

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-82532; File No. SR-NYSEArca-2018-02)

January 18, 2018

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to Listing and Trading of the Direxion Daily Bitcoin Bear 1X Shares, Direxion Daily Bitcoin 1.25X Bull Shares, Direxion Daily Bitcoin 1.5X Bull Shares, Direxion Daily Bitcoin 2X Bull Shares and Direxion Daily Bitcoin 2X Bear Shares under NYSE Arca Rule 8.200-E

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 January 4, 2018, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to list and trade the shares of the following under NYSE Arca Rule 8.200-E, Commentary .02 (“Trust Issued Receipts”): Direxion Daily Bitcoin Bear 1X Shares, Direxion Daily Bitcoin 1.25X Bull Shares, Direxion Daily Bitcoin 1.5X Bull Shares, Direxion Daily Bitcoin 2X Bull Shares and Direxion Daily Bitcoin 2X Bear Shares. The proposed change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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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.

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

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

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

1. Purpose

The Exchange proposes to list and trade shares (“Shares”) of the following under NYSE Arca Rule 8.200-E, Commentary .02, which governs the listing and trading of Trust Issued Receipts: The Direxion Daily Bitcoin Bear 1X Shares (the “1X Bear Fund”), the Direxion Daily Bitcoin 1.25X Bull Shares (the “1.25X Bull Fund”), the Direxion Daily Bitcoin 1.5X Bull Shares (the “1.5X Bull Fund”), the Direxion Daily Bitcoin 2X Bull Shares (the “2X Bull Fund”) and the Direxion Daily Bitcoin 2X Bear Shares (the “2X Bear Shares”) (each a “Fund” and, collectively, the “Funds”).<sup>4</sup>

Each Fund is a series of the Direxion Shares ETF Trust II (the “Trust”), a Delaware statutory trust.<sup>5</sup> The Trust and the Funds are managed and controlled by Direxion Asset

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<sup>4</sup> Commentary .02 to NYSE Arca Rule 8.200-E applies to Trust Issued Receipts 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.

<sup>5</sup> The Trust is registered under the Securities Act of 1933. On December 15, 2017, the Trust submitted to the Securities and Exchange Commission (“Commission”) its draft registration statement on Form S-1 (the “Registration Statement”) under the Securities Act of 1933 (15 U.S.C. 77a) (“Securities Act”). The Jumpstart Our Business Startups

Management, LLC (the “Sponsor”). The Sponsor is registered as a commodity pool operator (“CPO”) with the Commodity Futures Trading Commission (“CFTC”) and is a member of the National Futures Association (“NFA”).

In its capacity as the Custodian for the Funds, Bank of New York Mellon (“BNYM” or the “Custodian”) may hold the Funds’ investment assets and cash and cash equivalents pursuant to a custodian agreement. The Custodian is also the transfer agent for the Funds. In addition, in its capacity as Administrator for the Funds, U.S. Bancorp Fund Services, LLC (the “Administrator”) prepares and files certain regulatory filings on behalf of the Funds.

Foreside Fund Services, LLC serves as the distributor of the Shares (the “Distributor”).

#### Investment Objectives of the Funds

According to the Registration Statement, the Funds will offer investors the opportunity to obtain daily short, leveraged long or leveraged short exposure to the lead month bitcoin futures contract traded on the Chicago Mercantile Exchange (“CME”) or on Cboe Global Markets, Inc. (“CBOE”) or on any other U.S. exchange that subsequently trades bitcoin futures contracts (the “Bitcoin Futures Contract”), the target benchmark before fees and expenses.<sup>6</sup> The target

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Act, enacted on April 5, 2012, added Section 6(e) to the Securities Act. Section 6(e) of the Securities Act provides that an “emerging growth company” may confidentially submit to the Commission a draft registration statement for confidential, non-public review by the Commission staff prior to public filing, provided that the initial confidential submission and all amendments thereto shall be publicly filed not later than 21 days before the date on which the issuer conducts a road show, as such term is defined in Securities Act Rule 433(h)(4). An emerging growth company is defined in Section 2(a)(19) of the Securities Act as an issuer with less than \$1,000,000,000 total annual gross revenues during its most recently completed fiscal year. The Trust meets the definition of an emerging growth company and consequently has submitted its Form S-1 Registration Statement on a confidential basis with the Commission. The description of the operation of the Trust and the Funds herein is based, in part, on the Registration Statement.

<sup>6</sup> A futures contract is a standardized contract traded on, and subject to the rules of, an exchange that calls for the future delivery of a specified quantity and type of a

benchmark's value will be calculated as the last sale price published by the CME or the CBOE,<sup>7</sup> or any other U.S. exchange that subsequently trades bitcoin futures contracts on or before 11:00 a.m. E.T. (the "Daily Last Sale Value") for the Bitcoin Futures Contract and may reflect trades occurring and published by the CME and/or CBOE or another U.S. exchange that subsequently trades bitcoin futures contracts outside the normal trading session for the Bitcoin Futures Contract.<sup>8</sup>

Each Fund will seek daily correlation to the target benchmark and should not be expected to track the performance of the target benchmark for any period longer than one business day. Additionally, while each Fund will seek daily correlation to the target benchmark, it should not be expected to track dollar for dollar the spot price of bitcoin because the Fund will invest in Bitcoin Futures Contracts rather than directly in bitcoin, and the spot price movements of bitcoin may not correspond directly to price movements of the Bitcoin Futures Contracts. In this regard,

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commodity at a specified time and place. Bitcoin Futures Contracts will be cash-settled. The "lead month" contract is the monthly contract with the earliest expiration date.

<sup>7</sup> The CME and CBOE are registered with the CFTC and seek to provide a neutral, regulated marketplace for the trading of derivatives contracts for commodities, such as futures, options and certain swaps. Both the CME and CBOE are members of the Intermarket Surveillance Group ("ISG"). See ftnt. 19, *infra*. The CME announced that its bitcoin futures contracts were scheduled to begin trading on December 18, 2017, and began trading on that date. See "CME Group Self-Certifies Bitcoin Futures to Launch Dec. 18," December 1, 2017, available at [http://www.cmegroup.com/media-room/press-releases/2017/12/01/cme\\_group\\_self-certifiesbitcoinfuturestolaunchdec18.html](http://www.cmegroup.com/media-room/press-releases/2017/12/01/cme_group_self-certifiesbitcoinfuturestolaunchdec18.html). CBOE announced that the bitcoin futures contracts on its subsidiary Cboe Futures Exchange are scheduled to begin trading on December 10, 2017, and began trading on that date. See "Cboe Plans December 10 Launch of Bitcoin Futures Trading," December 4, 2017, available at <http://ir.cboe.com/press-releases/2017/12-04-2017>. See also "CFTC Statement on Self-Certification of Bitcoin Products by CME, CFE and Cantor Exchange," dated December 1, 2017 ("CFTC Release"), available at <http://www.cftc.gov/PressRoom/PressReleases/pr7654-17>.

<sup>8</sup> Though this time may vary due to differences in when daylight savings time is effective between London and New York, 11:00 a.m. E.T. will govern.

the Funds expect the notional value of the Bitcoin Futures Contracts held by a Fund to equal the target exposure for such Fund (i.e. 125%, 150%, etc.).

Each Fund will seek to engage in daily rebalancing to position its portfolio so that its exposure to the target benchmark is consistent with its daily investment objective. The impact of the target benchmark's movements during the day will affect whether a Fund's portfolio needs to be repositioned.<sup>9</sup>

As described below, under normal market conditions, each Fund intends to obtain exposure to its target benchmark by investing in the Bitcoin Futures Contract traded in the U.S., swaps on the Bitcoin Futures Contract or listed options on bitcoin or Bitcoin Futures Contracts (together, "Bitcoin Financial Instruments").<sup>10</sup> The Funds' investments in Bitcoin Financial Instruments are used to produce economically "leveraged" or "inverse leveraged" investment results for the Funds. Any remaining assets will be invested in cash or cash equivalents.

#### Investment Objectives of the Leveraged Bull Funds

According to the Registration Statement, the 1.25X Bull Fund, 1.5X Bull Fund and 2X Bull Fund (each a "Bull Fund" and collectively, the "Bull Funds") seeks daily leveraged investment results (before fees and expenses) that correlate positively to either 125%, 150% or 200% the daily return of the target benchmark. The Bull Funds do not seek to achieve their

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<sup>9</sup> Daily rebalancing and the compounding of each day's return over time means that the return of each Fund for a period longer than a single trading day will be the result of each day's returns compounded over the period, which will very likely differ from either the multiple, inverse multiple or inverse, as applicable, of the return of the target benchmark for the Funds for the same period.

<sup>10</sup> The term "normal market conditions" includes, but is not limited to, the absence of trading halts in the applicable financial markets generally; operational issues (e.g., systems failure) causing dissemination of inaccurate market information; or force majeure type events such as natural or manmade disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

investment objective over a period greater than a single trading day.<sup>11</sup> If a Bull Fund is successful in meeting its objective, its value on a given day (before fees and expenses) should gain approximately 1.25 times, 1.5 times or 2 times, as applicable, as much on a percentage basis as the level of its target benchmark when the target benchmark rises. Conversely, its value on a given day (before fees and expenses) should lose approximately 1.25 times, 1.5 times or 2 times, as applicable, as much on a percentage basis as the level of the target benchmark when the benchmark declines. Each Bull Fund acquires long exposure through any one of, or combinations of, Bitcoin Financial Instruments, including Bitcoin Financial Instruments with respect to the target benchmark, such that each Bull Fund has exposure intended to approximate either 125%, 150% or 200%, as applicable, of the target benchmark at the time of its NAV calculation.

#### Investment Objective of the 2X Bear Fund

The 2X Bear Fund seeks daily leveraged inverse investment results (before fees and expenses) that correlate to two times the inverse (-200%) of the daily return of the target benchmark. The 2X Bear Fund does not seek to achieve its investment objective over a period greater than a single trading day. If the 2X Bear Fund is successful in meeting its investment objective, its value on a given day (before fees and expenses) should gain approximately two times as much on a percentage basis as the level of the target benchmark when the target benchmark declines. Conversely, its value on a given day (before fees and expenses) should lose approximately two times as much on a percentage basis as the level of the target benchmark when the target benchmark rises. The 2X Bear Fund acquires short exposure through any one, or combinations of, Bitcoin Financial Instruments, including Bitcoin Financial Instruments with

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<sup>11</sup> A “single trading day” is measured from the time a Fund calculates its Net Asset Value (“NAV”) to the time of a Fund’s next NAV calculation. See also, Net Asset Value, infra.

respect to the target benchmark, such that the 2X Bull Fund has exposure intended to approximate two times the inverse (-200%) of its target benchmark at the time of its NAV calculation.

#### Investment Objective of the 1X Bear Fund

The 1X Bear Fund seeks daily investment results (before fees and expenses) that correlate to the inverse (-100%) of the daily return of the target benchmark. The 1X Bear Fund does not seek to achieve its investment objective over a period greater than a single trading day. If the 1X Bear Fund is successful in meeting its investment objective, its value on a given day (before fees and expenses) should gain approximately as much on a percentage basis as the level of the target benchmark when the target benchmark declines. Conversely, its value on a given day (before fees and expenses) should lose approximately as much on a percentage basis as the level of its target benchmark when the target benchmark rises. The 1X Bear Fund acquires short exposure through any one of, or combinations of, Bitcoin Financial Instruments, including Bitcoin Financial Instruments with respect to the target benchmark, such that the 1X Bull Fund has exposure intended to approximately equal the inverse (-100%) of its target benchmark at the time of its NAV calculation.

#### Principal Investment Strategies

According to the Registration Statement, in seeking to achieve each Fund's daily investment objective, the Sponsor will use statistical and quantitative analysis to determine the investments each Fund makes and the techniques it employs. Using this approach, the Sponsor determines the type, quantity and mix of investment positions that the Sponsor believes in combination should produce daily returns consistent with a Fund's investment objective. The Sponsor relies upon a pre-determined model to generate orders that result in repositioning each

Fund's investments in accordance with its daily investment objective. As a consequence, if a Fund is performing as designed, the return of the target benchmark will dictate the return for that Fund. Each Fund pursues its investment objective regardless of the market conditions and does not take defensive positions.

Each Fund, under normal market conditions, will seek to achieve its daily investment objective by investing in Bitcoin Financial Instruments. A Fund may invest in listed options on bitcoin and Bitcoin Futures Contracts and swaps on Bitcoin Futures Contracts in a manner consistent with its investment objective in situations where the Sponsor believes that investing in such financial instruments is in the best interests of a Fund. In addition, a Fund may invest in swap contracts referencing Bitcoin Futures Contracts if the market for a specific bitcoin futures contract experiences emergencies or if position price or accountability limits (if any) are reached with respect to any Bitcoin Futures Contracts. At the close of the U.S. equity markets each trading day, each Fund will position its portfolio to ensure that the Fund's exposure to the target benchmark is consistent with the Fund's investment objective. The impact of market movements during the day will determine whether a portfolio needs to be repositioned.

According to the Registration Statement, with futures contracts, there is minimal but some counterparty risk to the Funds since futures contracts are exchange traded and the exchange's clearinghouse, as counterparty to all exchange-traded futures contracts, effectively guarantees futures contracts against default. Many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit or trading may be suspended for specified times during the trading day.



According to the Registration Statement, with respect to the Bitcoin Futures Contracts, as the futures contracts held by the Funds near expiration, the Funds do not intend to hold futures contracts through expiration, but instead to “roll” their respective positions. When the market for these contracts is such that the prices are higher in the more distant delivery months than in the nearer delivery months, the sale during the course of the “rolling process” of the more nearby contract would take place at a price that is lower than the price of the more distant contract. This pattern of higher futures prices for longer expiration futures contracts is often referred to as “contango.” Alternatively, when the market for these contracts is such that the prices are higher in the nearer months than in the more distant months, the sale during the course of the “rolling process” of the more nearby contract would take place at a price that is higher than the price of the more distant contract. This pattern of higher futures prices for shorter expiration futures contracts is referred to as “backwardation.” The presence of contango in certain futures contracts at the time of rolling would be expected to adversely affect the Funds with long positions, and positively affect the Funds with short positions. Similarly, the presence of backwardation in certain futures contracts at the time of rolling such contracts would be expected to adversely affect the Funds with short positions and positively affect the Funds with long positions.

To reduce the credit risk that arises in connection with swaps, a Fund will generally enter into an agreement with each counterparty based on the Master Agreement published by the International Swaps and Derivatives Association, Inc.<sup>12</sup>

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<sup>12</sup> The Sponsor on behalf of the corresponding Fund intends to enter into OTC swaps only with counterparties who are, or are affiliates of, (a) banks regulated by a federal bank regulator, (b) broker-dealers regulated by the Commission, (c) insurance companies domiciled in the U.S., and (d) producers, users or traders of an underlying commodity or currency, whether or not regulated by the CFTC. Any entity acting as a counterparty

Assets of each Fund not invested in the Bitcoin Financial Instruments will be held in cash or invested in cash equivalents such as U.S. Treasury Securities or other high credit quality short-term fixed-income or similar securities (including shares of money market funds, bank deposits, bank money market accounts, certain variable rate-demand notes and repurchase agreements collateralized by government securities) (collectively "Money Market Investments") that serve as collateral for, or pending investments in, the Funds' investments.

In the future, the Funds will disclose certain information relating to margin levels held at the FCM based on how each Fund will be managed. While the portfolio composition may vary over time, it is not expected that any Fund will ever have futures exposure greater than 300% of Fund assets. Thus the maximum margin held at an FCM would not exceed three times the margin requirement.

#### Overview of Bitcoin

According to the Registration Statement, Bitcoin is a digital asset that is not issued by any government, bank or organization. Bitcoin is a digital asset based on the decentralized, open source protocol of the peer-to-peer bitcoin computer network (the "Bitcoin Network"). No single entity owns or operates the Bitcoin Network; the infrastructure is collectively maintained by a decentralized user base. The Bitcoin Network is accessed through software, and software governs bitcoin's creation, movement, and ownership. The value of bitcoin is determined by the supply and demand for bitcoin on websites that facilitate the transfer of bitcoin in exchange for

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must also be regulated in either the U.S. or the U.K. unless otherwise approved by the Sponsor. A Fund will also require that the counterparty be highly rated and/or provide collateral or other credit support. The Sponsor also assesses or reviews, as appropriate, the creditworthiness of each potential or existing counterparty pursuant to established guidelines.

government-issued currencies (“Bitcoin Exchanges”), and in private end-user-to-end-user transactions.

Bitcoin transactions and ownership records are reflected on the “Blockchain”, which is a digital public record or ledger. Copies of this ledger are stored in a decentralized manner on the computers of each Bitcoin Network user. Transaction date is permanently recorded in files called “blocks,” which reflect transactions that have been recorded and authenticated by Bitcoin Network participants. The Bitcoin Network software source codes includes protocols that govern the creation of bitcoin and the cryptographic system that secures and verifies Bitcoin transactions.

#### Overview of Bitcoin Futures Contracts

According to the Registration Statement, unlike the futures markets for traditional physical commodities, the market for exchange-traded bitcoin futures contract has limited trading history and operational experience and may be riskier, less liquid, more volatile and more vulnerable to economic, market and industry changes than more established futures markets. The liquidity of the market will depend on, among other things, the adoption of bitcoin and the commercial and speculative interest in the market for the ability to hedge against the price of bitcoin with exchange-traded bitcoin futures contracts.

The CFTC has noted that the U.S. futures exchanges that will trade bitcoin futures have agreed to significant enhancements to protect customers and maintain orderly markets, and announced its expectation that futures exchanges that list and trade bitcoin futures contracts will, through information sharing agreements, monitor the trading activity on the relevant cash platforms for potential impacts on the price discovery process for bitcoin futures contracts,

including potential market manipulation and market dislocations due to flash rallies and crashes and trading outages.<sup>13</sup>

#### Net Asset Value

According to the Registration Statement, the NAV per Share of each Fund is computed by dividing the value of the net assets of such Fund (i.e., the value of its total assets less total liabilities) by its total number of Shares outstanding. Expenses and fees are accrued daily and taken into account for purposes of determining NAV. Each Fund's NAV is calculated on each business day that the New York Stock Exchange LLC ("NYSE") is open. The Funds compute their NAVs as of 11:00 a.m. E.T., or such earlier time that the NYSE may close.

In calculating the NAV of a Fund, the settlement value of a Fund's non-exchange traded Bitcoin Financial Instruments is determined by applying the then-current prices for the target benchmark to the terms of such Fund's non-exchange traded Bitcoin Financial Instruments. However, in the event that an underlying Bitcoin Futures Contract is not trading due to the operation of daily limits or otherwise, the Sponsor may in its sole discretion choose to fair value the Reference Asset in order to value a Fund's non-exchange traded Bitcoin Financial Instruments for purposes of the NAV calculation.<sup>14</sup> Such fair value prices would generally be determined based on available inputs about the current value of the underlying Reference Assets and would be based on principles that the Sponsor deems fair and equitable so long as such principles are consistent with normal industry standards.

All open futures contracts traded on an exchange are calculated at their then current market value, which is based upon the settlement or the last traded price before the NAV

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<sup>13</sup> See CFTC Release, supra, ftnt. 7.

<sup>14</sup> The value of a futures contract is derived from the value of an underlying asset, rate or benchmark (such asset, rate or benchmark, a "Reference Asset").

calculation time, for that particular futures contract traded on the applicable exchange on the date with respect to which NAV is being determined; provided, that if a futures contract traded on an exchange 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.

Money Market Investments will be valued on the basis of broker quotes, valuations provided by a third party pricing service or at amortized cost.

#### Indicative Fund Value

In order to provide updated information relating to the Funds for use by investors and market professionals, the Exchange will calculate an updated “Indicative Fund Value” (“IFV”). The IFV will be calculated by using the prior day’s closing net assets of a Fund as a base and updating throughout the Exchange’s Core Trading Session of 9:30 a.m. E.T. to 4:00 p.m. E.T. changes in the value of the Bitcoin Financial Instruments held by a Fund based on the most recently available prices for the Fund’s investments.

The IFV will be disseminated on a per Share basis every 15 seconds during the Exchange’s Core Trading Session and be widely disseminated by one or more major market data vendors during the NYSE Arca Core Trading Session.<sup>15</sup> In addition, circumstances may arise in which the NYSE Arca Core Trading Session is in progress, but trading in the Bitcoin Futures Contracts is not occurring. Such circumstances may result from reasons including, but not limited to, a futures exchange having a separate holiday schedule than the NYSE Arca, a futures exchange closing prior to the close of the NYSE Arca, price fluctuation limits being reached in a

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<sup>15</sup> Several major market data vendors display and/or make widely available IFVs taken from the CTA or other data feeds.

Bitcoin Futures Contract, or a futures exchange, imposing any other suspension or limitation on trading in a Bitcoin Futures Contract. In such instances, for IFV calculation purposes, the price of the applicable Bitcoin Futures Contracts, as well as Bitcoin Financial Instruments whose price is derived from the Bitcoin Futures Contracts, would be static or priced by a Fund at the applicable early cut-off time of the exchange trading the applicable Bitcoin Futures Contract.

#### Creation and Redemption of Shares

According to the Registration Statement, each Fund will create and redeem Shares in one or more Creation Units. A Creation Unit is a block of 50,000 Shares of a Fund.

A creation transaction, which is subject to acceptance by the Distributor, generally takes 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.

Only “Authorized Participants” may purchase and redeem Shares from a Fund and then only in Creation Units. An Authorized Participant is an entity that has entered into an “Authorized Participant Agreement” with the Trust and the Sponsor.

#### Creation Procedures

On any Business Day, an Authorized Participant may place an order with the Distributor to create one or more Creation Units. For purposes of processing both purchase and redemption orders, a “Business Day” means any day on which the NAV of a Fund is calculated. Purchase orders must be placed by 11 a.m. E.T. or earlier if the NYSE Arca closes before the cut-off time.

#### Redemption Procedures

According to the Registration Statement, the procedures by which an Authorized Participant can redeem one or more Creation Units mirror the procedures for the creation of

Creation Units. On any Business Day, an Authorized Participant may place an order with the Distributor to redeem one or more Creation Units.

By placing a redemption order, an Authorized Participant agrees to deliver the Creation Units to be redeemed through DTC's book-entry system to the applicable Fund not later than noon (Eastern Time), on the first Business Day immediately following the redemption order date (T+1). The Sponsor reserves the right to extend the deadline for the Fund to receive the Creation Units required for settlement up to the second Business Day following the redemption order date (T+2).

#### Availability of Information

The NAV for the Funds' Shares will be disseminated daily to all market participants at the same time. The intraday, closing prices, and settlement prices of the Bitcoin Futures Contracts will be readily available from the applicable futures exchange websites, automated quotation systems, published or other public sources, or major market data vendors. The value of the Bitcoin Futures Contract will be disseminated by one or more major market data vendors on at least a 15-second delayed basis during the NYSE Arca Core Trading Session of 9:30 a.m. to 4:00 p.m. E.T.

Complete real-time data for the Bitcoin Futures Contracts and Options on Bitcoin Futures will be available by subscription through on-line information services. CME and CBOE will provide delayed futures and options on futures (once available) information on current and past trading sessions and market news free of charge on their respective websites. The specific contract specifications for Bitcoin Futures Contracts would also be available on such websites, as well as other financial informational sources. Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the Consolidated Tape Association

(“CTA”). Quotation information for Money Market Investments and OTC swaps agreements may be obtained from brokers and dealers who make markets in such instruments. Quotation information for exchange-traded swaps will be available from the applicable exchange and major market vendors. The IFV will be available through on-line information services.

In addition, the Funds’ website, [www.direxioninvestments.com](http://www.direxioninvestments.com), will display the applicable end of day closing NAV. The daily holdings of each Fund will be available on the Funds’ website before 9:30 a.m. E.T. Each Fund’s total portfolio composition will be disclosed each Business Day that NYSE Arca is open for trading, on the Funds’ website. The Funds’ website will also include a form of the prospectus for the Funds that may be downloaded. The website will include the Shares’ ticker and CUSIP information, along with additional quantitative information updated on a daily basis for each Fund. The Funds’ website will include (1) the prior business day’s reported NAV and closing price, and a calculation of the premium and discount of the closing price or mid-point of the bid/ask spread at the time of NAV calculation (“Bid/Ask Price”) against the NAV; and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily closing price or Bid/Ask Price against the NAV, within appropriate ranges, for at least each of the four previous calendar quarters. The website disclosure of portfolio holdings will be made daily and will include, as applicable, (i) the name, quantity, value, expiration and strike price of Bitcoin Futures Contracts and Bitcoin Financial Instruments, (ii) the value of Bitcoin Financial Instruments, and (iii) the aggregate net value of the Money Market Investments held in each Fund’s portfolio, if applicable. The Funds’ website will be publicly available prior to the public offering of Shares and accessible at no charge.



The spot price of bitcoin also is available on a 24-hour basis from major market data vendors.

### Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of a Fund.<sup>16</sup> Trading in Shares of a Fund will be halted if the circuit breaker parameters in NYSE Arca Rule 7.12-E have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable.

The Exchange may halt trading during the day in which an interruption to the dissemination of the IFV or the value of the Bitcoin Futures Contract occurs. If the interruption to the dissemination of the IFV or the value of the Bitcoin Futures Contract persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. In addition, if the Exchange becomes aware that the NAV with respect to the Shares is not disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants.

### Trading Rules

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

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<sup>16</sup> See NYSE Arca Rule 7.12-E.

securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

The Shares will conform to the initial and continued listing criteria under NYSE Arca Rule 8.200-E. The trading of the Shares will be subject to NYSE Arca Rule 8.200-E, Commentary .02(e), which sets forth certain restrictions on Equity Trading Permit (“ETP”) Holders acting as registered Market Makers in Trust Issued Receipts to facilitate surveillance. The Exchange represents that, for initial and continued listing, each Fund will be in compliance with Rule 10A-3<sup>17</sup> under the Act, as provided by NYSE Arca Rule 5.3-E. A minimum of 100,000 Shares of each Fund will be outstanding at the commencement of trading on the Exchange.

#### Surveillance

The Exchange represents that trading in the Shares of each Fund will be subject to the existing trading surveillances administered by the Exchange, as well as cross-market surveillances administered by Financial Industry Regulatory Authority, Inc. (“FINRA”) on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.<sup>18</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 federal securities laws applicable to trading on the Exchange.

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity.

When such situations are detected, surveillance analysis follows and investigations are opened,

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

<sup>18</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.

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 certain Bitcoin Futures Contracts with other markets and other entities that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares and certain Bitcoin Futures Contracts from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and certain Bitcoin Futures Contracts from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement (“CSSA”).<sup>19</sup> The Exchange is also able to obtain information regarding trading in the Shares, futures, the commodity underlying futures or options on futures through ETP Holders, in connection with such ETP Holders’ proprietary or customer trades which they effect through ETP Holders on any relevant market. The Exchange can obtain market surveillance information, including customer identity information, with respect to transactions (including transactions in cash-settled Options) occurring on US futures exchanges, which are members of the ISG.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

All statements and representations made in this filing regarding (a) the description of the portfolios of the Funds or the target benchmark, (b) limitations on portfolio holdings, reference

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<sup>19</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 a Fund may trade on markets that are members of ISG or with which the Exchange has in place a CSSA.

assets or the target 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 Funds 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 of the special characteristics and risks associated with trading the Shares. Specifically, the Information Bulletin will discuss the following: (1) the risks involved in trading the Shares during the Early and Late Trading Sessions when an updated IFV will not be calculated or publicly disseminated; (2) the procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (3) 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; (4) how information regarding the IFV is disseminated; (5) how information regarding portfolio holdings is disseminated; (6) that a static IFV will be disseminated, between the close of trading on the CME and CBOE and the close of the NYSE Arca Core Trading Session; (7) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (8) trading information.

Prior to the commencement of trading, the Exchange will inform its ETP Holders of the suitability requirements of NYSE Arca Rule 9.2-E(a) in an Information Bulletin. Specifically,

ETP Holders will be reminded in the Information Bulletin that, in recommending transactions in the Shares, they must have a reasonable basis to believe that (1) the recommendation is suitable for a customer given reasonable inquiry concerning the customer's investment objectives, financial situation, needs, and any other information known by such ETP Holder, and (2) the customer can evaluate the special characteristics, and is able to bear the financial risks, of an investment in the Shares. In connection with the suitability obligation, the Information Bulletin will also provide that ETP Holders must make reasonable efforts to obtain the following information: (1) the customer's financial status; (2) the customer's tax status; (3) the customer's investment objectives; and (4) such other information used or considered to be reasonable by such ETP Holder or registered representative in making recommendations to the customer.

Further, the Exchange states that FINRA has implemented increased sales practice and customer margin requirements for FINRA members applicable to inverse, leveraged and inverse leveraged securities (which include the Shares) and options on such securities, as described in FINRA Regulatory Notices 09-31 (June 2009), 09-53 (August 2009), and 09-65 (November 2009) (collectively, "FINRA Regulatory Notices"). ETP Holders that carry customer accounts will be required to follow the FINRA guidance set forth in these notices. As noted above, the Funds will seek investment results that daily short, leverage long or leverage short the performance of the target benchmark. Over a period of time in excess of one day, the cumulative percentage increase or decrease in the NAV of the Shares of a Fund may diverge significantly from a multiple or inverse multiple of the cumulative percentage decrease or increase in the relevant benchmark due to a compounding effect.

In addition, the Information Bulletin will advise ETP Holders, prior to the commencement of trading, of the prospectus delivery requirements applicable to a Fund. The

Information Bulletin will also discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act. In addition, the Information Bulletin will reference that a Fund is subject to various fees and expenses described in the Registration Statement. The Information Bulletin will also reference that the CFTC has regulatory jurisdiction over the trading of Bitcoin Futures Contracts traded on U.S. markets.

The Information Bulletin will also disclose the trading hours of the Shares that the NAV for the Shares will be calculated after 11:00 a.m. E.T. each trading day. The Information Bulletin will disclose that information about the Shares will be publicly available on the Funds' website.

## 2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>20</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 rule change is designed to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Rule 8.200-E.

The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. The Exchange or FINRA, on behalf of the Exchange, or

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<sup>20</sup> 15 U.S.C. 78f(b)(5).

both, will communicate as needed regarding trading in the Shares, and certain Bitcoin Futures Contracts with other markets and other entities that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares and certain Bitcoin Futures Contracts from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and certain Bitcoin Futures Contracts from markets and other entities that are members of ISG or with which the Exchange has in place a CSSA. The Exchange is also able to obtain information regarding trading in the Shares, the commodity underlying futures or options on futures through ETP Holders, in connection with such ETP Holders' proprietary or customer trades which they effect through ETP Holders on any relevant market.

The Exchange can obtain market surveillance information, including customer identity information, with respect to transactions (including transactions in cash-settled Options) occurring on U.S. futures exchanges, which are members of the ISG. The intraday, closing prices, and settlement prices of the Bitcoin Futures Contracts will be readily available from the applicable futures exchange websites, automated quotation systems, published or other public sources, or major market data vendors website or on-line information services.

Complete real-time data for the Bitcoin Futures Contracts and Options on Bitcoin Futures will be available by subscription from on-line information services. CME and CBOE will provide delayed futures information on current and past trading sessions and market news free of charge on their websites. The specific contract specifications for Bitcoin Futures Contracts would also be available on such websites, as well as other financial informational sources. Information regarding options will be available from the applicable exchanges or major market data vendors. Quotation and last-sale information regarding the Shares will be

disseminated through the facilities of the CTA. The Funds' website will also include a form of the prospectus for the Funds that may be downloaded. The website will include the Shares' ticker and CUSIP information, along with additional quantitative information updated on a daily basis for each Fund. The Funds' website will include (1) the prior business day's reported NAV and closing price, and a calculation of the premium and discount of the closing price or mid-point of the Bid/Ask Price against the NAV; and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily closing price or Bid/Ask Price against the NAV, within appropriate ranges, for at least each of the four previous calendar quarters. The website disclosure of portfolio holdings will be made daily and will include, as applicable, (i) the name, quantity, value, expiration and strike price of Bitcoin Futures Contracts and Bitcoin Financial Instruments, (ii) the value of Bitcoin Financial Instruments, and (iii) the aggregate net value of the Money Market Investments held in each Fund's portfolio, if applicable. The Funds' website will be publicly available prior to the public offering of Shares and accessible at no charge.

In addition, the CFTC has noted that the U.S. futures exchanges that will trade bitcoin futures have agreed to significant enhancements to protect customers and maintain orderly markets, and announced its expectation that futures exchanges that list and trade bitcoin futures contracts will, through information sharing agreements, monitor the trading activity on the relevant cash platforms for potential impacts on the price discovery process for bitcoin futures contracts, including potential market manipulation and market dislocations due to flash rallies and crashes and trading outages.

Moreover, prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders in an Information Bulletin of the special characteristics and risks



associated with trading the Shares and of the suitability requirements of NYSE Arca Rule 9.2-E(a). The Information Bulletin will advise ETP Holders, prior to the commencement of trading, of the prospectus delivery requirements applicable to a Fund. The Information Bulletin will also discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act. In addition, the Information Bulletin will reference that a Fund is subject to various fees and expenses described in the Registration Statement. The Information Bulletin will also reference that the CFTC has regulatory jurisdiction over the trading of Bitcoin Futures Contracts traded on U.S. markets. The Information Bulletin will also disclose the trading hours of the Shares and that the NAV for the Shares will be calculated after 11:00 a.m. E.T. each trading day. The Information Bulletin will disclose that information about the Shares will be publicly available on the Funds' website.

Trading in Shares of a Fund will be halted if the circuit breaker parameters in 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

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of a new type of Trust Issued Receipt based on the price of Bitcoin Futures Contracts 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 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.

**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 purpose of the Act. The

Exchange notes that the proposed rule change will facilitate the listing and trading of a new type of Trust Issued Receipt based on the price of Bitcoin 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 within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- A. by order approve or disapprove the proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<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-2018-02 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-2018-02. 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 will also 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-2018-02 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>21</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>21</sup> 17 CFR 200.30-3(a)(12).