

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79917; File No. SR-NYSEArca-2017-07]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to the Listing and Trading of Shares of the ProShares UltraPro 3x Crude Oil ETF and ProShares UltraPro 3x Short Crude Oil ETF Under NYSE Arca Equities Rule 8.200

February 1, 2017.

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 26, 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 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 Equities Rule 8.200, Commentary .02 (“Trust Issued Receipts”): ProShares UltraPro 3x Crude Oil ETF and ProShares UltraPro 3x Short Crude Oil ETF. The proposed rule change is available on the Exchange’s Web site at [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

The Exchange proposes to list and trade shares (“Shares”) of the following under NYSE Arca Equities Rule 8.200, Commentary .02, which governs the listing and trading of Trust Issued Receipts: ProShares UltraPro 3x Crude Oil ETF and ProShares UltraPro 3x Short Crude Oil ETF (each a “Fund” and, collectively, the “Funds”).<sup>4</sup>

Each Fund is a series of the ProShares Trust II (the “Trust”), a Delaware statutory trust.<sup>5</sup> The Trust and the Funds are managed and controlled by ProShare Capital Management LLC (“ProShare Capital”). ProShare Capital 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”).<sup>6</sup>

In its capacity as the Custodian for the Funds, Brown Brothers Harriman & Co. (the “Custodian”) is responsible for holding and safekeeping the Funds’ investment assets and cash and/or cash equivalents pursuant to a custodial agreement. The Custodian is also the registrar and transfer agent for the Shares. In addition, in its capacity as Administrator for the Funds, Brown Brothers Harriman & Co. (the “Administrator”) performs certain

<sup>4</sup> Commentary .02 to NYSE Arca Equities Rule 8.200 applies to Trust Issued Receipts that invest in “Financial Instruments.” The term “Financial Instruments,” as defined in Commentary .02(b)(4) to NYSE Arca Equities Rule 8.200, 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 9, 2016, 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 Funds (File No. 333-214904) (the “Registration Statement”). The description of the operation of the Trust and the Funds herein is based, in part, on the Registration Statement.

<sup>6</sup> The Commission has previously approved listing of Trust Issued Receipts based on oil on the American Stock Exchange (now known as NYSE MKT LLC) and NYSE Arca. *See, e.g.*, Securities Exchange Act Release Nos. 53582 (March 31, 2006), 71 FR 17510 (April 6, 2006) (SR-Amex-2005-127) (order approving listing and trading of shares of United States Oil Fund, LP); 57188 (January 23, 2008), 73 FR 5607 (January 30, 2008) (SR-Amex-2007-70) (order approving listing and trading of shares of United States Heating Oil Fund, LP and United States Gasoline Fund, LP); 61881 (April 9, 2010), 75 FR 20028 (April 16, 2010) (SR-NYSEArca-2010-14) (order approving listing and trading of shares of United States Brent Oil Fund, LP); and 62527 (July 19, 2010), 75 FR 43606 (July 26, 2010) (order approving listing and trading of shares of United States Commodity Index Fund).

administrative and accounting services for the Funds and prepares certain Commission, NFA and CFTC reports on behalf of the Funds. In its capacity as Distributor for the Funds, SEI Investments Distribution Co. (the “Distributor”) performs functions and duties relating to distribution and marketing.

#### ProShares UltraPro 3x Crude Oil ETF

According to the Registration Statement, the investment objective of the Fund is to seek, on a daily basis, investment results that correspond (before fees and expenses) to three times (3x) the performance of the Bloomberg WTI Crude Oil Subindex<sup>SM</sup> (the “Benchmark”).<sup>7</sup> The Fund does not seek to achieve its investment objective over a period greater than a single trading day.<sup>8</sup> The Benchmark is intended to reflect the performance of crude oil as measured by the price of futures contracts of West Texas Intermediate sweet, light crude oil traded on the New York Mercantile Exchange (the “NYMEX”, which is part of the CME Group, Inc. (“CME”)), including the impact of rolling, without regard to income earned on cash positions.

#### ProShares UltraPro 3x Short Crude Oil ETF

According to the Registration Statement, the investment objective of the Fund is to seek, on a daily basis, investment results that correspond (before fees and expenses) to three times (3x) the inverse of the performance of the Benchmark. The Fund does not seek to achieve its investment objective over a period greater than a single trading day.

#### Investment Strategies of the Funds

In seeking to achieve the Funds’ investment objectives, ProShare Capital will utilize a mathematical approach to determine the type, quantity and mix of investment positions that ProShare Capital believes, in combination, should produce daily returns consistent with the Funds’ respective objectives. ProShare Capital would rely on a pre-determined model to generate orders that result in repositioning the Funds’

<sup>7</sup> According to the Registration Statement, the Bloomberg WTI Crude Oil Subindex<sup>SM</sup> is a “rolling index,” which means that the index performance includes the impact of closing out futures contracts that are nearing expiration and replacing them with futures contracts with later expirations. This process is commonly referred to as “rolling.”

<sup>8</sup> According to the Registration Statement, the return of a Fund for a period longer than a single trading day is the result of its return for each day compounded over the period and thus will usually differ from a Fund’s multiple times the return of the Benchmark for the same period.

<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.

investments in accordance with their respective investment objectives.

Each Fund will seek to achieve its respective investment objective by investing, under normal market conditions,<sup>9</sup> substantially all of its assets in futures contracts for West Texas Intermediate sweet, light crude oil traded on the NYMEX, ICE Futures U.S. or other U.S. exchanges and listed options on such contracts (together, the "Futures Contracts"). The Funds will not invest directly in oil. A Fund's investments in Futures Contracts will be used to produce economically "leveraged" or "inverse leveraged" investment in a manner consistent with the respective Fund's investment objective.

In the event position, price or accountability limits are reached with respect to Futures Contracts,<sup>10</sup> each Fund may obtain exposure to the Benchmark through investment in swap transactions and forward contracts referencing such Benchmark (the "Financial Instruments"). To the extent that a Fund invests in Financial Instruments, it would first make use of exchange-traded Financial Instruments, if available. If an investment in exchange-traded Financial Instruments is unavailable, then a Fund would invest in Financial Instruments that clear through derivatives clearing organizations that satisfy the Trust's criteria, if available. If an investment in cleared Financial Instruments is unavailable, then a Fund would invest in other Financial Instruments, including uncleared Financial Instruments in the over-the-counter ("OTC") market. The Funds may also invest in Financial Instruments if the market for a specific Futures Contract experiences emergencies (e.g., natural disaster, terrorist attack or an act of God)

<sup>9</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.

<sup>10</sup>According to the Registration Statements, designated contract markets, such as the NYMEX and ICE Futures U.S., have established accountability levels and position limits on the maximum net long or net short Futures Contracts in commodity interests that any person or group of persons under common trading control (other than as a hedge, which an investment by a Fund is not) may hold, own or control. These levels and position limits apply to the Futures Contracts that each Fund would invest in to meet its investment objective. In addition to accountability levels and position limits, NYMEX and ICE Futures U.S. also set price fluctuation limits on Futures Contracts. The price fluctuation limit establishes the amount that the price of a Futures Contract may vary either up or down from the previous day's settlement price.

or disruptions (e.g., a trading halt) that prevent or make it impractical for a Fund to obtain the appropriate amount of investment exposure using Futures Contracts.

Although each Fund, under normal market conditions, will invest substantially all of its assets in Futures Contracts, each 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) pending investment in Futures Contracts or Financial Instruments as collateral for the Funds' investments.

The Funds do not intend to hold Futures Contracts through expiration, but instead intend 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 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 could adversely affect a Fund with long positions, and positively affect a Fund with short positions. Similarly, the presence of backwardation in certain futures contracts at the time of rolling such contracts could adversely affect a Fund with short positions and positively affect a Fund with long positions.

The Funds do not expect to have exposure to Futures Contracts and Financial Instruments greater than three times (3x) the Funds' net assets. Thus, the maximum margin held at a Future Commission Merchant would not exceed three times the margin requirement for either Fund.

#### Net Asset Value ("NAV")

According to the Registration Statement, a Fund's per Share NAV will be calculated by taking the current market value of its total assets; subtracting any liabilities; and dividing

that total by the total number of outstanding Shares.

Each Fund's NAV will be calculated on each day other than a day when the Exchange is closed for regular trading. The Funds will compute their NAVs at 2:30 p.m. Eastern Time ("E.T."), which is the designated closing time of the crude oil futures market on NYMEX, or an earlier time as set forth on [www.ProShares.com](http://www.ProShares.com), if necessitated by the New York Stock Exchange LLC ("NYSE"), the Exchange or other exchange material to the valuation or operation of such Fund closing early. Each Fund's NAV is calculated only once each trading day.

Futures Contracts traded on a U.S. exchange are calculated at their then current market value, which is based upon the settlement price or the last traded price before the NAV time, for that particular Futures Contract traded on the applicable U.S. exchange on the date with respect to which the NAV is being determined. If a Futures Contract traded on a U.S. 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, ProShare Capital may 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 ProShare Capital deems fair and equitable so long as such principles are consistent with normal industry standards. Money market instruments will be priced for NAV purposes at amortized cost.

In calculating the NAV of a Fund, the settlement value of a Fund's non-exchange traded Financial Instruments will be determined by applying the closing price level of the Benchmark to the terms of such Financial Instruments. However, in the event that the Benchmark is not being priced due to the operation of daily limits or otherwise, ProShare Capital may choose to fair value a 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 underlying Benchmark and would be based on principles that ProShare Capital deems fair and equitable so long as such principles are consistent with normal industry standards.

Cash and cash equivalents will be valued based on price quotations or other indications of value provided by

a third party pricing service. Fixed-income securities with sixty days or less remaining maturity may be valued using the amortized cost method.

#### Indicative Fund Value

In order to provide updated information relating to a Fund 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 NAV per Share of a Fund as a base and updating throughout the Core Trading Session of 9:30 a.m. E.T. to 4:00 p.m. E.T. changes in the value of the investments held by a Fund.

#### Creation and Redemption of Shares

According to the Registration Statement, each Fund intends to create and redeem Shares in one or more "Creation Units" of 50,000 Shares each. A creation transaction generally takes place when an Authorized Participant deposits a specified amount of cash in exchange for a specified number of Creation Units. Similarly, Shares generally may be redeemed only in Creation Units, for cash. The prices at which creations and redemptions occur are based on the next calculation of the NAV after an order is received.

"Authorized Participants" will be the only persons that may place orders to create and redeem Creation Units. An Authorized Participant is an entity that has entered into an Authorized Participant Agreement with the Trust and ProShare Capital.

#### 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" for each Fund means any day on which the NAV of such Fund is determined. Purchase orders for Creation Units must be placed by 2:00 p.m. E.T. or earlier if NYSE Arca or other exchange material to the valuation or operation of such Fund closes before the cut-off time. The day on which the Distributor receives a valid purchase order is referred to as the purchase order date. If the purchase order is received after the applicable cut-off time, the purchase order date will be the next Business Day. Purchase orders are irrevocable.

By placing a purchase order, an Authorized Participant generally agrees to deposit cash with the Custodian.

#### 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, an Authorized Participant may place an order with the Distributor to redeem one or more Creation Units.

The redemption procedures allow Authorized Participants to redeem Creation Units. Individual shareholders may not redeem directly from a Fund. 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 E.T. on the first Business Day immediately following the redemption order date (T+1). ProShare Capital can extend the deadline for a Fund to receive the Creation Units required for settlement up to the third Business Day following the redemption order date (T+3).

Upon request of an Authorized Participant made at the time of a redemption order, ProShare Capital may determine, in addition to delivering redemption proceeds, to transfer futures contracts to the Authorized Participant pursuant to an exchange of futures contract for related position ("EFCRP") or to a block trade sale of futures contracts to the Authorized Participant.

#### Determination of Redemption Distribution

The redemption proceeds from a Fund will consist of the cash redemption amount and, if permitted by ProShare Capital with respect to a Fund, an EFCRP or block trade with the relevant Fund as described above. The redemption amount is equal to the NAV of the number of Creation Unit(s) of such Fund requested in the Authorized Participant's redemption order as of the time of the calculation of such Fund's NAV on the redemption order date.

#### 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 Futures Contracts will be readily available from the applicable futures exchange Web sites, automated quotation systems, published or other public sources, or major market data vendors.

Complete real-time data for the Futures Contracts is available by subscription through on-line information services. ICE Futures U.S. and NYMEX also provide delayed futures and options on futures information on current and past trading sessions and market news free of charge on their respective Web sites. The

specific contract specifications for Futures Contracts are also available on such Web sites, 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 cash equivalents, OTC swaps and forward contracts 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. Intra-day price and closing price level information for the Benchmark will be available from major market data vendors. The IFV will be available through on-line information services.

In addition, the Funds' Web site, [www.ProShares.com](http://www.ProShares.com), will display the applicable end of day closing NAV. The daily holdings of each Fund will be available on the Funds' Web site before 9:30 a.m. E.T. Each Fund's total portfolio composition will be disclosed each Business Day that the NYSE Arca is open for trading, on the Funds' Web site. The Web site disclosure of portfolio holdings will be made daily and will include, as applicable, (i) the composite value of the total portfolio, (ii) the name, percentage weighting, and value of the Futures Contracts and Financial Instruments, (iii) the name and value of each Treasury security and cash equivalent, and (iv) the amount of cash held in each Fund's portfolio. The Funds' Web site will be publicly accessible at no charge. The spot price of oil 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>11</sup> Trading in Shares of a Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 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 Benchmark occurs. If the interruption to the dissemination of the IFV, the value of the Benchmark persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the

<sup>11</sup> See NYSE Arca Equities Rule 7.12.

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 Equities Rule 7.34 (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 Equities Rule 7.6, 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.

The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.200. The trading of the Shares will be subject to NYSE Arca Equities Rule 8.200, 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>12</sup> under the Act, as provided by NYSE Arca Equities Rule 5.3. 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 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>13</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, 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 Futures Contracts with other markets and other entities that are members of the Intermarket Surveillance Group ("ISG"), and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares and certain Futures Contracts from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and certain 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>14</sup>

Not more than 10% of the net assets of a Fund in the aggregate invested in Futures Contracts shall consist of Futures Contracts whose principal market is not a member of the ISG or is a market with which the Exchange does not have a CSSA.

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 Benchmark, and (b) limitations on portfolio Benchmark 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 Equities Rule 5.5(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 Equities Rule 9.2(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) that a static IFV will be disseminated, between the close of trading on the ICE Futures U.S. and NYMEX and the close of the NYSE Arca Core Trading Session; (6) 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 (7) trading information.

Prior to the commencement of trading, the Exchange will inform its ETP Holders of the suitability requirements of NYSE Arca Equities Rule 9.2(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

<sup>12</sup> 17 CFR 240.10A-3.

<sup>13</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.

<sup>14</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.

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, each Fund will seek, on a daily basis, investment results that correspond (before fees and expenses) to 3x, or –3x, respectively, the performance of the 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 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 2:30 p.m. E.T. each trading day. The Information Bulletin will disclose that information about the Shares will be publicly available on the Funds’ Web site.

## 2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>15</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 Equities Rule 8.200. 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 both, will communicate as needed regarding trading in the Shares and certain 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 Futures Contracts from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and certain Futures Contracts from markets and other entities that are members of ISG or with which the Exchange has in place a CSSA. Not more than 10% of the net assets of a Fund in the aggregate invested in Futures Contracts shall consist of Futures Contracts whose principal market is not a member of the ISG or is a market with which the Exchange does not have a CSSA. The intraday, closing prices, and settlement prices of the Futures Contracts will be readily available from the applicable futures exchange Web sites, automated quotation systems, published or other public sources, major market data vendors or on-line information services.

Complete real-time data for the Futures Contracts is available by subscription from on-line information services. ICE Futures U.S. and NYMEX also provide delayed futures information on current and past trading sessions and market news free of charge on the Funds’ Web site. The specific contract specifications for Futures Contracts are also available on such Web sites, 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. In addition, the Funds’ Web site will display the applicable end of day closing NAV. Each Fund’s total portfolio composition will be disclosed each Business Day on the Funds’ Web site. The Web site disclosure of portfolio holdings will be made daily and will include, as applicable, (i) the composite value of

the total portfolio, (ii) the name, percentage weighting, and value of the Futures Contracts and Financial Instruments, (iii) the name and value of each Treasury security and cash equivalent, and (iv) the amount of cash held in each Fund’s portfolio.

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 Equities Rule 9.2(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 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 2:30 p.m. E.T. each trading day. The Information Bulletin will disclose that information about the Shares will be publicly available on the Funds’ Web site.

Trading in Shares of a Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 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 additional types of Trust Issued Receipts based on oil prices 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

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

notes that the proposed rule change will facilitate the listing and trading of additional types of Trust Issued Receipts based on oil prices 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 such 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 email to [rule4comments@sec.gov](mailto:rule4comments@sec.gov). Please include File Number SR-NYSEArca-2017-07 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-2017-07. This file number should be included on the subject line if email 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 Web site (<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 Web site 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 such filing will also 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-2017-07 and should be submitted on or before February 28, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-79914; File No. SR-NYSEArca-2016-120]

**Self-Regulatory Organizations; NYSE Arca, Inc.; Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 1, To List and Trade Shares of the ForceShares Daily 4X US Market Futures Long Fund and ForceShares Daily 4X US Market Futures Short Fund Under Commentary .02 to NYSE Arca Equities Rule 8.200**

February 1, 2017.

**I. Introduction**

On October 17, 2016, NYSE Arca, Inc. ("NYSE Arca" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to list and trade shares

("Shares") of the ForceShares Daily 4X US Market Futures Long Fund ("Fund" or "Long Fund") and ForceShares Daily 4X US Market Futures Short Fund ("Fund" or "Short Fund" and, together with the Long Fund, the "Funds") under Commentary .02 to NYSE Arca Equities Rule 8.200. The proposed rule change was published for comment in the **Federal Register** on November 4, 2016.<sup>3</sup> On December 14, 2016, pursuant to Section 19(b)(2) of the Act,<sup>4</sup> the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.<sup>5</sup> On December 22, 2016, the Exchange filed Amendment No. 1 to the proposed rule change, which replaced and superseded the proposed rule change as originally filed.<sup>6</sup> The Commission has received no comments on the proposed rule change. This order institutes proceedings under Section 19(b)(2)(B) of the Act<sup>7</sup> to determine whether to approve or disapprove the proposed rule change.

**II. Exchange's Description of the Proposal, as Modified by Amendment No. 1**

The Exchange proposes to list and trade the Shares under Commentary .02 to NYSE Arca Equities Rule 8.200, which governs the listing and trading of Trust Issued Receipts on the Exchange. Each Fund is a commodity pool that is a series of the ForceShares Trust. ForceShares LLC will be the sponsor of the Funds ("Sponsor"). ALPS Distributors, Inc. will be the marketing agent for the Shares. U.S. Bank National Association will be the Funds' custodian ("Custodian") and will hold the Funds' cash and cash equivalents. The Custodian will also be the registrar and transfer agent for the Shares.

The Long Fund's primary investment objective is to seek daily investment

<sup>3</sup> See Securities Exchange Act Release No. 79201 (October 31, 2016), 81 FR 76977.

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> See Securities Exchange Act Release No. 79550, 81 FR 92892 (December 20, 2016). The Commission designated February 2, 2017, as the date by which it shall approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change.

<sup>6</sup> In Amendment No. 1, the Exchange: (a) Clarified the permissible investments of the Funds; (b) added that a creation basket may not differ in size from a redemption basket, and that basket sizes may be between 10,000 and 100,000 Shares; (c) modified when purchase orders may be rejected, when the right of redemption may be suspended, and when the redemption settlement date may be postponed; and (d) made various technical changes. Amendment No. 1 is available at: <https://www.sec.gov/comments/sr-nysearca-2016-120/nysearca2016120-1442225-130027.pdf>.

<sup>7</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>16</sup> 17 CFR 200.30-3(a)(12).

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

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