

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83000; File No. SR-NYSEArca-2018-17)

April 5, 2018

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the ProShares Short VIX Short-Term Futures ETF and ProShares Ultra VIX Short-Term Futures ETF

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that on March 23, 2018, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to make changes to certain representations made in the proposed rule change previously filed with the Commission pursuant to Rule 19b-4 relating to ProShares Short VIX Short-Term Futures ETF and ProShares Ultra VIX Short-Term Futures ETF , shares of which currently are listed and traded under NYSE Arca Rule 8.200-E, Commentary .02. The proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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

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

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

1. Purpose

The Commission has approved the listing and trading on the Exchange of shares (“Shares”) of the ProShares Short VIX Short-Term Futures ETF (the “Short Fund”) and ProShares Ultra VIX Short-Term Futures ETF (the “Ultra Fund” and, together with the Short Fund, the “Funds”) under NYSE Arca Rule 8.200-E, Commentary .02 (formerly NYSE Arca Equities Rule 8.200, Commentary .02), which governs the listing and trading of Trust Issued Receipts.⁴ Shares of the Funds are currently listed and traded on the Exchange under NYSE Arca Rule 8.200-E, Commentary .02.⁵ Other than Shares of the Short Fund and the Ultra Fund, shares

⁴ Commentary .02 to NYSE Arca Rule 8.200-E applies to TIRs that invest in “Financial Instruments”. The term “Financial Instruments”, as defined in Commentary .02(b)(4) to NYSE Arca Rule 8.200-E, means any combination of investments, including cash; securities; options on securities and indices; futures contracts; options on futures contracts; forward contracts; equity caps, collars and floors; and swap agreements.

⁵ The Commission previously approved the listing and trading of the Shares of the Funds on the Exchange. See Securities Exchange Act Release Nos. 65134 (August 15, 2011), 76 FR 52034 (August 19, 2011) (SR-NYSEArca-2011-23) (Order Granting Approval of Proposed Rule Change To List and Trade Shares of ProShares Short VIX Short-Term Futures ETF, ProShares Short VIX Mid-Term Futures ETF, ProShares Ultra VIX Short-Term Futures ETF, ProShares Ultra VIX Mid-Term Futures ETF, ProShares UltraShort VIX Short-Term Futures ETF, and ProShares UltraShort VIX Mid-Term Futures ETF Under NYSE Arca Equities Rule 8.200, Commentary .02) (the “Prior Order”); 64470

of the ProShares ETFs approved for listing and trading in the Prior Order are not listed and traded on the Exchange.⁶

The Shares are issued by ProShares Trust II (the “Trust”). ProShare Capital Management LLC (“Sponsor”) serves as the Trust’s Sponsor.

In this proposed rule change, the Exchange proposes to amend certain representations made in the Prior Notice relating to each Fund’s investment objective, in order to reflect recent changes to the investment objective of each Fund, as described below.⁷

The Sponsor believes the change to each Fund’s investment objective (as described herein) is appropriate and consistent with the best interest of each Fund and Fund shareholders in light of recent extreme changes in the value of the S&P 500[®] VIX Short-Term Futures Index (the “Index”). As a result of the change to each Fund’s investment objective, the Sponsor expects the risk profile and volatility of each Fund to be significantly reduced.

(May 11, 2011), 76 FR 28493 (May 17, 2011) (SR-NYSEArca-2011-23) (Notice of Filing of Proposed Rule Change To List and Trade Shares of the Funds Under NYSE Arca Equities Rule 8.200, Commentary .02.) (the “Prior Notice”).

⁶ On February 28, 2018, the Exchange appended a “.BC” (below compliance) indicator to the trading symbols for the Funds (SVXY for the Short Fund and UVXY for the Ultra Fund), signifying non-compliance with certain representations in the Prior Notice and Prior Order.

⁷ The Funds have a filed registration statement on Form S-3 under the Securities Act of 1933 (File No. 333-220688). The Funds’ prospectus containing the previous investment objectives for the Funds was filed pursuant to Rule 424(b)(3) on February 15, 2018. A prospectus containing the new objectives, as described herein, was filed pursuant to Rule 424(b)(3) on February 28, 2018 (“Registration Statement”). The description of the Funds and the Shares contained herein are based on the Registration Statement. The change to each Fund’s investment objective as described herein was implemented effective as of the close of business on February 27, 2018. The Sponsor issued a press release dated February 26, 2018 regarding the Sponsor’s plans to reduce the target exposure for the Funds. See http://www.proshares.com/news/proshare_capital_management_llc_plans_to_reduce_target_exposure_on_two_etfs.html.

As stated in the Prior Notice, each Fund seeks, on a daily basis, to provide investment results (before fees and expenses) that correspond to the inverse of the daily performance or a multiple of the daily performance of a benchmark (i.e., the Index) that seeks to offer exposure to market volatility through publicly traded futures markets. Specifically, the prior investment objective of the Short Fund was to seek results (before fees and expenses) that correspond to the inverse (-1x) of the performance of the Index for a single day. The prior investment objective of the Ultra Fund was to seek results (before fees and expenses) that correspond to two times (2x) the performance of the Index for a single day.⁸ Each Fund seeks to achieve its investment objective by investing under normal market conditions in VIX Futures Contracts.⁹

If the Short Fund is successful in meeting its objective, its value (before fees and expenses) should gain approximately as much on a percentage basis as its Index when the Index declines on a given day. Conversely, its value (before fees and expenses) should lose approximately as much on a percentage basis as its Index when the Index rises on a given day.

If the Ultra Fund is successful in meeting its objective, its value (before fees and expenses) should gain approximately twice as much on a percentage basis as its Index when the Index rises on a given day. Conversely, its value (before fees and expenses) should lose approximately twice as much on a percentage basis as its Index when the Index declines on a given day.

⁸ According to the Registration Statement, for these purposes, a “single day” is measured from the time a Fund calculates its net asset value (“NAV”) to the time of the Fund’s next NAV calculation.

⁹ The term “under normal conditions” includes, but is not limited to, the absence of extreme volatility or trading halts in the futures markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

As of the close of business on February 27, 2018, the Short Fund changed its investment objective to seek results (before fees and expenses) that correspond to one-half the inverse (-0.5x) of the performance of the Index for a single day. The Ultra Fund changed its investment objective to seek results (before fees and expenses) that correspond to one and one-half times (1.5x) of the performance of the Index for a single day.

As a result of the change to each Fund's investment objective, the Exchange proposes to amend the representations in the Prior Notice described in the preceding two paragraphs as follows.

If the Short Fund is successful in meeting its objective, its value (before fees and expenses) should gain approximately half as much on a percentage basis as its Index when the Index declines on a given day. Conversely, its value (before fees and expenses) should lose approximately half as much on a percentage basis as the Index when the Index rises on a given day.

If the Ultra Fund is successful in meeting its objective, its value (before fees and expenses) should gain approximately 1.5 times as much on a percentage basis as its Index when the Index rises on a given day. Conversely, its value (before fees and expenses) should lose approximately 1.5 times as much on a percentage basis as its Index when the Index declines on a given day.

The Prior Notice stated that the Funds do not seek to achieve their stated investment objective over a period of time greater than one day because mathematical compounding prevents the Funds from perfectly achieving such results. Accordingly, as noted in the Prior Notice, results over periods of time greater than one day typically will not be a simple inverse

correlation (-100%) or multiple correlation (+200%) of the period return of the Index and may differ significantly.

As a result of the change to each Fund's investment objective, the Exchange proposes to amend the representations in the preceding paragraph with respect to the Short Fund and the Ultra Fund as described below.

The Funds do not seek to achieve their stated investment objective over a period of time greater than one day because mathematical compounding prevents the Funds from perfectly achieving such results. Accordingly, results over periods of time greater than one day typically will not be a simple one-half of the inverse correlation (-50%) or multiple correlation (+150%) of the period return of the Index and may differ significantly.

The Prior Notice stated that NYSE Arca will calculate and disseminate every 15 seconds throughout the NYSE Arca Core Trading Session (9:30 a.m. to 4:00 p.m. E.T.) an updated Intraday Optimized Portfolio Value ("IOPV"). The Prior Notice also stated that the IOPV will be calculated by the NYSE Arca using the prior day's closing net assets of a Fund as a base and updating throughout the trading day changes in the value of such Fund's holdings. The Exchange proposes to amend these representations to state that the IOPV will be calculated and widely disseminated by one or more major market data vendors every 15 seconds throughout the NYSE Arca Core Trading Session, and that the IOPV will be calculated using the prior day's closing net assets of a Fund as a base and updating throughout the trading day changes in the value of such Fund's holdings, consistent with the Exchange's previous proposed rule change regarding calculation of the Intraday Indicative Value for specified Exchange-Traded Products.¹⁰

¹⁰ See Securities Exchange Act Release No. 81985 (October 31, 2017) (SR-NYSEArca-2017-127) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change

Except for the changes noted above, all other statements and representations made in the Prior Notice remain unchanged.¹¹ The Funds will comply with all continued listing requirements under NYSE Arca Rule 8.200-E, Commentary .02.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)¹² that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices, and is designed to promote just and equitable principles of trade and to protect investors and the public interest.

Consistent with the representations in the Prior Notice, each Fund will continue to seek to achieve its investment objective by investing under normal market conditions in VIX Futures Contracts.

As a result of the change to each Fund's investment objective, the Exchange is proposing to amend representations in the Prior Notice regarding the correlation of the value of the Shares of the Short Fund and the Ultra Fund with the Index.

The Short Fund previously had an investment objective to seek results (before fees and expenses) that correspond to the inverse (-1x) of the performance of the Index for a single day.

Regarding Exchange Calculation of the Intraday Indicative Value for Specified Exchange-Traded Products).

¹¹ See note 5, *supra*.

¹² 15 U.S.C. 78f (b)(5).

As of February 27, 2018, the Fund's objective was changed to seek results (before fees and expenses) that correspond to one-half of the inverse (-0.5x) of the performance of the Index for a single day.

The Ultra Fund previously had an investment objective to seek results (before fees and expenses) that correspond to two times (2x) the performance of the Index for a single day. As of the close of business on February 27, 2018, the Fund's objective was changed to seek results (before fees and expenses) that correspond to one and one-half times (1.5x) of the performance of the Index for a single day.

The Sponsor believes the change to each Fund's investment objective is appropriate and consistent with the best interest of each Fund and Fund shareholders in light of recent extreme changes in the value of the Index. As a result of the change to each Fund's investment objective, the Sponsor expects the risk profile and volatility of each Fund to be significantly reduced.

The Exchange's proposal to amend the representations in the Prior Notice regarding the IOPV calculation and dissemination as described above reflects changes that are consistent with the Exchange's previous proposed rule change regarding calculation of the Intraday Indicative Value for specified Exchange-Traded Products.¹³

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed rule change will enhance competition and benefit investors and the marketplace by permitting continued listing and trading of Shares of the Funds with their revised investment objectives, as described above.

¹³ See note 10, supra.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁴ and Rule 19b-4(f)(6) thereunder.¹⁵

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹⁶ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹⁷ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposed rule change may become operative upon filing. The Commission notes that, as a result of the change to each Fund’s investment objective,¹⁸ the risk profile and volatility of each Fund is expected to be reduced. Moreover, the

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹⁶ 17 CFR 240.19b-4(f)(6).

¹⁷ 17 CFR 240.19b-4(f)(6)(iii).

¹⁸ As noted above, the change to each Fund’s investment objective was implemented effective as of the close of business on February 27, 2018. On February 28, 2018, the Exchange appended a “.BC” indicator to the trading symbols for the Funds, signifying non-compliance with certain representations in the Prior Notice and Prior Order.

proposed changes to the representations in the Prior Notice regarding IOPV calculation and dissemination are consistent with the Exchange's previous proposed rule change regarding calculation of the Intraday Indicative Value for specified Exchange-Traded Products. The Commission notes that, except for the changes in this proposed rule change, all other statements and representations made in the Prior Notice remain unchanged, and the Funds will comply with all continued listing requirements under NYSE Arca Rule 8.200-E, Commentary .02. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.¹⁹

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or 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

¹⁹ For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEArca-2018-17 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NYSEArca-2018-17. 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment

submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2018-17 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.²⁰

Eduardo A. Aleman
Assistant Secretary

²⁰ 17 CFR 200.30-3(a)(12).