

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-82716; File No. SR-NYSEARCA-2018-12)

February 14, 2018

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Temporarily Amend Rule 7.35-E(a)(8) Relating to the Auction Reference Price for the Trading Halt Auction for ProShares Short VIX Short-Term Futures ETF

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on February 6, 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 temporarily amend Rule 7.35-E(a)(8) relating to the Auction Reference Price for the Trading Halt Auction for ProShares Short VIX Short-Term Futures ETF (SVXY), which would be operative for February 6, 2018 only. 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 Exchange proposes to temporarily amend Rule 7.35-E(a)(8) relating to the Auction Reference Price for the Trading Halt Auction for ProShares Short VIX Short-Term Futures ETF (SVXY), which would be operative for February 6, 2018 only.

On February 5, 2018, both the U.S. and global markets experienced increased selling pressure and the Dow Jones Industrial Average ("DJIA") closed 4.6% down over the prior closing day. In addition, on February 5, 2018, the Cboe Volatility Index ("VIX"), which is a common measure of volatility, more than doubled from its prior close of 17.16 to 37.32. On the morning of February 6, 2018, the level of VIX continued to fluctuate significantly, reaching both a high of 50.30 and a low of 22.42 before noon.

SVXY, which is listed on the Exchange, seeks daily investment results that correspond to the inverse (-1X) of the daily performance of the S&P 500 VIX Short-term Futures Index. On February, 5, 2018, the Official Closing Price for SVXY was \$71.82. The price of SVXY declined in after-market trading on February 5, 2018, and the last

reported extended-hours trade price on that day was \$14.90. Because of the volatility in pricing for SVXY and because the NAV for February 5, 2018 was not yet publicly available, on February 6, 2018, NYSE Arca halted trading in SVXY before the Early Trading Session began at 4:00 a.m. Eastern Time.⁴ Thereafter, the NAV was published at \$3.96. While the security was halted, an Intraday Indicative Value (“IIV”) was published under the ticker SVXY.IV, and as of 11:00 a.m. Eastern Time on February 6, 2018, the IIV was \$11.4111.

As set forth in Rule 7.35-E(a)(8)(A), the Auction Reference Price for a Trading Halt Auction is either the last consolidated round-lot price of that trading day and, if none, the prior day’s Official Closing Price. Pursuant to Rule 7.35-E(e)(7), for a Trading Halt Auction, the Price Collar Threshold for Auction Collars is the Auction Reference Price multiplied by 5 percent. Accordingly, consistent with these rules, for the Trading Halt Auction for SVXY, which would also be the first trade on February 6, 2018, the Auction Reference Price would be \$71.82 and the Price Collar Thresholds would be \$68.23 and \$75.41.

However, because of market events unique to the circumstances of February 5, 2018 and February 6, 2018, and the impact on pricing of SVXY, the Exchange does not believe that SVXY’s Official Closing Price would be an appropriate Auction Reference

⁴ See Rule 8.200-E(d)(2)(F) and Securities Exchange Act Release Nos. 65134 (August 15, 2011), 76 FR 52034 (August 19, 2011) (SR-NYSEArca-2011-23) (Approval Order) and 64460 (May 11, 2011), 76 FR 28493, 28496 (May 17, 2011) (SR-NYSEArca-2011-23) (Notice) (“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 may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable”, including if the NAV with respect to SVXY is not disseminated to all market participants at the same time).

Price for the Trading Halt Auction for that security. The Exchange believes that the significant difference between the Official Closing Price on the one hand, and the last reported extended-hours sale price, NAV, and IIV for that security on the other hand indicates that the Official Closing Price does not reflect the value of the security and would not be an appropriate Auction Reference Price.

The Exchange believes that it would be consistent with fair and orderly markets and the protection of investors and the public to temporarily amend Rule 7.35-E(a)(8) and set a different Auction Reference Price for SVXY. The Exchange believes that given the unique circumstances for SVXY, including the selling pressure on February 5, 2018 and the fluctuating prices relating to SVXY overnight, an IIV identified shortly before the Trading Halt Auction would more closely correlate to the value of SVXY as of the time of the Trading Halt Auction. More specifically, the Exchange believes that using an Auction Reference Price based on an IIV for SVXY that is identified prior to the Trading Halt Auction would reduce the potential for volatility in trading after the security resumes trading.

Accordingly, the Exchange proposes to temporarily amend Rule 7.35-E(a)(8) so that the Auction Reference Price for SVXY would be \$11.4111. Because this proposed amendment would be operative for only one trading day and for only one symbol, the Exchange does not believe it is necessary to amend the rule text to effect this change. The Exchange proposes to provide notice of the amended Auction Reference Price and related Auction Collars via a Trader Update, to be published before the Trading Halt Auction in SVXY.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁵ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁶ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest.

The Exchange believes that it would promote the protection of investors and the public interest to temporarily amend Rule 7.35-E(a)(8) to set a different Auction Reference Price for SVXY for the Trading Halt Auction that would resume trading in that security on February 6, 2018. In particular, the Exchange believes that the unique circumstances of the market-wide trading volatility on February 5 and 6, 2018, and related impact on the various prices relating to SVXY, using the Official Closing Price as the Auction Reference Price could result in extreme market volatility for that security after the security resumes trading on February 6, 2018. Specifically, the difference between the Official Closing Price on the one hand, and the NAV, last reported extended-hours sale price, and IIV on the morning of February 6, 2018 on the other hand, indicate that the Official Closing Price no longer reflects the value of SVXY.

By contrast, the Exchange believes that for this unique circumstance, using an IIV identified shortly before the Trading Halt Auction would more closely reflect the value of

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

SVXY and would reduce the potential for volatile trading after the security resumes trading. Accordingly, the Exchange believes that it would remove impediments and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest, to temporarily amend Rule 7.35-E(a)(8) to provide that the Auction Reference Price for SVXY on February 6, 2018 only would be based on an IIV as of 11:00 a.m. Eastern Time.

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

The Exchange does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not designed to address any competitive issues but rather is designed to ensure a fair and orderly market by temporarily amending the Auction Reference Price that would be used for the Trading Halt Auction to resume trading in SVXY on February 6, 2018 only.

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 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 Act⁷ and Rule 19b-4(f)(6) thereunder.⁸

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act⁹ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹⁰ 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 asked the Commission to waive the five-day prefiling requirement, as well the 30-day operative delay, so that the proposal may become operative on February 6, 2018. According to the Exchange, waiver of the operative delay would allow it to use an Auction Reference Price for the Trading Halt Auction to resume trading on SVXY on February 6, 2018, that more closely correlates to the value of that security, thereby reducing the potential of volatility after the security resumes trading. The Commission waives the prefiling requirement and finds that the 30-day operative delay is consistent with the protection of investors and the public interest because the proposed rule change is designed to facilitate the orderly reopening of trading in SVXY. Therefore, the Commission hereby waives the operative delay and designates the proposal operative upon filing.¹¹

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(6). Rule 19b-4(f)(6)(iii) requires the Exchange to provide the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the 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 requested that the Commission waive this requirement.

⁹ 17 CFR 240.19b-4(f)(6).

¹⁰ 17 CFR 240.19b-4(f)(6)(iii).

¹¹ For purposes only of waiving the 30-day operative delay, the Commission has

At any time within 60 days of the filing of such 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 under Section 19(b)(2)(B)¹² of the Act 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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEARCA-2018-12 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.

also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹² 15 U.S.C. 78s(b)(2)(B).

All submissions should refer to File Number SR-NYSEARCA-2018-12. 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-2018-12 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.¹³

Eduardo A. Aleman
Assistant Secretary

¹³ 17 CFR 200.30-3(a)(12).