



**Martha Redding**  
Associate General Counsel  
Assistant Secretary

New York Stock Exchange  
11 Wall Street  
New York, NY 10005

September 21, 2017

**VIA E-MAIL**

Brent J. Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090

Re: Securities Exchange Act Rel. 34-81373 (SR-NYSEArca-2017-85)

Dear Mr. Fields:

NYSE Arca, Inc. filed the attached Amendment No. 1 to the above-referenced filing on September 21, 2017.

Sincerely,

A handwritten signature in blue ink, appearing to be "MJ" or similar initials, written in a cursive style.

(Encl. Amendment No. 1 to SR-NYSEArca-2017-85)

Required fields are shown with yellow backgrounds and asterisks.

Filing by NYSE Arca, Inc.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

Exhibit 2 Sent As Paper Document	Exhibit 3 Sent As Paper Document
<input type="checkbox"/>	<input type="checkbox"/>

**Description**

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

Proposal to amend NYSE Arca Equities Rule 8.700 to add reference to EURO STOXX 50 Volatility Index futures and to list and trade shares of the ProShares European Volatility Futures ETF

**Contact Information**

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

First Name \* Michael Last Name \* Cavalier

Title \* Counsel NYSE Group Inc

E-mail \* [REDACTED]

Telephone \* [REDACTED] Fax [REDACTED]

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date 09/21/2017 Associate General Counsel

By Clare Saperstein

(Name \*)

Clare Saperstein,

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

Add Remove View

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

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

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

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

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

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

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Exhibit Sent As Paper Document

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

1. Text of the Proposed Rule Change

- (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)<sup>1</sup> and Rule 19b-4 thereunder<sup>2</sup> NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) proposes (1) to amend NYSE Arca Rule 8.700-E to add EURO STOXX 50 Volatility Index (VSTOXX®) futures to the financial instruments that an issue of Managed Trust Securities may hold; and (2) to list and trade shares of the ProShares European Volatility Futures ETF under proposed amended NYSE Arca Rule 8.700-E.

This Amendment No. 1 to SR-NYSEArca-2017-85 replaces SR-NYSEArca-2017-85 as originally filed and supersedes such filing in its entirety.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1.

- (b) The Exchange does not believe that the proposed rule change would have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange’s governing documents. Therefore, the Exchange’s internal procedures with respect to the proposed rule change are complete.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule change is:

Michael Cavalier  
Counsel  
NYSE Group, Inc.  
[REDACTED]

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

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

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

(a) Purpose

NYSE Arca Rule 8.700-E permits the trading of Managed Trust Securities either by listing or pursuant to unlisted trading privileges (“UTP”).<sup>3</sup> The Exchange proposes to amend NYSE Arca Rule 8.700-E to add futures and swaps on the EURO STOXX 50 Volatility Index (“VSTOXX”) to the financial instruments in which an issue of Managed Trust Securities may hold long and/or short positions. (Futures on VSTOXX are referred to herein as “Futures Contracts.”) In addition, the Exchange proposes to list and trade the shares (the “Shares”) of the ProShares European Volatility Futures ETF (the “Fund”) under proposed amended NYSE Arca Rule 8.700-E.<sup>4</sup>

Proposed Amendments to NYSE Arca Rule 8.700-E

The Exchange proposes to amend NYSE Arca Rule 8.700-E (c)(1) to add Futures Contracts and/or swaps on VSTOXX to the financial instruments in which an issue of Managed Trust Securities may hold long and/or short positions.

The VSTOXX is based on EURO STOXX 50 Index (“Index”) real-time option prices that are listed on the Eurex Exchange (“Eurex”) and are designed to reflect

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<sup>3</sup> Managed Trust Security means a security that is registered under the Securities Act of 1933 (15 U.S.C. 77a), as amended (the “Securities Act”), is issued by a trust that (1) is a commodity pool as defined in the Commodity Exchange Act (7 U.S.C. 1) (the “CEA”), and that is managed by a commodity pool operator registered with the Commodity Futures Trading Commission (the “CFTC”), and (2) holds long and/or short positions in exchange-traded futures contracts and/or certain currency forward contracts and/or swaps selected by the trust’s advisor consistent with the trust’s investment objectives, which will only include, exchange-traded futures contracts involving commodities, commodity indices, currencies, currency indices, stock indices, fixed income indices, interest rates and sovereign, private and mortgage or asset backed debt instruments, and/or forward contracts on specified currencies, and/or swaps on stock indices, fixed income indices, commodity indices, commodities, currencies, currency indices, or interest rates, each as disclosed in the trust’s prospectus as such may be amended from time to time, and cash and cash equivalents; and (ii) is issued and redeemed continuously in specified aggregate amounts at the next applicable net asset value. See NYSE Arca Rule 8.700-E (c)(1).

<sup>4</sup> On May 12, 2017, the Trust filed with the Commission a registration statement on Form S-1 under the Securities Act of 1933 (15 U.S.C. 77a) (“Securities Act”) relating to the Fund (File No. 333-217962) (the “Registration Statement”). The description of the operation of the Trust and the Fund herein is based, in part, on the Registration Statement.

the market expectations of near-term up to long-term volatility by measuring the square root of the implied variances across all options of a given time to expiration.<sup>5</sup> The Index includes 50 stocks that are among the largest free-float market capitalization stocks from 11 Eurozone countries.<sup>6</sup> Futures Contracts are cash settled and trade between the hours of 7:30 a.m. and 10:30 p.m. Central European Time (“CET”) (2:30 a.m. and 5:30 p.m. Eastern Time). The Futures Contract value is 100 Euros per index point of the underlying and it is traded to two decimal places with a minimum price change of 0.05 points (equivalent to a value of 5 Euros). The daily settlement price is determined during the closing auction of the respective Futures Contract. The last trading day and final settlement day is 30 calendar days prior to the third Friday of the expiration month of the underlying options, which is usually the Wednesday prior to the second to last Friday of the respective maturity month. Information regarding the VSTOXX and the Futures Contracts can be found on the STOXX Limited (“STOXX”) website and the Eurex website, respectively.<sup>7</sup>

STOXX computes the Index on a real-time basis throughout each trading day, from 8:50 a.m. until 5:30 CET (3:50 a.m. until 12:30 p.m. Eastern Time). VSTOXX levels will be calculated by STOXX and widely disseminated by major market data vendors on a real-time basis throughout each trading day.

The Exchange believes that the proposed amendment to add Futures Contracts and/or Swap Contracts on VSTOXX to the financial instruments in which an issue of Managed Trust Securities may hold long and/or short positions will provide investors with the ability to better diversify and hedge their portfolios using an exchange traded security without having to trade directly in the underlying Futures Contracts, and will facilitate the listing and trading on the Exchange of additional Managed Trust Securities that will enhance competition among market participants, to the benefit of investors and the marketplace.<sup>8</sup>

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<sup>5</sup> The VSTOXX is a non-investable index that seeks to measure the volatility of the Index over a future time horizon as implied by the price of option contracts on the Index available on the Eurex. The VSTOXX does not measure the actual volatility of the Index.

<sup>6</sup> These countries include Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

<sup>7</sup> Eurex is a member of the ISG and, as such, the Exchange may obtain information regarding trading in the Futures Contracts. For a list of the current members and affiliate members of ISG, see [www.isgportal.com](http://www.isgportal.com).

<sup>8</sup> The Exchange notes that the Commission has issued a notice of effectiveness regarding amendments to NYSE Arca Rule 5.2-E (j)(6)(v) (formerly NYSE Arca Equities Rule 5.2(j)(6)(v)) to add futures on VSTOXX as a “Futures Reference Asset” underlying an issue of “Futures-Linked Securities”. See Securities Exchange Act Release No. 79975 (February 6, 2017), 82 FR 10418 (February 10,

## ProShares European Volatility Futures ETF

The Exchange proposes to list and trade the Shares of the Fund under proposed amended NYSE Arca Rule 8.700-E. The Fund will be a commodity pool that is a series of the ProShares Trust II (“Trust”). The Fund’s sponsor and commodity pool operator will be ProShare Capital Management LLC (the “Sponsor”). Brown Brothers Harriman & Co. will be the Administrator, Custodian and Transfer Agent of the Fund and its Shares. SEI Investments Distribution Co. (“SEI” or the “Distributor”) will be the distributor for the Fund’s Shares.<sup>9</sup>

The Sponsor is registered as a commodity pool operator and is affiliated with a FINRA-registered broker-dealer through common ownership. As part of the enterprise-wide compliance program, the Sponsor has implemented a “fire wall” regarding access to information concerning the composition and/or changes to the Fund’s portfolio. The Sponsor’s Code of Ethics and internal controls are designed to prevent and detect such exchange of information.

In the event (a) the Sponsor becomes a broker-dealer or newly affiliated with a broker-dealer, or (b) any new sponsor becomes affiliated with a broker-dealer, such broker-dealer shall erect and maintain a “fire wall” around the personnel of the sponsor who have access to information concerning changes and adjustments to the Disclosed Portfolio (as defined in NYSE Arca Rule 8.700-E (c)(2)). Personnel of the Sponsor who make decisions regarding the composition of the Disclosed Portfolio must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Disclosed Portfolio.

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2017) (SR-NYSEArca-2017-08) (notice of filing and immediate effectiveness to amend NYSE Arca Equities Rule 5.2(j)(6)(v) to add EURO STOXX 50 Volatility Futures to the definition of Futures Reference Asset in Rule 5.2(j)(6)). See also, Securities Exchange Act Release No. 79069 (October 7, 2016), 81 FR 70714 (October 13, 2016) (SR-BatsBZX-2016-26) (order approving amendments to Bats BZX Exchange, Inc. Rule 14.11(d) to add EURO STOXX 50 Volatility Futures to the definition of Futures Reference Asset).

<sup>9</sup> The Commission has previously approved the listing and trading of other issues of Managed Trust Securities on the Exchange. See Securities Exchange Act Release Nos. 60064 (June 8, 2009), 74 FR 28315 (June 15, 2009) (SR-NYSEArca-2009-30) (order approving the adoption of listing standards for Managed Trust Securities and the listing and trading of shares of the iShares<sup>®</sup> Diversified Alternatives Trust); 80254 (March 15, 2017), 82 FR 14548 (March 21, 2017) (SR-NYSEArca-2016-96) (order approving proposed rule change to amend NYSE Arca Equities Rule 8.700 and to list and trade shares of the Managed Emerging Markets Trust).

## Operation of the Trust

According to the Registration Statement, the Fund's primary investment objective will be to provide long exposure to lead month Futures Contracts. The Futures Contracts are widely regarded as a general measure of the forward implied volatility of certain blue-chip European companies.<sup>10</sup> The Fund will use these Futures Contracts as a performance benchmark ("Benchmark"). The Fund will be actively managed and will have a secondary investment objective to outperform its Benchmark by actively managing the "rolling" of these Futures Contracts.<sup>11</sup>

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<sup>10</sup> The Futures Contracts offer traders the ability to take a view on European implied volatility changes, trade the spread between different volatility indexes or hedge the volatility exposure of portfolios. The Futures Contracts are denominated in Euros and are traded on the Eurex under the ticker symbol "FVS".

The performance of the Futures Contracts is tied to the performance of the VSTOXX. Both the Futures Contracts and the VSTOXX are negatively correlated to the Index. Investors that believe the forward implied market volatility of the Index will increase may buy the Futures Contracts. Conversely, investors that believe that the forward implied market volatility of the Index will decline may sell the Futures Contracts. The Futures Contracts are available with respect to the eight nearest successive calendar months. The market value of the Futures Contracts is available on the Eurex.

<sup>11</sup> According to the Registration Statement, to "roll" a Futures Contract means to sell a Futures Contract as it nears its expiration date and to replace it with a new contract that has a later expiration date. When rolling Futures Contracts, the Fund generally will select between Futures Contracts with the three nearest expiration dates (known as the front, second and third month contracts) based on an analysis of the cost of establishing and maintaining such positions. Futures Contracts with a longer term to expiration may be priced higher than Futures Contracts with a shorter term to expiration, a relationship called "contango".

When rolling Futures Contracts that are in contango, the Fund may sell the expiring Futures Contract at a lower price and buy a longer-dated Futures Contract at a higher price, resulting in a negative roll yield. During contango environments, the Fund's active investment strategy will attempt to select among the front, second, and third month Futures Contracts in a manner that mitigates negative roll yield and potentially increases returns as compared to a strategy that uses a formulaic roll, always rolling to the Futures Contract with the nearest expiration.

Conversely, Futures Contracts with a longer term to expiration may be priced lower than Futures Contracts with a shorter term to expiration, a relationship called "backwardation". When rolling Futures Contracts that are in backwardation, the Fund may sell the expiring Futures Contract at a higher price and buy the longer-dated Futures Contract at a lower price, resulting in a positive roll yield. During backwardation environments, the Fund's active strategy will

According to the Registration Statement, by being long Futures Contracts, the Fund will seek to benefit from increases in the price of the Futures Contracts. When the price of Futures Contracts held by the Fund declines the Fund will lose value. The performance of the Futures Contracts is related to the performance of the VSTOXX. The Fund will not seek to track or outperform either the VSTOXX or the Index and the performance of the Fund will be very different from the performance of either the VSTOXX Index or the Index.

According to the Registration Statement, in seeking to achieve the Fund's investment objectives, the Sponsor will use a mathematical approach to investing. Using this approach, the Sponsor will determine the type, quantity and mix of investment positions that the Sponsor believes, in combination, should produce daily returns consistent with the Fund's objectives. The Sponsor will rely upon a pre-determined model to generate orders that result in repositioning the Fund's investments in accordance with its investment objective.

Under normal market conditions,<sup>12</sup> the Fund generally will seek to remain fully invested at all times in the Futures Contracts in a manner consistent with its investment objectives without regard to market conditions, trends or direction.

The Fund will invest the remainder of its un-invested assets in high-quality, short-term debt instruments that have terms-to-maturity of less than 397 days, such as U.S. government securities and repurchase agreements ("Money Market Instruments").

Under limited circumstances, the Fund also may invest in swap contracts ("Swap Contracts") that reference its Benchmark. In the event position price or accountability limits are reached with respect to Futures Contracts, the Sponsor may, in its commercially reasonable judgment, cause the Fund to obtain exposure to the Futures Contracts through swaps referencing the Futures Contracts.<sup>13</sup> The Fund may also invest in swaps if the market for a specific Futures Contract experiences emergencies (e.g., natural disaster, terrorist attack or an act of God)

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attempt to select among the front, second, and third month Futures Contracts in a manner that maximizes positive roll yield and potentially increases returns.

<sup>12</sup> The term "normal market conditions" is defined in NYSE Arca Rule 8.600-E (c)(5).

<sup>13</sup> The Fund intends to enter into swap agreements only with major, global financial institutions; however, there are no limitations on the percentage of its assets the Fund may invest in swap agreements with a particular counterparty. The Fund may use various techniques to minimize credit risk. The Fund will seek to mitigate risks in connection with the uncleared OTC swaps by generally requiring that the counterparties for the Fund agree to post collateral for the benefit of the Fund, marked to market daily, subject to certain minimum thresholds.

or disruptions (e.g., a trading halt or a flash crash) which, in the Sponsor's commercially reasonable judgment, prevent, or otherwise make it impractical, for the Fund to obtain the appropriate amount of investment exposure to the affected Futures Contracts.

The Fund will also hold cash or cash equivalents, such as U.S. Treasury securities or other high credit quality, short-term fixed-income or similar securities (such as shares of money market funds and collateralized repurchase agreements), for direct investment or as collateral for Futures Contracts and Swap Contracts and pending investment in Futures Contracts and Swap Contracts. The Fund may invest up to 100% of its assets in any of these types of cash or cash equivalent securities.

Subject to the Sponsor's rolling methodology used for the Fund, the Sponsor will not invest the assets of the Fund based on its view of the investment merit of a particular investment, other than for cash management purposes, nor does it conduct conventional volatility research or analysis, or forecast market movement or trends, in managing the assets of the Fund. The Fund will seek to remain fully invested at all times in Futures Contracts, Swap Contracts and Money Market Instruments that, in combination, provide exposure to the Futures Contracts consistent with its investment objective without regard to market conditions, trends or direction.

#### Creation and Redemption Transactions

According to the Registration Statement, an "Authorized Participant" may purchase (i.e., create) or redeem "Creation Units" in the Fund. A Creation Unit is a block of 50,000 Shares of a Fund. The size of a Creation Unit is subject to change. A creation transaction generally will take place when an Authorized Participant deposits a specified amount of cash in exchange for a specified number of Creation Units. Similarly, Shares can be redeemed only in Creation Units, generally for cash.<sup>14</sup> Purchase orders, once accepted, are not revocable by

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<sup>14</sup> According to the Registration Statement, Creation Units of the Fund are expected to be created when there is sufficient demand for Shares of the Fund that the market price per Share is at a premium to the net asset value ("NAV") per Share. Authorized Participants will likely sell the Shares to the public at prices that are expected to reflect, among other factors, the trading price of the Shares and the supply of and demand for the Shares at the time of sale and are expected to fall between the NAV and the trading price of the Shares at the time of sale. Similarly, it is expected that Creation Units of the Fund will be redeemed when the market price per Share of the Fund is at a discount to the NAV per Share. The Sponsor expects that the exploitation of such arbitrage opportunities by Authorized Participants and their clients and customers will tend to cause the public trading price of the Shares to track the NAV per Share of the Fund closely over time. Retail investors seeking to purchase or sell Shares on any day are expected to effect such transactions in the secondary market at the market price

an Authorized Participant. Except when aggregated in Creation Units, Shares will not be redeemable. The prices at which creations and redemptions occur will be based on the next calculation of the NAV after an order is received in proper form.

Creation and redemption transactions must be placed each day with SEI by the create/redeem cut-off time (i.e., 3:00 Central Europe Time (9:00 a.m. Eastern Time most of the year)), or earlier if the Exchange or other exchange material to the valuation or operation of the Fund closes before the cut-off time, to receive that day's NAV. The total payment required to create each Creation Unit is the NAV of 50,000 Shares on the purchase order date plus the applicable transaction fee.<sup>15</sup>

If permitted by the Sponsor in its sole discretion with respect to the Fund, an Authorized Participant may also agree to enter into or arrange for an exchange of a futures contract for related position ("EFCRP") or block trade with the Fund whereby the Authorized Participant would also transfer to the Fund Futures Contracts at or near the closing settlement price for such contracts on the purchase order date.<sup>16</sup>

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per Share, rather than in connection with the creation or redemption of Creation Units.

- <sup>15</sup> The Sponsor represents that it believes that the designated creation/redemption cut-off time (9:00 a.m. Eastern Time) will not have a material impact on an Authorized Participant's arbitrage opportunities with respect to the Fund for the following reasons. First, the designated cut-off time has no impact on the primary arbitrage mechanism applicable to the Fund, which is the ability to trade the Futures Contracts in which the Fund invests throughout the U.S. trading day (the Futures Contracts typically trade on the Eurex throughout the U.S. trading day). This should allow Authorized Participants to properly price and hedge their exposure to the Fund and its underlying Futures Contracts throughout the U.S. trading day. Second, the NAV calculation time for the Fund (typically 11:30 a.m. Eastern Time) has been selected to correspond with the determination of the daily settlement price of the Futures Contracts on Eurex (because this is the time of day when such contracts have tended to be most liquid). Setting the creation/redemption cut-off time prior to the NAV calculation time should allow Authorized Participants and the Fund to enter into (or unwind) transactions in the Futures Contracts comprising the Fund's portfolio at the most liquid time of the day, which should help facilitate efficient arbitrage.
- <sup>16</sup> The Sponsor represents that, to the extent the Sponsor permits an EFCRP or block trade with the Fund, such transactions will be effected in the same manner for all Authorized Participants on the same day.

### Redemption Procedures

According to the Registration Statement, the procedures by which an Authorized Participant can redeem one or more Creation Units will mirror the procedures for the creation of Creation Units. On any “Business Day”,<sup>17</sup> an Authorized Participant may place an order with the Distributor to redeem one or more Creation Units. If a redemption order is received prior to the applicable cut-off time, or earlier if the Exchange or other exchange material to the valuation or operation of the Fund closes before the cut-off time, the day on which SEI receives a valid redemption order is the redemption order date. If the redemption order is received after the applicable cut-off time, the redemption order date will be the next day. Redemption orders will be irrevocable.

Upon request of an Authorized Participant made at the time of a redemption order, the Sponsor at its sole discretion may determine, in addition to delivering redemption proceeds, to transfer Futures Contracts to the Authorized Participant pursuant to an EFCRP or to a block trade sale of Futures Contracts to the Authorized Participant.<sup>18</sup>

The redemption proceeds from the Fund will consist of the cash redemption amount and, if permitted by the Sponsor in its sole discretion with respect to the Fund, an EFCRP or block trade with the Fund as described in “—Creation and Redemption Transactions” above. The cash redemption amount will be equal to the NAV of the number of Creation Unit(s) of the Fund requested in the Authorized Participant’s redemption order as of the time of the calculation of the Fund’s NAV on the redemption order date, less transaction fees and any amounts attributable to any applicable EFCRP or block trade.

### Net Asset Value

According to the Registration Statement, the NAV in respect of the Fund means the total assets of the Fund including, but not limited to, all cash and cash equivalents or other debt securities less total liabilities of the Fund, consistently applied under the accrual method of accounting. In particular, the NAV will include any unrealized profit or loss on open Futures Contracts and Financial Instruments, and any other credit or debit accruing to the Fund but unpaid or not received by the Fund. The NAV per Share of the Fund will be computed by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by its total number of Shares outstanding. Expenses and fees will be accrued daily and taken into account for purposes of determining the NAV. The Fund will compute its NAV at the time set forth below, or an earlier time as set forth on [www.ProShares.com](http://www.ProShares.com), if necessitated by the Exchange or other

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<sup>17</sup> A Business Day is any day on which the NAV of the Fund is determined.

<sup>18</sup> See note 16, *supra*.

exchange material to the valuation or operation of the Fund closing early. The Fund's NAV is calculated only once each trading day. The NAV calculation time for the Fund will typically be 5:30 Central Europe Time (11:30 a.m. Eastern Time most of the year)(the "NAV Calculation Time").

Futures Contracts will be calculated at their then current market value, which typically is last traded price before the NAV Calculation Time, on the date for which the NAV is being determined. If a Futures Contract could not be liquidated on such day, due to the operation of daily limits or other rules of the exchange upon which that position is traded or otherwise, the Sponsor may, in its sole discretion, choose to determine a fair value price as the basis for determining the market value of such position for such day. Such fair value prices would generally be determined based on available inputs about the current value of the Futures Contracts and would be based on principles that the Sponsor deems fair and equitable so long as such principles are consistent with normal industry standards.

In calculating the NAV of the Fund, the settlement value of the Fund's non-exchange-traded Financial Instruments will be determined by applying the then-current disseminated levels for the Futures Contracts to the terms of the Fund's non-exchange-traded Financial Instruments. However, in the event that underlying Futures Contracts are not trading due to the operation of daily limits or otherwise, the Sponsor may, in its sole discretion, choose to fair value the Futures Contracts in order to value the Fund's non-exchange-traded Financial Instruments for purposes of the NAV calculation. Such fair value prices would generally be determined based on available inputs about the current value of the Futures Contracts and would be based on principles that the Sponsor deems fair and equitable so long as such principles are consistent with normal industry standards.

Money Market Instruments generally will be valued using market prices provided by third party market data provider(s) or at amortized cost.

#### Indicative Optimized Portfolio Value ("IOPV")

The IOPV is an indicator of the value of the Fund's net assets at the time the IOPV is disseminated. The IOPV will be calculated and disseminated every 15 seconds throughout the trading day. The IOPV will generally be calculated using the prior day's closing net assets of the Fund as a base and updating throughout the trading day changes in the value of the Futures Contracts, Money Market Instruments, cash equivalents and Financial Instruments held by the Fund. The IOPV should not be viewed as an actual real time update of the NAV because NAV is calculated only once at the end of each trading day. The IOPV also should not be viewed as a precise value of the Shares.

The Exchange will disseminate the IOPV. In addition, the IOPV will be published on the Exchange's website and is available through on-line information services such as Bloomberg Finance L.P. and/or Reuters.

## Availability of Information

The Trust's website, which will be publicly accessible at no charge, will contain the following information: (a) the daily NAV of the Trust, the daily NAV per Share, the prior Business Day's NAV per Share, the reported daily closing price and the reported daily trading volume; (b) the daily composition of the Disclosed Portfolio, as defined in NYSE Arca Rule 8.700-E (c)(2)<sup>19</sup>; (c) the midpoint of the bid-ask price as of the time the NAV per Share is calculated (the "Bid-Ask Price"); (d) the calculation of the premium or discount of such price against such NAV per Share; (e) data in chart form displaying the frequency distribution of discounts or premiums of the bid-ask price against the NAV per Share, within appropriate ranges for each of the four (4) previous calendar quarters; and (f) the current prospectus of the Trust, included in the Registration Statement.

On a daily basis, the Trust will disclose on its website ([www.Proshares.com](http://www.Proshares.com)) for the Futures Contracts and Swap Contracts in the Disclosed Portfolio the following information: name; ticker symbol (if applicable); CUSIP or other identifier (if applicable); description of the holding; with respect to derivatives, the identity of the security, commodity, index or other underlying asset; the quantity or aggregate amount of the holding as measured by par value, notional value or amount, number of contracts or number of units (if applicable); maturity date; coupon rate (if applicable); effective date or issue date (if applicable); market value; percentage weighting in the Disclosed Portfolio; and expiration date (if applicable). The website information will be publicly available at no charge.

As noted above, the Trust's NAV and the NAV per Share will be calculated and disseminated daily.<sup>20</sup> The Exchange will disseminate for the Trust on a daily basis by means of the Consolidated Tape Association (the "CTA") high-speed line information with respect to the most recent NAV per Share, and the number of Shares outstanding. The Exchange also will make available on its website daily trading volume, closing prices and the NAV per Share.

Pricing for the Index, VSTOXX and the Benchmark are available from major market data vendors. Pricing for Futures Contracts will be available from Eurex . Price information for cash equivalents and Money Market Instruments will be available from major market data vendors.

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<sup>19</sup> NYSE Arca Rule 8.700-E (c)(2) provides that the term "Disclosed Portfolio" means "the identities and quantities of the securities and other assets held by the Trust that will form the basis for the Trust's calculation of net asset value at the end of the business day".

<sup>20</sup> The Exchange will obtain a representation from the Trust that the NAV and the NAV per Share will be calculated daily and that the NAV, the NAV per Share and the composition of the Disclosed Portfolio will be made available to all market participants at the same time

The IOPV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session (as defined in NYSE Arca Rule 7.34-E).<sup>21</sup>

Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. The previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers. Quotation and last sale information for the Shares will be available via the CTA high-speed line.

The current trading price per Share will be published continuously as trades occur throughout each trading day through CTA, or through major market data vendors.

#### Impact on Arbitrage Mechanism

The Sponsor believes there will be minimal, if any, impact to the arbitrage mechanism as a result of the use of derivatives, including swaps. Market makers and participants should be able to value derivatives, including swaps, as long as the positions are disclosed with relevant information. The Sponsor believes that the price at which Shares trade will continue to be disciplined by arbitrage opportunities created by the ability to purchase or redeem Shares at their NAV, which should help ensure that Shares will not trade at a material discount or premium in relation to their NAV.

The Sponsor does not believe there will be any significant impacts to the settlement or operational aspects of the Fund's arbitrage mechanism due to the use of derivatives, including swaps.

#### Criteria for Initial and Continued Listing

The Trust will be subject to the criteria in NYSE Arca Rule 8.700-E for initial and continued listing of the Shares.

The minimum number of Shares to be outstanding at the start of trading will be 100,000 Shares. The Exchange believes that this minimum number of Shares to be outstanding at the start of trading is sufficient to provide adequate market liquidity. The Exchange represents that, for the initial and continued listing of the Shares, the Trust must be in compliance with NYSE Arca Rule 5.3-E and Rule 10A-3 under the Exchange Act.<sup>22</sup>

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<sup>21</sup> Currently, it is the Exchange's understanding that several major market data vendors widely disseminate IOPVs taken from the CTA high-speed line or other data feeds.

<sup>22</sup> 17 CFR 240.10A-3.

## Trading Rules

Under NYSE Arca Rule 8.700-E (b), Managed Trust Securities are included within the Exchange’s definition of “securities.” 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. Commentary .02 to NYSE Arca Rule 8.700-E provides that transactions in Managed Trust Securities will occur during the trading hours specified in NYSE Arca Rule 7.34-E. Therefore, in accordance with NYSE Arca Equities Rule 7.34, the Shares will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m. E.T. 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.

## 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. Trading in the Shares will be halted if the circuit breaker parameters under NYSE Arca Rule 7.12-E are reached. Trading may also be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable.

In addition, if the Exchange becomes aware that the NAV, the NAV per Share and /or the Disclosed Portfolio with respect to a series of Managed Trust Securities is not disseminated to all market participants at the same time, it will halt trading in such series until such time as the NAV, the NAV per Share and the Disclosed Portfolio is available to all market participants.

## Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances administered by the Exchange, as well as cross-market surveillances administered by the Financial Industry Regulatory Authority (“FINRA”) on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.<sup>23</sup> The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

The surveillances referred to above generally focus on detecting securities trading

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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.

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 and Futures Contracts with other markets or 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 and Futures Contracts from such markets or entities. In addition, the Exchange may obtain information regarding trading in the Shares and Futures Contracts from markets or other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement (“CSSA”).<sup>24</sup> FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain Money Market Instruments held by the Fund reported to FINRA’s Trade Reporting and Compliance Engine (“TRACE”).

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 portfolio of the Fund and Benchmark, (b) limitations on portfolio of the Fund and Benchmark, 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 issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If a 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 (“Bulletin”) of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) the procedures for purchases and redemptions of Shares (and that Shares are not individually redeemable); (2) NYSE Arca Rule 9.2-E (a), which

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<sup>24</sup>

For a list of the current members of ISG, see [www.isgportal.org](http://www.isgportal.org). The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a CSSA. See note 7, *supra*.

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) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; (4) how information regarding the IOPV and the Disclosed Portfolio is disseminated; (5) the risks involved in trading the Shares during the opening and late trading sessions when an updated IOPV will not be calculated or publicly disseminated; and (6) trading information.

In addition, the Bulletin will reference that the Trust is subject to various fees and expenses described in the Registration Statement.

The Bulletin also will reference the fact that there is no regulated source of last sale information regarding certain of the asset classes that the Trust may hold and that the Commission has no jurisdiction over the trading of the Futures Contracts.

The Bulletin also will discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the Exchange Act.

The Bulletin also will disclose that the NAV and NAV per Share will be calculated after 4:00 p.m. E.T. each trading day.

(b) Statutory Basis

The basis under the Exchange Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>25</sup> that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Exchange believes that the proposed amendment to add Futures Contracts and/or Swap Contracts on VSTOXX to the financial instruments in which an issue of Managed Trust Securities may hold long and/or short positions will provide investors with the ability to better diversify and hedge their portfolios using an exchange traded security without having to trade directly in the underlying Futures Contracts, and will facilitate the listing and trading on the Exchange of additional Managed Trust Securities that will enhance competition among market participants, to the benefit of investors and the marketplace.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices because the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Rule 8.700-E. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions

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<sup>25</sup>

15 U.S.C. 78f(b)(5).

and to deter and detect violations of Exchange rules and applicable federal securities laws. The Exchange may obtain information via the ISG from other exchanges that are members of the ISG or with which the Exchange has entered into a CSSA. The NAV of the Trust, the NAV per Share and the Disclosed Portfolio will be disseminated to all market participants at the same time. The Trust will provide website disclosure of portfolio holdings daily. The IOPV per Share (quoted in U.S. dollars) will be widely disseminated at least every 15 seconds during the Exchange's Core Trading Session by major market data vendors. Pricing for Futures Contracts will be available from Eurex and pricing for forward contracts and swaps will be available from major market data vendors. Quotation and last-sale information regarding the Shares will be disseminated through the CTA high-speed line.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest given that a large amount of information will be publicly available regarding the Trust and the Shares, thereby promoting market transparency. The Exchange may halt trading during the day in which an interruption to the dissemination of the IOPV occurs, or the value of the underlying Futures Contracts occurs. If the interruption to the dissemination of the IOPV or the value of the underlying Futures Contracts persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. If the Exchange becomes aware that the NAV, the NAV per Share and the Disclosed Portfolio with respect to a series of Managed Trust Securities are not disseminated to all market participants at the same time, it will halt trading in such series until such time as the NAV, the NAV per Share and the Disclosed Portfolio are available to all market participants. Trading in Shares of the Trust will be halted if the circuit breaker parameters under NYSE Arca Rule 7.12-E have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Moreover, prior to the commencement of trading, the Exchange will inform its ETP Holders in the Bulletin of the special characteristics and risks associated with trading the Shares.

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 given that it will facilitate the listing and trading of an additional type of exchange-traded product that will principally hold futures contracts and 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 the ISG from other exchanges that are members of the ISG or with which the Exchange has entered into a CSSA. In addition, as noted above, investors will have ready access to information regarding the IOPV and quotation and last sale information for the Shares.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that will principally hold futures contracts, and that will enhance competition among market participants, to the benefit of investors and the marketplace.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments on the proposed rule change were neither solicited nor received.

6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2) of the Exchange Act.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

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

The proposed rule change is not based on the rules of the Commission or of another self-regulatory organization.

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

Not applicable.

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

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Federal Register

Exhibit 5 - Text of Proposed Amendments to NYSE Arca Rule 8.700-E

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NYSEARCA-2017-85, Amendment No. 1)

[Date]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change to Amend NYSE Arca Equities Rule 8.700-E to Add Reference to EURO STOXX 50 Volatility Index Futures and to List and Trade Shares of the ProShares European Volatility Futures ETF

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on September 21, 2017, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, 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 amend NYSE Arca Equities Rule 8.700-E to add EURO STOXX 50 Volatility Index (VSTOXX®) futures to the financial instruments that an issue of Managed Trust Securities may hold; and (2) to list and trade shares of the ProShares European Volatility Futures ETF under proposed amended NYSE Arca Equities Rule 8.700-E. The proposed change is available on the Exchange’s website at

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

[www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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

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

1. Purpose

NYSE Arca Rule 8.700-E permits the trading of Managed Trust Securities either by listing or pursuant to unlisted trading privileges (“UTP”).<sup>3</sup> The Exchange proposes to

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<sup>3</sup> Managed Trust Security means a security that is registered under the Securities Act of 1933 (15 U.S.C. 77a), as amended (the “Securities Act”), is issued by a trust that (1) is a commodity pool as defined in the Commodity Exchange Act (7 U.S.C. 1) (the “CEA”), and that is managed by a commodity pool operator registered with the Commodity Futures Trading Commission (the “CFTC”), and (2) holds long and/or short positions in exchange-traded futures contracts and/or certain currency forward contracts and/or swaps selected by the trust’s advisor consistent with the trust’s investment objectives, which will only include, exchange-traded futures contracts involving commodities, commodity indices, currencies, currency indices, stock indices, fixed income indices, interest rates and sovereign, private and mortgage or asset backed debt instruments, and/or forward contracts on specified currencies, and/or swaps on stock indices, fixed income indices, commodity indices, commodities, currencies, currency indices, or interest rates, each as disclosed in the trust’s prospectus as such may be amended from time to time, and cash and cash equivalents; and (ii) is issued and redeemed continuously in specified aggregate amounts at the next applicable net asset value. See NYSE Arca Rule 8.700-E (c)(1).

amend NYSE Arca Rule 8.700-E to add futures and swaps on the EURO STOXX 50 Volatility Index (“VSTOXX”) to the financial instruments in which an issue of Managed Trust Securities may hold long and/or short positions. (Futures on VSTOXX are referred to herein as “Futures Contracts.”) In addition, the Exchange proposes to list and trade the shares (the “Shares”) of the ProShares European Volatility Futures ETF (the “Fund”) under proposed amended NYSE Arca Rule 8.700-E.<sup>4</sup>

#### Proposed Amendments to NYSE Arca Rule 8.700-E

The Exchange proposes to amend NYSE Arca Rule 8.700-E (c)(1) to add Futures Contracts and/or swaps on VSTOXX to the financial instruments in which an issue of Managed Trust Securities may hold long and/or short positions.

The VSTOXX is based on EURO STOXX 50 Index (“Index”) real-time option prices that are listed on the Eurex Exchange (“Eurex”) and are designed to reflect the market expectations of near-term up to long-term volatility by measuring the square root of the implied variances across all options of a given time to expiration.<sup>5</sup> The Index includes 50 stocks that are among the largest free-float market capitalization stocks from 11 Eurozone countries.<sup>6</sup> Futures Contracts are cash settled and trade between the hours

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<sup>4</sup> On May 12, 2017, the Trust filed with the Commission a registration statement on Form S-1 under the Securities Act of 1933 (15 U.S.C. 77a) (“Securities Act”) relating to the Fund (File No. 333-217962) (the “Registration Statement”). The description of the operation of the Trust and the Fund herein is based, in part, on the Registration Statement.

<sup>5</sup> The VSTOXX is a non-investable index that seeks to measure the volatility of the Index over a future time horizon as implied by the price of option contracts on the Index available on the Eurex. The VSTOXX does not measure the actual volatility of the Index.

<sup>6</sup> These countries include Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

of 7:30 a.m. and 10:30 p.m. Central European Time (“CET”) (2:30 a.m. and 5:30 p.m. Eastern Time). The Futures Contract value is 100 Euros per index point of the underlying and it is traded to two decimal places with a minimum price change of 0.05 points (equivalent to a value of 5 Euros). The daily settlement price is determined during the closing auction of the respective Futures Contract. The last trading day and final settlement day is 30 calendar days prior to the third Friday of the expiration month of the underlying options, which is usually the Wednesday prior to the second to last Friday of the respective maturity month. Information regarding the VSTOXX and the Futures Contracts can be found on the STOXX Limited (“STOXX”) website and the Eurex website, respectively.<sup>7</sup>

STOXX computes the Index on a real-time basis throughout each trading day, from 8:50 a.m. until 5:30 CET (3:50 a.m. until 12:30 p.m. Eastern Time). VSTOXX levels will be calculated by STOXX and widely disseminated by major market data vendors on a real-time basis throughout each trading day.

The Exchange believes that the proposed amendment to add Futures Contracts and/or Swap Contracts on VSTOXX to the financial instruments in which an issuer of Managed Trust Securities may hold long and/or short positions will provide investors with the ability to better diversify and hedge their portfolios using an exchange traded security without having to trade directly in the underlying Futures Contracts, and will facilitate the listing and trading on the Exchange of additional Managed Trust Securities that will enhance competition among market participants, to the benefit of investors and

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<sup>7</sup> Eurex is a member of the ISG and, as such, the Exchange may obtain information regarding trading in the Futures Contracts. For a list of the current members and affiliate members of ISG, see [www.isgportal.com](http://www.isgportal.com).

the marketplace.<sup>8</sup>

### ProShares European Volatility Futures ETF

The Exchange proposes to list and trade the Shares of the Fund under proposed amended NYSE Arca Rule 8.700-E. The Fund will be a commodity pool that is a series of the ProShares Trust II (“Trust”). The Fund’s sponsor and commodity pool operator will be ProShare Capital Management LLC (the “Sponsor”). Brown Brothers Harriman & Co. will be the Administrator, Custodian and Transfer Agent of the Fund and its Shares. SEI Investments Distribution Co. (“SEI” or the “Distributor”) will be the distributor for the Fund’s Shares.<sup>9</sup>

The Sponsor is registered as a commodity pool operator and is affiliated with a FINRA-registered broker-dealer through common ownership. As part of the enterprise-wide compliance program, the Sponsor has implemented a “fire wall” regarding access to

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<sup>8</sup> The Exchange notes that the Commission has issued a notice of effectiveness regarding amendments to NYSE Arca Rule 5.2-E (j)(6)(v) (formerly NYSE Arca Equities Rule 5.2(j)(6)(v)) to add futures on VSTOXX as a “Futures Reference Asset” underlying an issue of “Futures-Linked Securities”. See Securities Exchange Act Release No. 79975 (February 6, 2017), 82 FR 10418 (February 10, 2017) (SR-NYSEArca-2017-08) (notice of filing and immediate effectiveness to amend NYSE Arca Equities Rule 5.2(j)(6)(v) to add EURO STOXX 50 Volatility Futures to the definition of Futures Reference Asset in Rule 5.2(j)(6)). See also, Securities Exchange Act Release No. 79069 (October 7, 2016), 81 FR 70714 (October 13, 2016) (SR-BatsBZX-2016-26) (order approving amendments to Bats BZX Exchange, Inc. Rule 14.11(d) to add EURO STOXX 50 Volatility Futures to the definition of Futures Reference Asset).

<sup>9</sup> The Commission has previously approved the listing and trading of other issues of Managed Trust Securities on the Exchange. See Securities Exchange Act Release Nos. 60064 (June 8, 2009), 74 FR 28315 (June 15, 2009) (SR-NYSEArca-2009-30) (order approving the adoption of listing standards for Managed Trust Securities and the listing and trading of shares of the iShares<sup>®</sup> Diversified Alternatives Trust); 80254 (March 15, 2017), 82 FR 14548 (March 21, 2017) (SR-NYSEArca-2016-96) (order approving proposed rule change to amend NYSE Arca Equities Rule 8.700 and to list and trade shares of the Managed Emerging Markets Trust).

information concerning the composition and/or changes to the Fund's portfolio. The Sponsor's Code of Ethics and internal controls are designed to prevent and detect such exchange of information.

In the event (a) the Sponsor becomes a broker-dealer or newly affiliated with a broker-dealer, or (b) any new sponsor becomes affiliated with a broker-dealer, such broker-dealer shall erect and maintain a "fire wall" around the personnel of the sponsor who have access to information concerning changes and adjustments to the Disclosed Portfolio (as defined in NYSE Arca Rule 8.700-E (c)(2)). Personnel of the Sponsor who make decisions regarding the composition of the Disclosed Portfolio must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Disclosed Portfolio.

#### Operation of the Trust

According to the Registration Statement, the Fund's primary investment objective will be to provide long exposure to lead month Futures Contracts. The Futures Contracts are widely regarded as a general measure of the forward implied volatility of certain blue-chip European companies.<sup>10</sup> The Fund will use these Futures Contracts as a performance

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<sup>10</sup> The Futures Contracts offer traders the ability to take a view on European implied volatility changes, trade the spread between different volatility indexes or hedge the volatility exposure of portfolios. The Futures Contracts are denominated in Euros and are traded on the Eurex under the ticker symbol "FVS".

The performance of the Futures Contracts is tied to the performance of the VSTOXX. Both the Futures Contracts and the VSTOXX are negatively correlated to the Index. Investors that believe the forward implied market volatility of the Index will increase may buy the Futures Contracts. Conversely, investors that believe that the forward implied market volatility of the Index will decline may sell the Futures Contracts. The Futures Contracts are available with respect to the eight nearest successive calendar months. The market value of the Futures Contracts is available on the Eurex.

benchmark (“Benchmark”). The Fund will be actively managed and will have a secondary investment objective to outperform its Benchmark by actively managing the “rolling” of these Futures Contracts.<sup>11</sup>

According to the Registration Statement, by being long Futures Contracts, the Fund will seek to benefit from increases in the price of the Futures Contracts. When the price of Futures Contracts held by the Fund declines the Fund will lose value. The performance of the Futures Contracts is related to the performance of the VSTOXX. The Fund will not seek to track or outperform either the VSTOXX or the Index and the performance of the Fund will be very different from the performance of either the VSTOXX Index or the Index.

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<sup>11</sup> According to the Registration Statement, to “roll” a Futures Contract means to sell a Futures Contract as it nears its expiration date and to replace it with a new contract that has a later expiration date. When rolling Futures Contracts, the Fund generally will select between Futures Contracts with the three nearest expiration dates (known as the front, second and third month contracts) based on an analysis of the cost of establishing and maintaining such positions. Futures Contracts with a longer term to expiration may be priced higher than Futures Contracts with a shorter term to expiration, a relationship called “contango”.

When rolling Futures Contracts that are in contango, the Fund may sell the expiring Futures Contract at a lower price and buy a longer-dated Futures Contract at a higher price, resulting in a negative roll yield. During contango environments, the Fund’s active investment strategy will attempt to select among the front, second, and third month Futures Contracts in a manner that mitigates negative roll yield and potentially increases returns as compared to a strategy that uses a formulaic roll, always rolling to the Futures Contract with the nearest expiration.

Conversely, Futures Contracts with a longer term to expiration may be priced lower than Futures Contracts with a shorter term to expiration, a relationship called “backwardation”. When rolling Futures Contracts that are in backwardation, the Fund may sell the expiring Futures Contract at a higher price and buy the longer-dated Futures Contract at a lower price, resulting in a positive roll yield. During backwardation environments, the Fund’s active strategy will attempt to select among the front, second, and third month Futures Contracts in a manner that maximizes positive roll yield and potentially increases returns.

According to the Registration Statement, in seeking to achieve the Fund's investment objectives, the Sponsor will use a mathematical approach to investing. Using this approach, the Sponsor will determine the type, quantity and mix of investment positions that the Sponsor believes, in combination, should produce daily returns consistent with the Fund's objectives. The Sponsor will rely upon a pre-determined model to generate orders that result in repositioning the Fund's investments in accordance with its investment objective.

Under normal market conditions,<sup>12</sup> the Fund generally will seek to remain fully invested at all times in the Futures Contracts in a manner consistent with its investment objectives without regard to market conditions, trends or direction.

The Fund will invest the remainder of its un-invested assets in high-quality, short-term debt instruments that have terms-to-maturity of less than 397 days, such as U.S. government securities and repurchase agreements ("Money Market Instruments").

Under limited circumstances, the Fund also may invest in swap contracts ("Swap Contracts") that reference its Benchmark. In the event position price or accountability limits are reached with respect to Futures Contracts, the Sponsor may, in its commercially reasonable judgment, cause the Fund to obtain exposure to the Futures Contracts through swaps referencing the Futures Contracts.<sup>13</sup> The Fund may also invest

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<sup>12</sup> The term "normal market conditions" is defined in NYSE Arca Rule 8.600-E (c)(5).

<sup>13</sup> The Fund intends to enter into swap agreements only with major, global financial institutions; however, there are no limitations on the percentage of its assets the Fund may invest in swap agreements with a particular counterparty. The Fund may use various techniques to minimize credit risk. The Fund will seek to mitigate risks in connection with the uncleared OTC swaps by generally requiring that the counterparties for the Fund agree to post collateral for the benefit of the Fund, marked to market daily, subject to certain minimum thresholds.

in swaps if the market for a specific Futures Contract experiences emergencies (e.g., natural disaster, terrorist attack or an act of God) or disruptions (e.g., a trading halt or a flash crash) which, in the Sponsor's commercially reasonable judgment, prevent, or otherwise make it impractical, for the Fund to obtain the appropriate amount of investment exposure to the affected Futures Contracts.

The Fund will also hold cash or cash equivalents, such as U.S. Treasury securities or other high credit quality, short-term fixed-income or similar securities (such as shares of money market funds and collateralized repurchase agreements), for direct investment or as collateral for Futures Contracts and Swap Contracts and pending investment in Futures Contracts and Swap Contracts. The Fund may invest up to 100% of its assets in any of these types of cash or cash equivalent securities.

Subject to the Sponsor's rolling methodology used for the Fund, the Sponsor will not invest the assets of the Fund based on its view of the investment merit of a particular investment, other than for cash management purposes, nor does it conduct conventional volatility research or analysis, or forecast market movement or trends, in managing the assets of the Fund. The Fund will seek to remain fully invested at all times in Futures Contracts, Swap Contracts and Money Market Instruments that, in combination, provide exposure to the Futures Contracts consistent with its investment objective without regard to market conditions, trends or direction.

#### Creation and Redemption Transactions

According to the Registration Statement, an "Authorized Participant" may purchase (i.e., create) or redeem "Creation Units" in the Fund. A Creation Unit is a block of 50,000 Shares of a Fund. The size of a Creation Unit is subject to change. A creation

transaction generally will take place when an Authorized Participant deposits a specified amount of cash in exchange for a specified number of Creation Units. Similarly, Shares can be redeemed only in Creation Units, generally for cash.<sup>14</sup> Purchase orders, once accepted, are not revocable by an Authorized Participant. Except when aggregated in Creation Units, Shares will not be redeemable. The prices at which creations and redemptions occur will be based on the next calculation of the NAV after an order is received in proper form.

Creation and redemption transactions must be placed each day with SEI by the create/redeem cut-off time (i.e., 3:00 Central Europe Time (9:00 a.m. Eastern Time most of the year)), or earlier if the Exchange or other exchange material to the valuation or operation of the Fund closes before the cut-off time, to receive that day's NAV. The total payment required to create each Creation Unit is the NAV of 50,000 Shares on the purchase order date plus the applicable transaction fee.<sup>15</sup>

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<sup>14</sup> According to the Registration Statement, Creation Units of the Fund are expected to be created when there is sufficient demand for Shares of the Fund that the market price per Share is at a premium to the net asset value ("NAV") per Share. Authorized Participants will likely sell the Shares to the public at prices that are expected to reflect, among other factors, the trading price of the Shares and the supply of and demand for the Shares at the time of sale and are expected to fall between the NAV and the trading price of the Shares at the time of sale. Similarly, it is expected that Creation Units of the Fund will be redeemed when the market price per Share of the Fund is at a discount to the NAV per Share. The Sponsor expects that the exploitation of such arbitrage opportunities by Authorized Participants and their clients and customers will tend to cause the public trading price of the Shares to track the NAV per Share of the Fund closely over time. Retail investors seeking to purchase or sell Shares on any day are expected to effect such transactions in the secondary market at the market price per Share, rather than in connection with the creation or redemption of Creation Units.

<sup>15</sup> The Sponsor represents that it believes that the designated creation/redemption cut-off time (9:00 a.m. Eastern Time) will not have a material impact on an Authorized Participant's arbitrage opportunities with respect to the Fund for the

If permitted by the Sponsor in its sole discretion with respect to the Fund, an Authorized Participant may also agree to enter into or arrange for an exchange of a futures contract for related position (“EFCRP”) or block trade with the Fund whereby the Authorized Participant would also transfer to the Fund Futures Contracts at or near the closing settlement price for such contracts on the purchase order date.<sup>16</sup>

#### Redemption Procedures

According to the Registration Statement, the procedures by which an Authorized Participant can redeem one or more Creation Units will mirror the procedures for the creation of Creation Units. On any “Business Day”,<sup>17</sup> an Authorized Participant may place an order with the Distributor to redeem one or more Creation Units. If a redemption order is received prior to the applicable cut-off time, or earlier if the Exchange or other exchange material to the valuation or operation of the Fund closes before the cut-off time, the day on which SEI receives a valid redemption order is the redemption order date. If

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following reasons. First, the designated cut-off time has no impact on the primary arbitrage mechanism applicable to the Fund, which is the ability to trade the Futures Contracts in which the Fund invests throughout the U.S. trading day (the Futures Contracts typically trade on the Eurex throughout the U.S. trading day). This should allow Authorized Participants to properly price and hedge their exposure to the Fund and its underlying Futures Contracts throughout the U.S. trading day. Second, the NAV calculation time for the Fund (typically 11:30 a.m. Eastern Time) has been selected to correspond with the determination of the daily settlement price of the Futures Contracts on Eurex (because this is the time of day when such contracts have tended to be most liquid). Setting the creation/redemption cut-off time prior to the NAV calculation time should allow Authorized Participants and the Fund to enter into (or unwind) transactions in the Futures Contracts comprising the Fund’s portfolio at the most liquid time of the day, which should help facilitate efficient arbitrage.

<sup>16</sup> The Sponsor represents that, to the extent the Sponsor permits an EFCRP or block trade with the Fund, such transactions will be effected in the same manner for all Authorized Participants on the same day.

<sup>17</sup> A Business Day is any day on which the NAV of the Fund is determined.

the redemption order is received after the applicable cut-off time, the redemption order date will be the next day. Redemption orders will be irrevocable.

Upon request of an Authorized Participant made at the time of a redemption order, the Sponsor at its sole discretion may determine, in addition to delivering redemption proceeds, to transfer Futures Contracts to the Authorized Participant pursuant to an EFCRP or to a block trade sale of Futures Contracts to the Authorized Participant.<sup>18</sup>

The redemption proceeds from the Fund will consist of the cash redemption amount and, if permitted by the Sponsor in its sole discretion with respect to the Fund, an EFCRP or block trade with the Fund as described in “—Creation and Redemption Transactions” above. The cash redemption amount will be equal to the NAV of the number of Creation Unit(s) of the Fund requested in the Authorized Participant’s redemption order as of the time of the calculation of the Fund’s NAV on the redemption order date, less transaction fees and any amounts attributable to any applicable EFCRP or block trade.

#### Net Asset Value

According to the Registration Statement, the NAV in respect of the Fund means the total assets of the Fund including, but not limited to, all cash and cash equivalents or other debt securities less total liabilities of the Fund, consistently applied under the accrual method of accounting. In particular, the NAV will include any unrealized profit or loss on open Futures Contracts and Financial Instruments, and any other credit or debit accruing to the Fund but unpaid or not received by the Fund. The NAV per Share of the Fund will be computed by dividing the value of the net assets of the Fund (i.e., the value

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<sup>18</sup> See note 16, supra.

of its total assets less total liabilities) by its total number of Shares outstanding. Expenses and fees will be accrued daily and taken into account for purposes of determining the NAV. The Fund will compute its NAV at the time set forth below, or an earlier time as set forth on [www.ProShares.com](http://www.ProShares.com), if necessitated by the Exchange or other exchange material to the valuation or operation of the Fund closing early. The Fund's NAV is calculated only once each trading day. The NAV calculation time for the Fund will typically be 5:30 Central Europe Time (11:30 a.m. Eastern Time most of the year)(the "NAV Calculation Time").

Futures Contracts will be calculated at their then current market value, which typically is last traded price before the NAV Calculation Time, on the date for which the NAV is being determined. If a Futures Contract could not be liquidated on such day, due to the operation of daily limits or other rules of the exchange upon which that position is traded or otherwise, the Sponsor may, in its sole discretion, choose to determine a fair value price as the basis for determining the market value of such position for such day. Such fair value prices would generally be determined based on available inputs about the current value of the Futures Contracts and would be based on principles that the Sponsor deems fair and equitable so long as such principles are consistent with normal industry standards.

In calculating the NAV of the Fund, the settlement value of the Fund's non-exchange-traded Financial Instruments will be determined by applying the then-current disseminated levels for the Futures Contracts to the terms of the Fund's non-exchange-traded Financial Instruments. However, in the event that underlying Futures Contracts are not trading due to the operation of daily limits or otherwise, the Sponsor may, in its sole

discretion, choose to fair value the Futures Contracts in order to value the Fund's non-exchange-traded Financial Instruments for purposes of the NAV calculation. Such fair value prices would generally be determined based on available inputs about the current value of the Futures Contracts and would be based on principles that the Sponsor deems fair and equitable so long as such principles are consistent with normal industry standards.

Money Market Instruments generally will be valued using market prices provided by third party market data provider(s) or at amortized cost.

#### Indicative Optimized Portfolio Value ("IOPV")

The IOPV is an indicator of the value of the Fund's net assets at the time the IOPV is disseminated. The IOPV will be calculated and disseminated every 15 seconds throughout the trading day. The IOPV will generally be calculated using the prior day's closing net assets of the Fund as a base and updating throughout the trading day changes in the value of the Futures Contracts, Money Market Instruments, cash equivalents and Financial Instruments held by the Fund. The IOPV should not be viewed as an actual real time update of the NAV because NAV is calculated only once at the end of each trading day. The IOPV also should not be viewed as a precise value of the Shares.

The Exchange will disseminate the IOPV. In addition, the IOPV will be published on the Exchange's website and is available through on-line information services such as Bloomberg Finance L.P. and/or Reuters.

#### Availability of Information

The Trust's website, which will be publicly accessible at no charge, will contain the following information: (a) the daily NAV of the Trust, the daily NAV per Share, the

prior Business Day's NAV per Share, the reported daily closing price and the reported daily trading volume; (b) the daily composition of the Disclosed Portfolio, as defined in NYSE Arca Rule 8.700-E (c)(2)<sup>19</sup>; (c) the midpoint of the bid-ask price as of the time the NAV per Share is calculated (the "Bid-Ask Price"); (d) the calculation of the premium or discount of such price against such NAV per Share; (e) data in chart form displaying the frequency distribution of discounts or premiums of the bid-ask price against the NAV per Share, within appropriate ranges for each of the four (4) previous calendar quarters; and (f) the current prospectus of the Trust, included in the Registration Statement.

On a daily basis, the Trust will disclose on its website ([www.Proshares.com](http://www.Proshares.com)) for the Futures Contracts and Swap Contracts in the Disclosed Portfolio the following information: name; ticker symbol (if applicable); CUSIP or other identifier (if applicable); description of the holding; with respect to derivatives, the identity of the security, commodity, index or other underlying asset; the quantity or aggregate amount of the holding as measured by par value, notional value or amount, number of contracts or number of units (if applicable); maturity date; coupon rate (if applicable); effective date or issue date (if applicable); market value; percentage weighting in the Disclosed Portfolio; and expiration date (if applicable). The website information will be publicly available at no charge.

As noted above, the Trust's NAV and the NAV per Share will be calculated and disseminated daily.<sup>20</sup> The Exchange will disseminate for the Trust on a daily basis by

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<sup>19</sup> NYSE Arca Rule 8.700-E (c)(2) provides that the term "Disclosed Portfolio" means "the identities and quantities of the securities and other assets held by the Trust that will form the basis for the Trust's calculation of net asset value at the end of the business day".

<sup>20</sup> The Exchange will obtain a representation from the Trust that the NAV and the

means of the Consolidated Tape Association (the “CTA”) high-speed line information with respect to the most recent NAV per Share, and the number of Shares outstanding. The Exchange also will make available on its website daily trading volume, closing prices and the NAV per Share.

Pricing for the Index, VSTOXX and the Benchmark are available from major market data vendors. Pricing for Futures Contracts will be available from Eurex . Price information for cash equivalents and Money Market Instruments will be available from major market data vendors.

The IOPV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange’s Core Trading Session (as defined in NYSE Arca Rule 7.34-E).<sup>21</sup>

Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers’ computer screens and other electronic services. The previous day’s closing price and trading volume information for the Shares will be published daily in the financial section of newspapers. Quotation and last sale information for the Shares will be available via the CTA high-speed line.

The current trading price per Share will be published continuously as trades occur throughout each trading day through CTA, or through major market data vendors.

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NAV per Share will be calculated daily and that the NAV, the NAV per Share and the composition of the Disclosed Portfolio will be made available to all market participants at the same time

<sup>21</sup> Currently, it is the Exchange’s understanding that several major market data vendors widely disseminate IOPVs taken from the CTA high-speed line or other data feeds.

### Impact on Arbitrage Mechanism

The Sponsor believes there will be minimal, if any, impact to the arbitrage mechanism as a result of the use of derivatives, including swaps. Market makers and participants should be able to value derivatives, including swaps, as long as the positions are disclosed with relevant information. The Sponsor believes that the price at which Shares trade will continue to be disciplined by arbitrage opportunities created by the ability to purchase or redeem Shares at their NAV, which should help ensure that Shares will not trade at a material discount or premium in relation to their NAV.

The Sponsor does not believe there will be any significant impacts to the settlement or operational aspects of the Fund's arbitrage mechanism due to the use of derivatives, including swaps.

### Criteria for Initial and Continued Listing

The Trust will be subject to the criteria in NYSE Arca Rule 8.700-E for initial and continued listing of the Shares.

The minimum number of Shares to be outstanding at the start of trading will be 100,000 Shares. The Exchange believes that this minimum number of Shares to be outstanding at the start of trading is sufficient to provide adequate market liquidity. The Exchange represents that, for the initial and continued listing of the Shares, the Trust must be in compliance with NYSE Arca Rule 5.3-E and Rule 10A-3 under the Exchange Act.<sup>22</sup>

### Trading Rules

Under NYSE Arca Rule 8.700-E (b), Managed Trust Securities are included

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<sup>22</sup> 17 CFR 240.10A-3.

within the Exchange's definition of "securities." 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. Commentary .02 to NYSE Arca Rule 8.700-E provides that transactions in Managed Trust Securities will occur during the trading hours specified in NYSE Arca Rule 7.34-E. Therefore, in accordance with NYSE Arca Equities Rule 7.34, the Shares will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m. E.T. 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.

#### 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. Trading in the Shares will be halted if the circuit breaker parameters under NYSE Arca Rule 7.12-E are reached. Trading may also be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable.

In addition, if the Exchange becomes aware that the NAV, the NAV per Share and /or the Disclosed Portfolio with respect to a series of Managed Trust Securities is not disseminated to all market participants at the same time, it will halt trading in such series until such time as the NAV, the NAV per Share and the Disclosed Portfolio is available to all market participants.

## Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances administered by the Exchange, as well as cross-market surveillances administered by the Financial Industry Regulatory Authority (“FINRA”) on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.<sup>23</sup> The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

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 and Futures Contracts with other markets or 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 and Futures Contracts from such markets or entities. In addition, the Exchange may obtain information regarding trading in the Shares and Futures Contracts from markets or other entities that are members of ISG or with which the Exchange has in place a

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<sup>23</sup> FINRA conducts cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services agreement.

comprehensive surveillance sharing agreement (“CSSA”).<sup>24</sup> FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain Money Market Instruments held by the Fund reported to FINRA’s Trade Reporting and Compliance Engine (“TRACE”).

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 portfolio of the Fund and Benchmark, (b) limitations on portfolio of the Fund and Benchmark, 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 issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If a 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 (“Bulletin”) of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) the procedures for purchases and redemptions of Shares (and that Shares are not individually

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<sup>24</sup> For a list of the current members of ISG, see [www.isgportal.org](http://www.isgportal.org). The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a CSSA. See note 8, *supra*.

redeemable); (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) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; (4) how information regarding the IOPV and the Disclosed Portfolio is disseminated; (5) the risks involved in trading the Shares during the opening and late trading sessions when an updated IOPV will not be calculated or publicly disseminated; and (6) trading information.

In addition, the Bulletin will reference that the Trust is subject to various fees and expenses described in the Registration Statement.

The Bulletin also will reference the fact that there is no regulated source of last sale information regarding certain of the asset classes that the Trust may hold and that the Commission has no jurisdiction over the trading of the Futures Contracts.

The Bulletin also will discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the Exchange Act.

The Bulletin also will disclose that the NAV and NAV per Share will be calculated after 4:00 p.m. E.T. each trading day.

## 2. Statutory Basis

The basis under the Exchange Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>25</sup> that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and

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<sup>25</sup> 15 U.S.C. 78f(b)(5).

open market and, in general, to protect investors and the public interest.

The Exchange believes that the proposed amendment to add Futures Contracts and/or Swap Contracts on VSTOXX to the financial instruments in which an issue of Managed Trust Securities may hold long and/or short positions will provide investors with the ability to better diversify and hedge their portfolios using an exchange traded security without having to trade directly in the underlying Futures Contracts, and will facilitate the listing and trading on the Exchange of additional Managed Trust Securities that will enhance competition among market participants, to the benefit of investors and the marketplace.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices because the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Rule 8.700-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 may obtain information via the ISG from other exchanges that are members of the ISG or with which the Exchange has entered into a CSSA. The NAV of the Trust, the NAV per Share and the Disclosed Portfolio will be disseminated to all market participants at the same time. The Trust will provide website disclosure of portfolio holdings daily. The IOPV per Share (quoted in U.S. dollars) will be widely disseminated at least every 15 seconds during the Exchange's Core Trading Session by major market data vendors. Pricing for Futures Contracts will be available from Eurex and pricing for forward contracts and swaps will be available from major market data vendors. Quotation and last-sale

information regarding the Shares will be disseminated through the CTA high-speed line.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest given that a large amount of information will be publicly available regarding the Trust and the Shares, thereby promoting market transparency. The Exchange may halt trading during the day in which an interruption to the dissemination of the IOPV occurs, or the value of the underlying Futures Contracts occurs. If the interruption to the dissemination of the IOPV or the value of the underlying Futures Contracts persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. If the Exchange becomes aware that the NAV, the NAV per Share and the Disclosed Portfolio with respect to a series of Managed Trust Securities are not disseminated to all market participants at the same time, it will halt trading in such series until such time as the NAV, the NAV per Share and the Disclosed Portfolio are available to all market participants. Trading in Shares of the Trust will be halted if the circuit breaker parameters under NYSE Arca Rule 7.12-E have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Moreover, prior to the commencement of trading, the Exchange will inform its ETP Holders in the Bulletin of the special characteristics and risks associated with trading the Shares.

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 given that it will facilitate the listing and trading of an additional type of exchange-traded product that will principally hold futures contracts and 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 the ISG from other exchanges that are members of the ISG or with which the Exchange has entered into a CSSA. In addition, as noted above, investors will have ready access to information regarding the IOPV 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 Exchange Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that will principally hold futures contracts, and that 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 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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEARCA-2017-85 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEARCA-2017-85. This file number should be included on the subject line if e-mail 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 (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for 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 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEARCA-2017-85 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>26</sup>

Robert W. Errett  
Deputy Secretary

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<sup>26</sup> 17 CFR 200.30-3(a)(12).

Additions underlined

Deletions [bracketed]

### NYSE Arca Rules

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#### Rule 8.700-E. Managed Trust Securities

(a) The Corporation will consider for trading, whether by listing or pursuant to unlisted trading privileges, Managed Trust Securities that meet the criteria of this Rule.

(b) **Applicability.** This Rule is applicable only to Managed Trust Securities. Managed Trust Securities are included within the definition of "security" or "securities" as such terms are used in the Bylaws and Rules of the Corporation.

(c) **Definitions.** The following terms as used in the Rules shall, unless the context otherwise requires, have the meanings herein specified:

- (1) Managed Trust Securities. The term "Managed Trust Securities" as used in the Rules shall, unless the context otherwise requires, mean a security that is registered under the Securities Act of 1933, as amended, and (i) is issued by a trust ("Trust"), or any series thereof, that (1) is a commodity pool as defined in the Commodity Exchange Act and regulations thereunder, is not registered or required to be registered as an investment company under the Investment Company Act of 1940, as amended, and is managed by a commodity pool operator registered with the Commodity Futures Trading Commission, and (2) holds long and/or short positions in exchange-traded futures contracts and/or certain currency forward contracts and/or swaps selected by the Trust's advisor consistent with the Trust's investment objectives, which will only include exchange-traded futures contracts involving commodities, commodity indices, currencies, currency indices, stock indices, the EURO STOXX 50 Volatility Index (VSTOXX), fixed income indices, interest rates and sovereign, private and mortgage or asset backed debt instruments, and/or forward contracts on specified currencies, and/or swaps on stock indices, fixed income indices, commodity indices, VSTOXX, commodities, currencies, currency indices, or interest rates, each as disclosed in the Trust's prospectus as such may be amended from time to time, and cash and cash equivalents; and (ii) is issued and redeemed continuously in specified aggregate amounts at the next applicable net asset value.

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