset classes to include crypto assets, commodity-focused instruments, private assets, event contracts, and single-stock strategies; and the investment strategies to include heightened leverage and blockchain-enabled opportunities. We present the questions raised by these assets and strategies in relation to the three conditions described above.[6]

1. *Fund portfolio value availability*

[4] Request, *supra* note 2, at 40,649.
[5] Request, *supra note* 2 at 40648.
[6] It is unclear what products the phrase "blockchain-enabled opportunities" refers to as it is undefined in the Request, and rather than speculate here we do not discuss it in our analysis.

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Our analysis of the first criterion is, by necessity, limited to the novel asset classes the Request defined. Spot crypto assets are priced continuously on multiple venues, and a price is observable at every instant an ETF's shares are quoted. Commodity-focused products can rely on deep and nearly continuous pricing from commodity futures markets. While industry efforts are underway to build liquidity in private markets,[7] as of this writing, private assets are determined in good faith at intervals, rather than observed, and have no contemporaneous price against which a market price can be compared. Single stocks, in contrast, are widely available in cash equity markets. Event contract markets have experienced significant growth, but tend to have limited duration, and episodic liquidity more tied to the event when it is taking place than in the lead-up.

The Commission will need to develop criteria to determine whether ETFs focused on private assets can adequately address the questions raised by the degree to which their values are unavailable while the ETF's shares are quoted.

2. *Offsetting positions available to trade with clear costs*

By the same analysis of the first criterion, offsetting positions are readily available for single stocks, crypto assets, and commodity-focused products. For commodity-focused products the hedging constraints emerge from position limits and accountability levels on the futures used to hedge as well as the costs associated with futures roll and contango. Commodity-focused instruments also usually cannot hold the commodity position directly and take exposure through a wholly-owned subsidiary, which puts a valuation layer between the fund and the observable price. For private assets challenges arise in both the availability of hedges and the cost. One further complication is that crypto assets, commodity-focused products, and private assets hedges require market connections that only some liquidity providers possess. Event contract markets may offer a unique avenue to substitute for unavailable positions at clear cost. However they will likely need to develop deeper liquidity to emerge as a viable hedging option.

Leveraged strategies on single-stock ETFs pose an additional market wrinkle for the offsetting requirement, independent of their Rule 18f-4 obligations.[8] The arbitrage mechanism would require liquidity providers in levered-long single-stock ETFs to obtain short exposure to the issuer priced by the securities lending market. Where a name becomes hard to borrow, hedge costs rise sharply. According

[7] *See* Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change to Adopt Additional Initial Listing Criteria for Private Placement Markets, 84 Fed. Reg. 46,580 (Sept. 4, 2019).
[8] 17 C.F.R. § 270.18f-4 (2026), *see also* 17 C.F.R. 270.6c-11(c)(4).

to our own internal analysis, borrow costs on names of this type can move by orders of magnitude within a single session. In that event, we would expect the fund's own rebalancing demand to be at its highest. For levered-short single-stock ETFs, the fund's operation will also create pressure in the stock-lending market. This is an area raising multiple questions for the Commission to consider around investor protection and market integrity given the known timing of large flows for levered single-name ETFs that must rebalance daily near market close.

3. Settlement and custody

When any of the assets in these novel funds settle on a different cycle than the shares a liquidity provider participating in the arbitrage mechanism delivers or receives, the market maker would be required to carry basis risk during the gap. Further, where a given basket is cash instead of in-kind assets a market maker carries execution risk. A registered crypto ETF would raise that risk for market makers even though the Commission resolved it in its July 29, 2025, in-kind order only for crypto asset exchange-traded products that *are not* investment companies.[9] Either way, both types of settlement risks can be priced but will affect the fund's premium. This final step is essential for Novel ETF issuers to examine closely and attempt to mitigate.

CONCLUSION

We thank the Commission for the opportunity to offer our expertise as market makers in ETFs and hope that our contributions on this comment file will serve to assist the Commission in thinking through unique challenges raised by these novel products. We are encouraged by the Commission's proactive approach to these questions and would welcome the opportunity for further engagement with the Commission on these issues.

Respectfully submitted,

Matt MacKenzie

Head of U.S. Policy

[9] Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Cboe BZX Exchange, Inc., NYSE Arca, Inc.; Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, To Amend Certain Bitcoin and Ether-Based Commodity-Based Trust Shares to Permit In-Kind Creations and Redemptions, Exchange Act Release No. 34-103571, 90 Fed. Reg. 36,248 (Aug. 1, 2025); *see also* Request, *supra* note 2, at 40,647 n.1.

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Signature: 
Matt MacKenzie (Sep 1, 2026 10:38:20 EDT)

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