

**SECURITIES AND EXCHANGE  
COMMISSION**

[Release No. 34–82716; File No. SR–  
NYSEARCA–2018–12]

**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**

February 14, 2018.

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 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](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 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.<sup>4</sup> 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 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.

<sup>4</sup> 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).

<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.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,<sup>5</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>6</sup> 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 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 Act<sup>7</sup> and Rule 19b–4(f)(6) thereunder.<sup>8</sup>

A proposed rule change filed pursuant to Rule 19b–4(f)(6) under the Act<sup>9</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b–4(f)(6)(iii)<sup>10</sup> 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 pre-filing 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 pre-filing 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.<sup>11</sup>

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) 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 email to [rule-comments@sec.gov](mailto: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. All submissions should refer to File Number SR–NYSEARCA–2018–12. 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 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

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 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.

<sup>9</sup> 17 CFR 240.19b–4(f)(6).

<sup>10</sup> 17 CFR 240.19b–4(f)(6)(iii).

<sup>11</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>12</sup> 15 U.S.C. 78s(b)(2)(B).

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

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 March 14, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Eduardo A. Aleman,**  
Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82713; File No. SR-GEMX-2018-06]

### Self-Regulatory Organizations; Nasdaq GEMX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Port Fees

February 14, 2018.

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> notice is hereby given that on February 9, 2018, Nasdaq GEMX, LLC ("GEMX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Port Fees at Section IV, E to indicate those fees are not prorated.

The text of the proposed rule change is available on the Exchange's website at <http://nasdaqgemx.cchwallstreet.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 Exchange 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 these 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 aspects of such statements.

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

###### 1. Purpose

The purpose of the proposed rule change is to include language within the Schedule of Fees at Section IV, E, entitled "Port Fees" to clarify that the port fees in this section are not subject to proration. Today, the Exchange does not prorate the pricing for these ports.

###### Background

The Exchange previously filed<sup>3</sup> to: (1) Establish ports and gateways that members use to connect to the Exchange with the migration of the Exchange's trading system to the Nasdaq INET architecture, and (2) amend the Schedule of Fees to adopt fees for those ports and gateways. The Exchange established fees for the following connectivity options that are available in connection with the Exchange's trading system: Specialized Quote Feed

("SQF"),<sup>4</sup> SQF Purge,<sup>5</sup> Ouch to Trade Options ("OTTO"),<sup>6</sup> Clearing Trade Interface ("CTI"),<sup>7</sup> Financial Information eXchange ("FIX"),<sup>8</sup> FIX Drop,<sup>9</sup> Disaster Recovery,<sup>10</sup> and Market Data Port.<sup>11</sup> The Exchange proposes to

<sup>4</sup> SQF is an interface that allows market makers to connect and send quotes, sweeps and auction responses into the Exchange. Data includes the following: (1) Options Auction Notifications (e.g., opening imbalance, Flash, PIM, Solicitation and Facilitation or other information); (2) Options Symbol Directory Messages; (3) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (4) Option Trading Action Messages (e.g., halts, resumes); (5) Execution Messages (6) Quote Messages (quote/sweep messages, risk protection triggers or purge notifications).

<sup>5</sup> SQF Purge is a specific port for the SQF interface that only receives and notifies of purge requests from the market maker. Dedicated SQF Purge Ports enable market makers to seamlessly manage their ability to remove their quotes in a swift manner.

<sup>6</sup> OTTO is an interface that allows market participants to connect and send orders, auction orders and auction responses into the Exchange. Data includes the following: (1) Options Auction Notifications (e.g., Flash, PIM, Solicitation and Facilitation or other information); (2) Options Symbol Directory Messages; (3) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (5) Option Trading Action Messages (e.g., halts, resumes); (6) Execution Messages; (7) Order Messages (order messages, risk protection triggers or purge notifications).

<sup>7</sup> CTI is a real-time clearing trade update message that is sent to a member after an execution has occurred and contains trade details. The message containing the trade details is also simultaneously sent to The Options Clearing Corporation ("OCC"). The information includes, among other things, the following: (i) The Clearing Member Trade Agreement or "CMTA" or "OCC" number; (ii) Exchange badge or house number; (iii) the Exchange internal firm identifier; and (iv) an indicator which will distinguish electronic and non-electronically delivered orders; (v) liquidity indicators and transaction type for billing purposes; (vi) capacity.

<sup>8</sup> FIX is an interface that allows market participants to connect and send orders and auction orders into the Exchange. Data includes the following: (1) Options Symbol Directory Messages; (2) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (3) Option Trading Action Messages (e.g., halts, resumes); (4) Execution Messages; (5) Order Messages (order messages, risk protection triggers or purge notifications).

<sup>9</sup> FIX Drop is a real-time order and execution update message that is sent to a member after an order been received/modified or an execution has occurred and contains trade details. The information includes, among other things, the following: (1) Executions; (2) cancellations; (3) modifications to an existing order (4) busts or post-trade corrections.

<sup>10</sup> Disaster Recovery ports provide connectivity to the exchange's disaster recovery data center in Chicago to be utilized in the event the exchange has to fail over during the trading day. DR Ports are available for SQF, SQF Purge, Dedicated SQF, CTI, OTTO, FIX and FIX Drop.

<sup>11</sup> Market Data ports provide connectivity to the Exchange's proprietary market data feeds, including the Nasdaq GEMX Real-time Depth of Market Raw Data Feed ("Depth of Market Feed"), the Nasdaq GEMX Order Feed ("Order Feed"), the Nasdaq GEMX Top Quote Feed ("Top Quote Feed"), the

Continued

<sup>13</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.

<sup>3</sup> See Securities and Exchange Act Release No. 80649 (May 10, 2017), 82 FR 22595 (May 16, 2017) (SR-GEMX-2017-07).