



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> BATS Exchange, Inc. (the “Exchange” or “BATS”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to list and trade shares of the ProShares Managed Futures Strategy ETF (the “Fund”) of the ProShares Trust (the “Trust”) under BATS Rule 14.11(i) (“Managed Fund Shares”). The shares of the Fund are referred to herein as the “Shares.”

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on February 11, 2014. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to Eric Swanson, Senior Vice President and General Counsel of the Exchange at (913) 815-7000.

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

- (a) Purpose

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

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

The Exchange proposes to list and trade the Shares under BATS Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange.<sup>3</sup> The Fund will be an actively managed fund that seeks to provide positive returns that are not directly correlated to broad equity or fixed income markets.

The Shares will be offered by the Trust, which was established as a Delaware statutory trust on May 29, 2002. The Trust is registered with the Commission as an open-end investment company and has filed a registration statement on behalf of the Fund on Form N-1A (“Registration Statement”) with the Commission.<sup>4</sup> The Commodity Futures Trading Commission (“CFTC”) has recently adopted substantial amendments to CFTC Rule 4.5 relating to the permissible exemptions and conditions for reliance on exemptions from registration as a commodity pool operator. As a result of the instruments that will be held by the Fund, the Adviser has registered as a Commodity Pool Operator (“CPO”) and is also a member of the National Futures Association (“NFA”). The Fund and ProShares Cayman Trust I, a wholly-owned subsidiary of the Fund organized under the laws of the Cayman Islands (the “Subsidiary” as further described herein) will be subject to regulation by the CFTC and NFA and additional disclosure, reporting and recordkeeping rules imposed upon commodity pools.

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<sup>3</sup> The Commission approved BATS Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018).

<sup>4</sup> See Registration Statement on Form N-1A for the Trust, dated May 31, 2013 (File Nos. 333-89822 and 811-21114). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order granting certain exemptive relief to the Company under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) (the “Exemptive Order”). See Investment Company Act Release No. 30562 (June 18, 2013) (File No. 812-14041).

Description of the Shares and the Fund

ProShare Advisors LLC is the investment adviser (“PSA” or “Adviser”) to the Fund. JPMorgan Chase Bank, National Association is the administrator, custodian, fund account agent, index receipt agent and transfer agent for the Trust. SEI Investments Distribution Co. (“Distributor”) serves as the distributor for the Trust.

BATS Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.<sup>5</sup> In addition, Rule 14.11(i)(7) further requires that personnel who make decisions on the investment company’s portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable investment company

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<sup>5</sup> An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the “Advisers Act”). As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

portfolio. Rule 14.11(i)(7) is similar to BATS Rule 14.11(b)(5)(A)(i), however, Rule 14.11(i)(7) in connection with the establishment of a “fire wall” between the investment adviser and the broker-dealer reflects the applicable open-end fund’s portfolio, not an underlying benchmark index, as is the case with index-based funds. The Adviser is not a registered broker-dealer, but is currently affiliated with a broker-dealer and, in the future may be affiliated with other broker dealers. The Adviser personnel who make decisions regarding the Fund’s portfolio are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Fund’s portfolio. In the event that (a) the Adviser becomes a broker-dealer or newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a broker-dealer or becomes affiliated with a broker-dealer, it will implement a fire wall with respect to its relevant personnel or such broker-dealer affiliate, as applicable, regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

#### ProShares Managed Futures Strategy ETF

According to the Registration Statement, the Fund seeks to achieve positive returns that are not directly correlated to broad equity or fixed income markets. The Fund uses the S&P® Strategic Futures Index as a performance benchmark (the “Benchmark”). The Benchmark seeks to reflect trends (in either direction) in the commodity, foreign currency and fixed income markets by taking long or short positions in the related futures contracts. While the Fund generally will seek exposure to the commodity and financial markets included in the Benchmark, the Fund is not an index tracking ETF and will

generally seek to enhance its performance by actively selecting investments for the Fund with varying maturities from the underlying components of the Benchmark.

There can be no assurance that the Fund's performance will exceed the performance of the Benchmark at any time. The Fund is not sponsored, endorsed, sold or promoted by S&P®. S&P's® only relationship to the Fund is the licensing of certain service marks and service names of S&P® and of the Benchmark, which is determined, composed and calculated by S&P® without regard to the Fund's investment advisor or the Fund. S&P® has no obligation to take the needs of the Fund's investment advisor or the Fund into consideration in determining, composing or calculating the Benchmark.

Under normal market conditions,<sup>6</sup> the Fund invests in a portfolio of exchange-traded commodity futures contracts ("Commodity Futures Contracts") and exchange-traded currency and U.S. Treasury futures contracts ("Financial Futures Contracts") (collectively, "Futures Contracts").

The Fund, in part through the Subsidiary, attempts to capture the economic benefit derived from rising and declining trends based on the price changes of these Futures Contracts. Each month, the Fund's investments will generally be positioned long or short based on a comparison of the recent returns of each Futures Contract with its own seven-month weighted moving average return. To be "long" means to hold or have long exposure to an asset with the expectation that its value will increase over time. To be

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<sup>6</sup> The term "under normal market conditions" includes, but is not limited to, the absence of extreme volatility or trading halts in the fixed income markets, futures markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or manmade disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

“short” means to sell or have short exposure to an asset with the expectation that it will fall in value. The Fund will benefit if it is long an asset that increases in value or is short an asset that decreases in value. Conversely, the Fund will be adversely impacted if it is long an asset that decreases in value or short an asset that increases in value.

The following table describes each of the commodities, currencies and U.S. Treasuries underlying the futures contracts included in the Benchmark as of June 30, 2015. The table also provides each instrument’s trading hours, exchange and ticker symbol. This table is subject to change:

<b>Sector</b>	<b>Weight</b>	<b>Component</b>	<b>Weight</b>	<b>Exchange</b>	<b>Trading Hours<sup>7</sup></b>
Energy	6.99%	Light Crude	1.31%	NYMEX (CME)	6:00 p.m.-5:15 p.m. next day
		Heating Oil	1.78%	NYMEX (CME)	6:00 p.m.-5:15 p.m. next day
		RBOB Gasoline	1.64%	NYMEX (CME)	6:00 p.m.-5:15 p.m. next day
		Natural Gas	2.26%	NYMEX (CME)	6:00 p.m.-5:15 p.m. next day
Industrial Metals	3.64%	Copper	3.64%	COMEX (CME)	6:00 p.m.-5:15 p.m. next day
Precious Metals	3.87%	Gold	3.37%	COMEX (CME)	6:00 p.m.-5:15 p.m. next day

<sup>7</sup> All times are E.T., inclusive of electronic and open outcry trading sessions, as applicable.



		Silver	1.76%	COMEX (CME)	6:00 p.m.-5:15 p.m. next day
Livestock	8.72%	Lean Hogs	3.95%	CME	10:05 a.m.- 2:55 p.m.; Daily trading halts: 5:00 p.m. – 6:00p.m.
		Live Cattle	4.77%	CME	10:05 a.m. – 2:55 p.m. Daily trading halts 5:00 p.m.-6:00 p.m.

### Index Weights

Sector	Weight	Component	Weight	Exchange	Trading Hours
Grains	8.60%	Corn	2.73%	CBOT (CME)	8:00 p.m.- 2:20 p.m. next day Daily trading halt from 8:45 am to 9:30 am
		Soybeans	3.10%	CBOT (CME)	8:00 p.m.- 2:20 p.m. next day Daily trading halt from 8:45am to 9:30 am
		Wheat	2.77%	CBOT (CME)	8:00 p.m.- 2:20p.m. next day Daily trading halt from 8:45 am to 9:30 am
Softs	13.01%	Coffee	2.11%	ICE	4:15 a.m.- 1:30 p.m.

		Cocoa	4.76%	ICE	4:45 a.m.- 1:30 p.m.
		Sugar	2.72%	ICE	3:30 a.m.- 1:00 p.m.
		Cotton	3.42%	ICE	9:00 p.m.-2:20 p.m. next day
Australian Dollar	4.37%	Australian Dollar		CME	6:00 p.m.-5: 15 p.m. next day
British Pound	6.28%	British Pound		CME	6:00 p.m.-5: 15 p.m. next day
Canadian Dollar	4.73%	Canadian Dollar		CME	6:00 p.m.-5:15 p.m. next day

**Index Weights**

<b>Sector</b>	<b>Weight</b>	<b>Component</b>	<b>Weight</b>	<b>Exchange</b>	<b>Trading Hours</b>
Euro	4.56%	Euro		CME	6:00 p.m.-5:15 p.m. Next day
Japanese Yen	5.95%	Japanese Yen		CME	6:00 p.m.-5:15 p.m. Next day
Swiss Franc	3.39%	Swiss Franc		CME	6:00 p.m.-5:15 p.m. Next day
U.S. Treasury Notes <sup>8</sup>	14.58%	U.S. Treasury Notes		CBOT (CME)	6:00 p.m.-5:00 p.m. Next day
U.S. Treasury Bonds <sup>9</sup>	10.04%	U.S. Treasury Bonds		CBOT (CME)	6:00 p.m.-5:00 p.m. Next day
	100%		100%		

In order to achieve its investment objective, the Fund will invest in: (i) Futures Contracts<sup>10</sup>; and/or (ii) under limited circumstances (as further described herein), swap agreements whose value is derived from the level of the Benchmark, other indexes, one

<sup>8</sup> “U.S. Treasury Notes” refers to 10 year U.S. Treasury Note futures.

<sup>9</sup> “U.S. Treasury Bonds” refers to those futures with underlying bonds of a remaining term to call or maturity of 15-25 years.

<sup>10</sup> Futures Contracts will be the same type of contracts as the Index Components, but the expiration dates of such Futures Contracts may differ from the expiration dates of the Index Components at any given point in time.

or more futures contracts or their underlying reference assets. The Fund may also invest up to 100% of its assets in cash or 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) for direct investment or as collateral for the Futures Contracts or swap agreements.

The Adviser does not expect that the Fund will invest directly in any commodity or currency. In the event position accountability rules or position limits with respect to a Futures Contract are reached with respect to a Fund, the Adviser may, in its commercially reasonable judgment, obtain exposure through swaps whose value is derived from the level of the Benchmark, other Indexes, one or more Futures Contracts or their underlying reference assets, or invest in other futures contracts or swaps if such instruments tend to exhibit trading prices or returns that will further the investment objective of the Fund.<sup>11</sup> The Fund may also invest in swaps if the market for a specific Futures Contract experiences emergencies (e.g., natural disaster, terrorist attack, or an act of God) or disruptions (e.g., a trading halt or a flash crash) that would prevent the Fund from obtaining the appropriate amount of investment exposure to the affected Futures Contracts or other futures contracts directly.<sup>12</sup>

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<sup>11</sup> To the extent practicable, the Fund will invest in swaps cleared through the facilities of a centralized clearing house.

<sup>12</sup> The Adviser will also attempt to mitigate the Fund's credit risk by transacting only with large, well-capitalized institutions using measures designed to determine the creditworthiness of a counterparty. The Adviser will take various steps to limit counterparty credit risk, as described in the Registration Statement.

According to the Registration Statement, the Fund will invest a substantial portion of its assets in fixed income securities that include U.S. government and agency securities, money market instruments,<sup>13</sup> overnight and fixed-term repurchase agreements, cash and other cash equivalents. The Fund will use the fixed-income securities as investments and to meet asset coverage tests resulting from the Subsidiary's derivative exposure on a day-to-day basis. As a whole, the Fund's investments are meant to achieve its investment objective within the limitations of the federal tax requirements applicable to regulated investment companies.

The Fund expects to gain exposure to certain of these investments by investing a portion of its assets in the Subsidiary. The Subsidiary will be advised by the Adviser.<sup>14</sup> The Fund's investment in the Subsidiary is intended to provide the Fund with exposure to markets (in general, the commodity markets) within the limits of current federal income tax laws applicable to investment companies such as the Fund, which limit the ability of

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<sup>13</sup> The Fund may invest in shares of money market funds to the extent permitted by the 1940 Act.

<sup>14</sup> The Subsidiary is not registered under the 1940 Act and is not directly subject to its investor protections, except as noted in the Registration Statement. However, the Subsidiary is wholly-owned and controlled by the Fund and is advised by the Adviser. Therefore, because of the Fund's ownership and control of the Subsidiary, the Subsidiary would not take action contrary to the interests of the Fund or its shareholders. The Fund's Board of Trustees ("Board") has oversight responsibility for the investment activities of the Fund, including its expected investment in the Subsidiary, and the Fund's role as the sole shareholder of the Subsidiary. The Adviser receives no additional compensation for managing the assets of the Subsidiary. The Subsidiary will also enter into separate contracts for the provision of custody, transfer agency, and accounting agent services with the same or with affiliates of the same service providers that provide those services to the Fund.

investment companies to invest directly in certain Futures Contracts. The Subsidiary will have the same investment objective as the Fund. Except as otherwise noted, references to the Fund's investments may also be deemed to include the Fund's indirect investments through the Subsidiary. The Fund will invest up to 25% of its total assets in the Subsidiary.

The Fund intends to qualify each year as a regulated investment company (a "RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended.<sup>15</sup> The Fund will invest its assets (including via the Subsidiary), and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M. Aside from its investments in the Subsidiary, The Fund will not invest in options or non-U.S. equity securities.

#### Additional Information Regarding the Benchmark

Developed by S&P® and launched on August 14, 2014, the Benchmark is a long/short rules-based investable index that seeks to capture the economic benefit derived from both rising and declining trends in futures prices. The Benchmark is typically composed of futures contracts representing unleveraged long or short positions in the commodity and financial markets.

The weight assigned to each futures contract in the Benchmark is determined on a monthly basis, and implemented each month in an index rebalancing. Weights are determined using a proprietary risk-weighting methodology that measures the risk

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<sup>15</sup> 26 U.S.C. 851.

exposure of the futures contracts included in the Benchmark and then weights each futures contract so that it contributes the same level of risk to the Benchmark.

The Benchmark's exposure to futures contracts are not long-only, but are either short or long based on a comparison of the price change in the contract during the most recent month to a seven-month exponential weighted moving average price change of that contract. During the monthly rebalancing, the Benchmark also "rolls" certain of its positions in futures contracts from the current contract to a contract further from settlement.

Each month, S&P® will determine whether a futures contract that is a part of the Benchmark should be either a long or short position by comparing the price change of the most recent month (the "First Month Price Change") of the futures contract to the seven-month exponential weighted moving average price change (the "Seven Month Price Change"). Long positions are tracked when a futures contract's First Month Price Change is greater than or equal to the Seven Month Price Change. Short positions are tracked when a futures contract's First Month Price Change is less than the Seven Month Price Change. The First Month Price Change of each futures contract is calculated by calculating the percentage difference of each futures contract's price on the last PDD (as defined below) relative to the current PDD.

When calculating the Seven Month Price Change, each month's price input is represented as the monthly percentage change of a futures contract price which is calculated in the same manner as the First Month Price Change. Monthly positions are determined on the second to last Benchmark business day of the month (defined as the position determination date, or "PDD") when the monthly percentage change of a futures

contract's price is compared to past monthly price changes, exponentially weighted to give greatest weight to the most recent return and least weight to the return seven months prior. The weighted sum of the percentage changes of all futures contract prices in the Benchmark equals the daily movement of the Benchmark. To create an exponential average for comparison, price inputs (percentage change from current and previous PDDs) are weighted per the schedule below. Due to this weighting methodology, current price movements are more important than those of the more distant past.

During this monthly rebalancing, the Benchmark will also “roll” certain of its positions from the current contract to a contract further from settlement. In order to maintain consistent exposure to the futures contracts that compose the Benchmark, each futures contract must be sold prior to its expiration date and replaced by a contract maturing at a specified date in the future. This process is known as “rolling.” The futures contracts that are a part of the Benchmark are rolled periodically. The rolls are implemented pursuant to a roll schedule over a five-day period from the first (1st) through the fifth (5th) index business days of the month. An index business day is any day on which the majority of the futures contracts included in the Benchmark are open for official trading and official settlement prices are provided, excluding holidays and weekends.

In order to mitigate the potential negative impact of contango on long commodity positions, certain futures contracts in commodities will be rolled according to an “enhanced” rolling methodology. This methodology seeks to modify the normal roll methodology for futures contracts in the energy sector when such long position would be materially and negatively impacted by contango. In addition, the methodology identifies



seasonal factors applicable to both the energy and agricultural futures markets and implements a modified roll to mitigate potential costs of such seasonal impacts.

#### Other Portfolio Holdings

In addition to the instruments described above, the Fund will invest in money market instruments<sup>16</sup> in a manner consistent with its investment objective in order to generate additional returns, to help manage cash flows in and out of the Fund, such as in connection with payment of dividends or expenses, to satisfy margin requirements, and to provide collateral or to otherwise back investments Futures Contracts.

#### Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment) deemed illiquid<sup>17</sup> under the 1940 Act.<sup>18</sup> The Fund will monitor its portfolio liquidity on an ongoing basis to

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<sup>16</sup> The specific money market instruments are Treasury securities and repurchase agreements and, in the future, may include money market fund shares.

<sup>17</sup> In reaching liquidity decisions, the Adviser may consider the following factors: the frequency of trades and quotes for the security; the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; and the nature of the security and the nature of the marketplace trades (e.g., the time needed to dispose of the security, the method of soliciting offers, and the mechanics of transfer).

<sup>18</sup> The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. See also, Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding “Restricted Securities”); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund’s portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21,

determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of the Fund's net assets are held in illiquid assets. Illiquid assets include assets subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.

The Fund's investments will be consistent with the Fund's investment objective and will not be used to achieve leveraged or inverse leveraged returns (i.e. two times or three times the Fund's benchmark).

#### Net Asset Value

According to the Registration Statement, the net asset value ("NAV") of the Shares of the Fund will be calculated by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of Shares outstanding. Expenses and fees, including the management and administration fees, are accrued daily and taken into account for purposes of determining NAV. The NAV of the Fund is generally determined at 3:00 p.m. Eastern Time each business day when the Exchange is open for trading. If the Exchange or market on which the Fund's investments are primarily traded closes early, the NAV may be calculated prior to its normal calculation time. Creation/redemption transaction order time cutoffs (as further described below) would also be accelerated.

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1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act of 1933).

Securities and other assets are generally valued at their market price using information provided by a pricing service or market quotations. Certain short-term securities are valued on the basis of amortized cost. Futures Contracts are generally valued at their settlement price as determined by the relevant exchange. The settlement value of the Fund's swap agreements will be determined by applying the then-current disseminated value for the Index Components to the terms of the Fund's swap agreements. Repurchase agreements are generally valued at cost. U.S government securities are generally priced at a quoted market price from an active market, generally the midpoint between the bid/ask quotes. For U.S. government securities that mature within sixty days, amortized cost may be used to approximate fair value. Money market funds would generally be valued at their current Net Asset Value per share, typically \$1.00 per share. Certain short-term debt securities will be valued on the basis of amortized cost.

When the Adviser determines that the price of a security or derivative is not readily available or deems the price unreliable, it may, in good faith, establish a fair value for that security or derivative in accordance with procedures established by and under the general supervision and responsibility of the Board. The use of a fair valuation method may be appropriate if, for example, market quotations do not accurately reflect fair value for an investment, a trading halt closes an exchange or market early, or other events result in an exchange or market delaying its normal close. The Adviser may consider applying appropriate valuation methodologies, which may include discounts of market value of similar freely traded securities, yields to maturity, or any other appropriate method. In determining the appropriate methodology, the Adviser may consider all relevant factors,

including, among other things: fundamental analytical data; the types of securities affected; pricing history of the security; whether dealer quotations are available; liquidity of the market; news or other events; and other factors the Adviser deems relevant.

For more information regarding the valuation of Fund investments in calculating the Fund's NAV, see the Registration Statement.

### The Shares

The Fund will issue and redeem Shares on a continuous basis at the NAV per Share only in large blocks of a specified number of Shares or multiples thereof ("Creation Units") in transactions with authorized participants who have entered into agreements with the Distributor. The Adviser currently anticipates that a Creation Unit will consist of 25,000 Shares, though this number may change from time to time, including prior to listing of the Shares. The exact number of Shares that will constitute a Creation Unit will be disclosed in the Registration Statement. Once created, Shares of the Fund trade on the secondary market in amounts less than a Creation Unit.

Although the Adviser anticipates that purchases and redemptions for Creation Units will generally be executed on an all-cash basis, the consideration for purchase of Creation Units of the Fund may consist of an in-kind deposit of a designated portfolio of securities (including any portion of such assets for which cash may be substituted) (*i.e.*, the "Deposit Assets"), and the "Cash Component" computed as described below. Together, the Deposit Assets and the Cash Component constitute the "Fund Deposit," which represents the minimum initial and subsequent investment amount for a Creation Unit of the Fund. The specific terms surrounding the creation and redemption of shares are at the discretion of the Adviser.

The Deposit Assets and Fund Securities (as defined below), as the case may be, in connection with a purchase or redemption of a Creation Unit, generally will correspond pro rata, to the extent practicable, to the assets held by the Fund.

The Cash Component will be an amount equal to the difference between the NAV of the Shares (per Creation Unit) and the “Deposit Amount,” which will be an amount equal to the market value of the Deposit Assets, and serve to compensate for any differences between the NAV per Creation Unit and the Deposit Amount. The Fund generally offers Creation Units partially or entirely for cash. PSA will make available through the National Securities Clearing Corporation (“NSCC”) on each business day, prior to the opening of business on the Exchange, the list of names and the required number or par value of each Deposit Security and the amount of the Cash Component to be included in the current Fund Deposit (based on information as of the end of the previous business day) for the Fund.

The identity and number or par value of the Deposit Assets may change pursuant to changes in the composition of the Fund’s portfolio as rebalancing adjustments and corporate action events occur from time to time. The composition of the Deposit Assets may also change in response to adjustments to the weighting or composition of the holdings of the Fund.

The Fund reserves the right to permit or require the substitution of a “cash in lieu” amount to be added to the Cash Component to replace any Deposit Security that may not be available in sufficient quantity for delivery or that may not be eligible for transfer through the Depository Trust Company (“DTC”) or the clearing process through the NSCC.

Except as noted below, all creation orders must be placed for one or more Creation Units and must be received by the Distributor at a time specified by the Adviser. Currently, such orders must be received in proper form no later than 2:30 p.m. Eastern Time on the date such order is placed in order for creation of Creation Units to be effected based on the NAV of Shares of the Fund as next determined on such date after receipt of the order in proper form. The “Settlement Date” is generally the third business day after the transmittal date. On days when the Exchange or the bond markets close earlier than normal, the Fund may require orders to create or to redeem Creation Units to be placed earlier in the day.

Fund Deposits must be delivered through either the Continuous Net Settlement facility of the NSCC, the Federal Reserve System (for cash and government securities), through DTC (for corporate and municipal securities), or through a central depository account, such as with Euroclear or DTC, maintained by State Street or a sub-custodian (a “Central Depository Account”), in any case at the discretion of the Adviser, by an authorized participant. Any portion of a Fund Deposit that may not be delivered through the NSCC, Federal Reserve System or DTC must be delivered through a Central Depository Account.

A standard creation transaction fee may be imposed to offset the transfer and other transaction costs associated with the issuance of Creation Units.

Shares of the Fund may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Distributor and only on a business day. PSA will make available through the NSCC, prior to the opening of business on the Exchange on each business day, the designated portfolio of securities

(including any portion of such securities for which cash may be substituted) that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form on that day (“Fund Securities”). The redemption proceeds for a Creation Unit generally will consist of a specified amount of cash less a redemption transaction fee. The Fund generally will redeem Creation Units entirely for cash.

A standard redemption transaction fee may be imposed to offset transfer and other transaction costs that may be incurred by the Fund.

Redemption requests for Creation Units of the Fund must be submitted to the Distributor by or through an authorized participant by a time specified by the Adviser. Currently, such requests must be received no later than 10:45 a.m. Eastern Time on any business day, in order to receive that day’s NAV. The authorized participant must transmit the request for redemption in the form required by the Fund to the Distributor in accordance with procedures set forth in the authorized participant agreement.

Additional information regarding the Shares and the Fund, including investment strategies, risks, creation and redemption procedures, fees and expenses, portfolio holdings disclosure policies, distributions, taxes and reports to be distributed to beneficial owners of the Shares can be found in the Registration Statement or on the website for the Fund ([www.ProShares.com](http://www.ProShares.com)), as applicable.

#### Availability of Information

The Fund’s website, which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Fund that may be downloaded. The websites will include additional quantitative information updated on a daily basis, including, for the Fund: (1) the prior business day’s reported NAV, the closing market

price or the midpoint of the bid/ask spread at the time of calculation of such NAV (the “Bid/Ask price”),<sup>19</sup> daily trading volume, and a calculation of the premium and discount of the closing market price or 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 against the NAV, within appropriate ranges, for each of the four previous calendar quarters. Daily trading volume information will be available in the financial section of newspapers, through subscription services such as Bloomberg, Thomson Reuters, and International Data Corporation, which can be accessed by authorized participants and other investors, as well as through other electronic services, including major public websites. On each business day, before commencement of trading in Shares during Regular Trading Hours<sup>20</sup> on the Exchange, the Fund will disclose on its website the identities and quantities of the portfolio Futures Contracts and other assets (the “Disclosed Portfolio”) held by the Fund that will form the basis for the Fund’s calculation of NAV at the end of the business day.<sup>21</sup> The Disclosed Portfolio will include, as applicable, the names, quantity, exposure value (notional value + gains/losses), and market value of the Futures Contracts and other assets held by the Fund and the

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<sup>19</sup> The Bid/Ask Price of the Fund will be determined using the midpoint of the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund’s NAV. The records relating to Bid/Ask Prices will be retained by the Fund and its service providers.

<sup>20</sup> Regular Trading Hours are 9:30 a.m. to 4:00 p.m. Eastern Time.

<sup>21</sup> Under accounting procedures to be followed by the Fund, trades made on the prior business day (“T”) will be booked and reflected in NAV on the current business day (“T+1”). Accordingly, the Fund will be able to disclose at the beginning of the business day the portfolio that will form the basis for the NAV calculation at the end of the business day.



characteristics of such assets. The website and information will be publicly available at no charge.

In addition, for the Fund, an estimated value, defined in BATS Rule 14.11(i)(3)(C) as the “Intraday Indicative Value,” that reflects an estimated intraday value of the Fund’s portfolio, will be disseminated. Moreover, the Intraday Indicative Value will be based upon the current value for the components of the Disclosed Portfolio and will be updated and widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange’s Regular Trading Hours.<sup>22</sup> In addition, the quotations of certain of the Fund’s holdings may not be updated during U.S. trading hours if such holdings do not trade in the United States or if updated prices cannot be ascertained.

The dissemination of the Intraday Indicative Value, together with the Disclosed Portfolio, will allow investors to determine the value of the underlying portfolio of the Fund on a daily basis and provide an estimate of that value throughout the trading day.

Intraday price quotations on repurchase agreements and U.S. Government securities of the type held by the Fund are available from major broker-dealer firms and from third-parties, which may provide prices free with a time delay, or “live” with a paid fee. For Futures Contracts, such intraday information is available directly from the applicable listing exchange. Intraday price information is also available through subscription services, such as Bloomberg and Thomson Reuters, which can be accessed

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<sup>22</sup> Currently, it is the Exchange’s understanding that several major market data vendors display and/or make widely available Intraday Indicative Values published via the Consolidated Tape Association (“CTA”) or other data feeds.

by authorized participants and other investors. Money market fund shares are not generally priced or quoted on an intraday basis.

Information regarding market price and volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. The previous day's closing price and trading volume information for the Shares will be generally available daily in the print and online financial press.

Quotation and last sale information for the Shares will be available on the facilities of the CTA.

#### Initial and Continued Listing

The Shares will be subject to BATS Rule 14.11(i), which sets forth the initial and continued listing criteria applicable to Managed Fund Shares. The Exchange represents that, for initial and/or continued listing, the Fund must be in compliance with Rule 10A-3 under the Act.<sup>23</sup> A minimum of 100,000 Shares will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the NAV will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.

#### 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 the Fund. The Exchange will halt trading in the Shares under the conditions specified in BATS Rule 11.18.

Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to

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<sup>23</sup> See 17 CFR 240.10A-3.

which trading is not occurring in the Futures Contracts and other assets composing the Disclosed Portfolio of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares also will be subject to Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which Shares of the Fund may be halted.

#### 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. BATS will allow trading in the Shares from 8:00 a.m. until 5:00 p.m. Eastern Time. The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in BATS Rule 11.11(a), the minimum price variation for quoting and entry of orders in Managed Fund Shares traded on the Exchange is \$0.01, with the exception of securities that are priced less than \$1.00, for which the minimum price variation for order entry is \$0.0001.

#### Surveillance

The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws.

Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Managed Fund Shares. The Exchange may obtain information regarding trading in the Shares and the underlying futures via the Intermarket Surveillance Group ("ISG") from other exchanges who are members or affiliates of the ISG or with which the Exchange has entered into a

comprehensive surveillance sharing agreement.<sup>24</sup> In addition, the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to FINRA's Trade Reporting and Compliance Engine ("TRACE"). The Exchange prohibits the distribution of material non-public information by its employees.

#### Information Circular

Prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) BATS Rule 3.7, which imposes suitability obligations on Exchange members with respect to recommending transactions in the Shares to customers; (3) how information regarding the Intraday Indicative Value is disseminated; (4) the risks involved in trading the Shares during the Pre-Opening<sup>25</sup> and After Hours Trading Sessions<sup>26</sup> when an updated Intraday Indicative Value will not be calculated or publicly disseminated; (5) the requirement that members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

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<sup>24</sup> For a list of the current members and affiliate members of ISG, see [www.isgportal.com](http://www.isgportal.com). The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. The Exchange also notes that all of the futures contracts in the Disclosed Portfolio for the Fund will trade on markets that are a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

<sup>25</sup> The Pre-Opening Session is from 8:00 a.m. to 9:30 a.m. Eastern Time.

<sup>26</sup> The After Hours Trading Session is from 4:00 p.m. to 5:00 p.m. Eastern Time.

In addition, the Information Circular will advise members, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Fund. Members purchasing Shares from the Fund for resale to investors will deliver a prospectus to such investors. The Information Circular will also discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act.

In addition, the Information Circular will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Information Circular will also disclose the trading hours of the Shares of the Fund and the applicable NAV calculation time for the Shares. The Information Circular will disclose that information about the Shares of the Fund will be publicly available on the Fund's website. In addition, the Information Circular will reference that the Trust is subject to various fees and expenses described in the Registration Statement.

b. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act<sup>27</sup> in general and Section 6(b)(5) of the Act<sup>28</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, 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.

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<sup>27</sup> 15 U.S.C. 78f.

<sup>28</sup> 15 U.S.C. 78f(b)(5).

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in BATS Rule 14.11(i). The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. If the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser to the investment company shall erect a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio. The Adviser is not a registered broker-dealer, but is affiliated with a broker-dealer and has implemented a “fire wall” with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the Fund’s portfolio. The Exchange may obtain information regarding trading in the Shares and the underlying futures via the ISG from other exchanges who are members or affiliates of the ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement.<sup>29</sup> In addition, the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to FINRA’s TRACE.

According to the Registration Statement, the Fund expects that, under normal circumstances, it will have at least 80% of its assets invested, either directly or indirectly via the Subsidiary, in Futures Contracts. The Fund also may invest its net assets in

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<sup>29</sup> See note 24, supra.

money market instruments as collateral for the Futures Contracts and in order to help manage cash flows in and out of the Fund.

Additionally, the Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment). The Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of the Fund's net assets are held in illiquid assets. Illiquid assets include assets subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of the Shares that the NAV will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time. In addition, a large amount of information is publicly available regarding the Fund and the Shares, thereby promoting market transparency. Moreover, the Intraday Indicative Value will be disseminated by one or more major market data vendors at least every 15 seconds during Regular Trading Hours. On each business day, before commencement of trading in Shares during Regular Trading Hours, the Fund will disclose on its website the Disclosed Portfolio that will form the basis for the Fund's calculation of NAV at the end of the business day. Pricing information will be available on the Fund's website including: (1) the prior business day's reported NAV,

the Bid/Ask Price of the Fund, and a calculation of the premium and discount 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 Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. Additionally, information regarding market price and trading of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information for the Shares will be available on the facilities of the CTA. The website for the Fund will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Trading in Shares of the Fund will be halted under the conditions specified in BATS Rule 11.18. Trading may also be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Finally, trading in the Shares will be subject to BATS Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which Shares of the Fund may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

Intraday price quotations on repurchase agreements and U.S. Government securities of the type held by the Fund are available from major broker-dealer firms and from third-parties, which may provide prices free with a time delay, or "live" with a paid fee. For Futures Contracts, such intraday information is available directly from the applicable listing exchange. Intraday price information is also available through subscription services, such as Bloomberg and Thomson Reuters, which can be accessed



by authorized participants and other investors. Money market fund shares are not generally priced or quoted on an intraday basis.

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 actively-managed exchange-traded product 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 relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement as well as trade information for certain fixed income instruments as reported to FINRA's TRACE. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

For the above reasons, the Exchange believes that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act.

4. 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, rather will facilitate the listing and trading of additional actively-managed exchange-traded products that will enhance competition among both market participants and listing venues, to the benefit of investors and the marketplace.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange requests the Commission to find good cause to accelerate effectiveness of this proposed rule change pursuant to Section 19(b)(2) of the Act and to approve the proposed rule change prior to the 30th day after publication of the proposed rule change in the Federal Register. The Exchange believes there is good cause to grant expedited review and accelerated effectiveness of this proposal because the issues raised are similar to those raised in the proposed rule change approved by the Commission relating to listing and trading of other issues of managed fund shares listed on NYSE Arca, Inc. ("NYSE Arca")<sup>30</sup> based on similar benchmarks as the Fund, as well as certain Managed Fund Shares listed on the Exchange.<sup>31</sup>

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<sup>30</sup> See Securities Exchange Act Release Nos. 70055 (July 29, 2013), 78 FR 47037 (August 2, 2013) (SR-NYSEArca-2013-52) (order approving the listing and trading shares of the First Trust Morningstar Managed Futures Strategy Fund under NYSE Arca Rule 8.600); and 63598 (December 22, 2010), 75 FR 82106 (December 29, 2010) (SR=NYSEArca-2010-98) (order approving the listing and trading of shares of the WisdomTree Managed Futures Strategy Fund).

<sup>31</sup> The Commission has previously approved listing and trading on the Exchange of six similar actively managed funds under Rule 14.11(i). See Securities Exchange Act Release No. 72099 (May 6, 2014), 79 FR 27023 (May 12, 2014) (SR-BATS-2014-007) (order approving Exchange listing and trading of certain funds of the ProShares Trust).

8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1: Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibit 2 – 5: Not applicable.

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_ ; File No. SR-BATS-2015-56)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing of a Proposal to List and Trade Shares of the ProShares Managed Futures Strategy ETF of the ProShares Trust under BATS Rule 14.11 on BATS Exchange, Inc.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on \_\_\_\_\_, BATS Exchange, Inc. (the “Exchange” or “BATS”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III 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 is proposing to list and trade shares of the ProShares Managed Futures Strategy ETF (the “Fund”) of the ProShares Trust (the “Trust”) under BATS Rule 14.11(i) (“Managed Fund Shares”). The shares of the Fund are referred to herein as the “Shares.”

The text of the proposed rule change is available at the Exchange’s website at [www.batstrading.com](http://www.batstrading.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

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

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

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 parts of such statements.

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

1. Purpose

The Exchange proposes to list and trade the Shares under BATS Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange.<sup>3</sup> The Fund will be an actively managed fund that seeks to provide positive returns that are not directly correlated to broad equity or fixed income markets.

The Shares will be offered by the Trust, which was established as a Delaware statutory trust on May 29, 2002. The Trust is registered with the Commission as an open-end investment company and has filed a registration statement on behalf of the Fund on Form N-1A ("Registration Statement") with the Commission.<sup>4</sup> The Commodity Futures

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<sup>3</sup> The Commission approved BATS Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018).

<sup>4</sup> See Registration Statement on Form N-1A for the Trust, dated May 31, 2013 (File Nos. [333-89822](#) and 811-21114). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order granting certain exemptive relief to the Company under the Investment Company Act of 1940 (15 U.S.C. 80a-1) ("1940 Act") (the "Exemptive Order"). See Investment Company Act Release No. 30562 (June 18, 2013) (File No. 812-14041).

Trading Commission (“CFTC”) has recently adopted substantial amendments to CFTC Rule 4.5 relating to the permissible exemptions and conditions for reliance on exemptions from registration as a commodity pool operator. As a result of the instruments that will be held by the Fund, the Adviser has registered as a Commodity Pool Operator (“CPO”) and is also a member of the National Futures Association (“NFA”). The Fund and ProShares Cayman Trust I, a wholly-owned subsidiary of the Fund organized under the laws of the Cayman Islands (the “Subsidiary” as further described herein) will be subject to regulation by the CFTC and NFA and additional disclosure, reporting and recordkeeping rules imposed upon commodity pools.

#### Description of the Shares and the Fund

ProShare Advisors LLC is the investment adviser (“PSA” or “Adviser”) to the Fund. JPMorgan Chase Bank, National Association is the administrator, custodian, fund account agent, index receipt agent and transfer agent for the Trust. SEI Investments Distribution Co. (“Distributor”) serves as the distributor for the Trust.

BATS Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.<sup>5</sup> In addition, Rule 14.11(i)(7) further

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<sup>5</sup> An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the “Advisers Act”). As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to

requires that personnel who make decisions on the investment company's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable investment company portfolio. Rule 14.11(i)(7) is similar to BATS Rule 14.11(b)(5)(A)(i), however, Rule 14.11(i)(7) in connection with the establishment of a "fire wall" between the investment adviser and the broker-dealer reflects the applicable open-end fund's portfolio, not an underlying benchmark index, as is the case with index-based funds. The Adviser is not a registered broker-dealer, but is currently affiliated with a broker-dealer and, in the future may be affiliated with other broker dealers. The Adviser personnel who make decisions regarding the Fund's portfolio are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Fund's portfolio. In the event that (a) the Adviser becomes a broker-dealer or newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a broker-dealer or becomes affiliated with a broker-dealer, it will implement a fire wall with respect to its relevant personnel or such broker-dealer affiliate, as applicable, regarding access to information concerning the

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clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

ProShares Managed Futures Strategy ETF

According to the Registration Statement, the Fund seeks to achieve positive returns that are not directly correlated to broad equity or fixed income markets. The Fund uses the S&P® Strategic Futures Index as a performance benchmark (the “Benchmark”). The Benchmark seeks to reflect trends (in either direction) in the commodity, foreign currency and fixed income markets by taking long or short positions in the related futures contracts. While the Fund generally will seek exposure to the commodity and financial markets included in the Benchmark, the Fund is not an index tracking ETF and will generally seek to enhance its performance by actively selecting investments for the Fund with varying maturities from the underlying components of the Benchmark.

There can be no assurance that the Fund’s performance will exceed the performance of the Benchmark at any time. The Fund is not sponsored, endorsed, sold or promoted by S&P®. S&P’s® only relationship to the Fund is the licensing of certain service marks and service names of S&P® and of the Benchmark, which is determined, composed and calculated by S&P® without regard to the Fund’s investment advisor or the Fund. S&P® has no obligation to take the needs of the Fund’s investment advisor or the Fund into consideration in determining, composing or calculating the Benchmark.



Under normal market conditions,<sup>6</sup> the Fund invests in a portfolio of exchange-traded commodity futures contracts (“Commodity Futures Contracts”) and exchange-traded currency and U.S. Treasury futures contracts (“Financial Futures Contracts”) (collectively, “Futures Contracts”).

The Fund, in part through the Subsidiary, attempts to capture the economic benefit derived from rising and declining trends based on the price changes of these Futures Contracts. Each month, the Fund’s investments will generally be positioned long or short based on a comparison of the recent returns of each Futures Contract with its own seven-month weighted moving average return. To be “long” means to hold or have long exposure to an asset with the expectation that its value will increase over time. To be “short” means to sell or have short exposure to an asset with the expectation that it will fall in value. The Fund will benefit if it is long an asset that increases in value or is short an asset that decreases in value. Conversely, the Fund will be adversely impacted if it is long an asset that decreases in value or short an asset that increases in value.

The following table describes each of the commodities, currencies and U.S. Treasuries underlying the futures contracts included in the Benchmark as of June 30, 2015. The table also provides each instrument’s trading hours, exchange and ticker symbol. This table is subject to change:

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<sup>6</sup> The term “under normal market conditions” includes, but is not limited to, the absence of extreme volatility or trading halts in the fixed income markets, futures markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or manmade disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

Sector	Weight	Component	Weight	Exchange	Trading Hours <sup>7</sup>
Energy	6.99%	Light Crude	1.31%	NYMEX (CME)	6:00 p.m.-5:15 p.m. next day
		Heating Oil	1.78%	NYMEX (CME)	6:00 p.m.-5:15 p.m. next day
		RBOB Gasoline	1.64%	NYMEX (CME)	6:00 p.m.-5:15 p.m. next day
		Natural Gas	2.26%	NYMEX (CME)	6:00 p.m.-5:15 p.m. next day
Industrial Metals	3.64%	Copper	3.64%	COMEX (CME)	6:00 p.m.-5:15 p.m. next day
Precious Metals	3.87%	Gold	3.37%	COMEX (CME)	6:00 p.m.-5:15 p.m. next day
		Silver	1.76%	COMEX (CME)	6:00 p.m.-5:15 p.m. next day
Livestock	8.72%	Lean Hogs	3.95%	CME	10:05 a.m.- 2:55 p.m.;
		Live Cattle	4.77%	CME	Daily trading halts: 5:00 p.m. – 6:00p.m.
					10:05 a.m. – 2:55 p.m. Daily trading halts 5:00 p.m.-6:00 p.m.

<sup>7</sup> All times are E.T., inclusive of electronic and open outcry trading sessions, as applicable.

**Index Weights**

<b>Sector</b>	<b>Weight</b>	<b>Component</b>	<b>Weight</b>	<b>Exchange</b>	<b>Trading Hours</b>
Grains	8.60%	Corn	2.73%	CBOT (CME)	8:00 p.m.- 2:20 p.m. next day Daily trading halt from 8:45 am to 9:30 am
		Soybeans	3.10%	CBOT (CME)	8:00 p.m.- 2:20 p.m. next day Daily trading halt from 8:45am to 9:30 am
		Wheat	2.77%	CBOT (CME)	8:00 p.m.- 2:20p.m. next day Daily trading halt from 8:45 am to 9:30 am
Softs	13.01%	Coffee	2.11%	ICE	4:15 a.m.- 1:30 p.m.
		Cocoa	4.76%	ICE	4:45 a.m.- 1:30 p.m.
		Sugar	2.72%	ICE	3:30 a.m.- 1:00 p.m.
		Cotton	3.42%	ICE	9:00 p.m.-2:20 p.m. next day

Australian Dollar	4.37%	Australian Dollar		CME	6:00 p.m.-5:15 p.m. next day
British Pound	6.28%	British Pound		CME	6:00 p.m.-5:15 p.m. next day
Canadian Dollar	4.73%	Canadian Dollar		CME	6:00 p.m.-5:15 p.m. next day

**Index Weights**

<b>Sector</b>	<b>Weight</b>	<b>Component</b>	<b>Weight</b>	<b>Exchange</b>	<b>Trading Hours</b>
Euro	4.56%	Euro		CME	6:00 p.m.-5:15 p.m. Next day
Japanese Yen	5.95%	Japanese Yen		CME	6:00 p.m.-5:15 p.m. Next day
Swiss Franc	3.39%	Swiss Franc		CME	6:00 p.m.-5:15 p.m. Next day
U.S. Treasury Notes <sup>8</sup>	14.58%	U.S. Treasury Notes		CBOT (CME)	6:00 p.m.-5:00 p.m. Next day
U.S. Treasury Bonds <sup>9</sup>	10.04%	U.S. Treasury Bonds		CBOT (CME)	6:00 p.m.-5:00 p.m. Next day
	100%		100%		

In order to achieve its investment objective, the Fund will invest in: (i) Futures Contracts<sup>10</sup>; and/or (ii) under limited circumstances (as further described herein), swap

<sup>8</sup> “U.S. Treasury Notes” refers to 10 year U.S. Treasury Note futures.

<sup>9</sup> “U.S. Treasury Bonds” refers to those futures with underlying bonds of a remaining term to call or maturity of 15-25 years.

<sup>10</sup> Futures Contracts will be the same type of contracts as the Index Components, but the expiration dates of such Futures Contracts may differ from the expiration dates of the Index Components at any given point in time.

agreements whose value is derived from the level of the Benchmark, other indexes, one or more futures contracts or their underlying reference assets. The Fund may also invest up to 100% of its assets in cash or 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) for direct investment or as collateral for the Futures Contracts or swap agreements.

The Adviser does not expect that the Fund will invest directly in any commodity or currency. In the event position accountability rules or position limits with respect to a Futures Contract are reached with respect to a Fund, the Adviser may, in its commercially reasonable judgment, obtain exposure through swaps whose value is derived from the level of the Benchmark, other Indexes, one or more Futures Contracts or their underlying reference assets, or invest in other futures contracts or swaps if such instruments tend to exhibit trading prices or returns that will further the investment objective of the Fund.<sup>11</sup> The Fund may also invest in swaps if the market for a specific Futures Contract experiences emergencies (e.g., natural disaster, terrorist attack, or an act of God) or disruptions (e.g., a trading halt or a flash crash) that would prevent the Fund from obtaining the appropriate amount of investment exposure to the affected Futures Contracts or other futures contracts directly.<sup>12</sup>

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<sup>11</sup> To the extent practicable, the Fund will invest in swaps cleared through the facilities of a centralized clearing house.

<sup>12</sup> The Adviser will also attempt to mitigate the Fund's credit risk by transacting only with large, well-capitalized institutions using measures designed to

According to the Registration Statement, the Fund will invest a substantial portion of its assets in fixed income securities that include U.S. government and agency securities, money market instruments,<sup>13</sup> overnight and fixed-term repurchase agreements, cash and other cash equivalents. The Fund will use the fixed-income securities as investments and to meet asset coverage tests resulting from the Subsidiary's derivative exposure on a day-to-day basis. As a whole, the Fund's investments are meant to achieve its investment objective within the limitations of the federal tax requirements applicable to regulated investment companies.

The Fund expects to gain exposure to certain of these investments by investing a portion of its assets in the Subsidiary. The Subsidiary will be advised by the Adviser.<sup>14</sup> The Fund's investment in the Subsidiary is intended to provide the Fund with exposure to

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determine the creditworthiness of a counterparty. The Adviser will take various steps to limit counterparty credit risk, as described in the Registration Statement.

<sup>13</sup> The Fund may invest in shares of money market funds to the extent permitted by the 1940 Act.

<sup>14</sup> The Subsidiary is not registered under the 1940 Act and is not directly subject to its investor protections, except as noted in the Registration Statement. However, the Subsidiary is wholly-owned and controlled by the Fund and is advised by the Adviser. Therefore, because of the Fund's ownership and control of the Subsidiary, the Subsidiary would not take action contrary to the interests of the Fund or its shareholders. The Fund's Board of Trustees ("Board") has oversight responsibility for the investment activities of the Fund, including its expected investment in the Subsidiary, and the Fund's role as the sole shareholder of the Subsidiary. The Adviser receives no additional compensation for managing the assets of the Subsidiary. The Subsidiary will also enter into separate contracts for the provision of custody, transfer agency, and accounting agent services with the same or with affiliates of the same service providers that provide those services to the Fund.

markets (in general, the commodity markets) within the limits of current federal income tax laws applicable to investment companies such as the Fund, which limit the ability of investment companies to invest directly in certain Futures Contracts. The Subsidiary will have the same investment objective as the Fund. Except as otherwise noted, references to the Fund's investments may also be deemed to include the Fund's indirect investments through the Subsidiary. The Fund will invest up to 25% of its total assets in the Subsidiary.

The Fund intends to qualify each year as a regulated investment company (a "RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended.<sup>15</sup> The Fund will invest its assets (including via the Subsidiary), and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M. Aside from its investments in the Subsidiary, The Fund will not invest in options or non-U.S. equity securities.

#### Additional Information Regarding the Benchmark

Developed by S&P® and launched on August 14, 2014, the Benchmark is a long/short rules-based investable index that seeks to capture the economic benefit derived from both rising and declining trends in futures prices. The Benchmark is typically composed of futures contracts representing unleveraged long or short positions in the commodity and financial markets.

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<sup>15</sup> 26 U.S.C. 851.



The weight assigned to each futures contract in the Benchmark is determined on a monthly basis, and implemented each month in an index rebalancing. Weights are determined using a proprietary risk-weighting methodology that measures the risk exposure of the futures contracts included in the Benchmark and then weights each futures contract so that it contributes the same level of risk to the Benchmark.

The Benchmark's exposure to futures contracts are not long-only, but are either short or long based on a comparison of the price change in the contract during the most recent month to a seven-month exponential weighted moving average price change of that contract. During the monthly rebalancing, the Benchmark also "rolls" certain of its positions in futures contracts from the current contract to a contract further from settlement.

Each month, S&P® will determine whether a futures contract that is a part of the Benchmark should be either a long or short position by comparing the price change of the most recent month (the "First Month Price Change") of the futures contract to the seven-month exponential weighted moving average price change (the "Seven Month Price Change"). Long positions are tracked when a futures contract's First Month Price Change is greater than or equal to the Seven Month Price Change. Short positions are tracked when a futures contract's First Month Price Change is less than the Seven Month Price Change. The First Month Price Change of each futures contract is calculated by calculating the percentage difference of each futures contract's price on the last PDD (as defined below) relative to the current PDD.

When calculating the Seven Month Price Change, each month's price input is represented as the monthly percentage change of a futures contract price which is

calculated in the same manner as the First Month Price Change. Monthly positions are determined on the second to last Benchmark business day of the month (defined as the position determination date, or “PDD”) when the monthly percentage change of a futures contract’s price is compared to past monthly price changes, exponentially weighted to give greatest weight to the most recent return and least weight to the return seven months prior. The weighted sum of the percentage changes of all futures contract prices in the Benchmark equals the daily movement of the Benchmark. To create an exponential average for comparison, price inputs (percentage change from current and previous PDDs) are weighted per the schedule below. Due to this weighting methodology, current price movements are more important than those of the more distant past.

During this monthly rebalancing, the Benchmark will also “roll” certain of its positions from the current contract to a contract further from settlement. In order to maintain consistent exposure to the futures contracts that compose the Benchmark, each futures contract must be sold prior to its expiration date and replaced by a contract maturing at a specified date in the future. This process is known as “rolling.” The futures contracts that are a part of the Benchmark are rolled periodically. The rolls are implemented pursuant to a roll schedule over a five-day period from the first (1st) through the fifth (5th) index business days of the month. An index business day is any day on which the majority of the futures contracts included in the Benchmark are open for official trading and official settlement prices are provided, excluding holidays and weekends.

In order to mitigate the potential negative impact of contango on long commodity positions, certain futures contracts in commodities will be rolled according to an

“enhanced” rolling methodology. This methodology seeks to modify the normal roll methodology for futures contracts in the energy sector when such long position would be materially and negatively impacted by contango. In addition, the methodology identifies seasonal factors applicable to both the energy and agricultural futures markets and implements a modified roll to mitigate potential costs of such seasonal impacts.

#### Other Portfolio Holdings

In addition to the instruments described above, the Fund will invest in money market instruments<sup>16</sup> in a manner consistent with its investment objective in order to generate additional returns, to help manage cash flows in and out of the Fund, such as in connection with payment of dividends or expenses, to satisfy margin requirements, and to provide collateral or to otherwise back investments Futures Contracts.

#### Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment) deemed illiquid by the Adviser<sup>17</sup> under the 1940 Act.<sup>18</sup> The Fund will monitor its portfolio liquidity on an ongoing basis to

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<sup>16</sup> The specific money market instruments are Treasury securities and repurchase agreements and, in the future, may include money market fund shares.

<sup>17</sup> In reaching liquidity decisions, the Adviser may consider the following factors: the frequency of trades and quotes for the security; the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; and the nature of the security and the nature of the marketplace trades (e.g., the time needed to dispose of the security, the method of soliciting offers, and the mechanics of transfer).

<sup>18</sup> The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. See also,

determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of the Fund's net assets are held in illiquid assets. Illiquid assets include assets subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.

The Fund's investments will be consistent with the Fund's investment objective and will not be used to achieve leveraged or inverse leveraged returns (i.e. two times or three times the Fund's benchmark).

#### Net Asset Value

According to the Registration Statement, the net asset value ("NAV") of the Shares of the Fund will be calculated by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of Shares outstanding. Expenses and fees, including the management and administration fees, are accrued daily and taken into account for purposes of determining NAV. The NAV of the Fund is generally determined at 3:00 p.m. Eastern Time each business day when the

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Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding "Restricted Securities"); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund's portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act of 1933).

Exchange is open for trading. If the Exchange or market on which the Fund's investments are primarily traded closes early, the NAV may be calculated prior to its normal calculation time. Creation/redemption transaction order time cutoffs (as further described below) would also be accelerated.

Securities and other assets are generally valued at their market price using information provided by a pricing service or market quotations. Certain short-term securities are valued on the basis of amortized cost. Futures Contracts are generally valued at their settlement price as determined by the relevant exchange. The settlement value of the Fund's swap agreements will be determined by applying the then-current disseminated value for the Index Components to the terms of the Fund's swap agreements. Repurchase agreements are generally valued at cost. U.S government securities are generally priced at a quoted market price from an active market, generally the midpoint between the bid/ask quotes. For U.S. government securities that mature within sixty days, amortized cost may be used to approximate fair value. Money market funds would generally be valued at their current Net Asset Value per share, typically \$1.00 per share. Certain short-term debt securities will be valued on the basis of amortized cost.

When the Adviser determines that the price of a security or derivative is not readily available or deems the price unreliable, it may, in good faith, establish a fair value for that security or derivative in accordance with procedures established by and under the general supervision and responsibility of the Board. The use of a fair valuation method may be appropriate if, for example, market quotations do not accurately reflect fair value for an investment, a trading halt closes an exchange or market early, or other events result

in an exchange or market delaying its normal close. The Adviser may consider applying appropriate valuation methodologies, which may include discounts of market value of similar freely traded securities, yields to maturity, or any other appropriate method. In determining the appropriate methodology, the Adviser may consider all relevant factors, including, among other things: fundamental analytical data; the types of securities affected; pricing history of the security; whether dealer quotations are available; liquidity of the market; news or other events; and other factors the Adviser deems relevant.

For more information regarding the valuation of Fund investments in calculating the Fund's NAV, see the Registration Statement.

#### The Shares

The Fund will issue and redeem Shares on a continuous basis at the NAV per Share only in large blocks of a specified number of Shares or multiples thereof ("Creation Units") in transactions with authorized participants who have entered into agreements with the Distributor. The Adviser currently anticipates that a Creation Unit will consist of 25,000 Shares, though this number may change from time to time, including prior to listing of the Shares. The exact number of Shares that will constitute a Creation Unit will be disclosed in the Registration Statement. Once created, Shares of the Fund trade on the secondary market in amounts less than a Creation Unit.

Although the Adviser anticipates that purchases and redemptions for Creation Units will generally be executed on an all-cash basis, the consideration for purchase of Creation Units of the Fund may consist of an in-kind deposit of a designated portfolio of securities (including any portion of such assets for which cash may be substituted) (*i.e.*, the "Deposit Assets"), and the "Cash Component" computed as described below.

Together, the Deposit Assets and the Cash Component constitute the “Fund Deposit,” which represents the minimum initial and subsequent investment amount for a Creation Unit of the Fund. The specific terms surrounding the creation and redemption of shares are at the discretion of the Adviser.

The Deposit Assets and Fund Securities (as defined below), as the case may be, in connection with a purchase or redemption of a Creation Unit, generally will correspond pro rata, to the extent practicable, to the assets held by the Fund.

The Cash Component will be an amount equal to the difference between the NAV of the Shares (per Creation Unit) and the “Deposit Amount,” which will be an amount equal to the market value of the Deposit Assets, and serve to compensate for any differences between the NAV per Creation Unit and the Deposit Amount. The Fund generally offers Creation Units partially or entirely for cash. PSA will make available through the National Securities Clearing Corporation (“NSCC”) on each business day, prior to the opening of business on the Exchange, the list of names and the required number or par value of each Deposit Security and the amount of the Cash Component to be included in the current Fund Deposit (based on information as of the end of the previous business day) for the Fund.

The identity and number or par value of the Deposit Assets may change pursuant to changes in the composition of the Fund’s portfolio as rebalancing adjustments and corporate action events occur from time to time. The composition of the Deposit Assets may also change in response to adjustments to the weighting or composition of the holdings of the Fund.

The Fund reserves the right to permit or require the substitution of a “cash in lieu” amount to be added to the Cash Component to replace any Deposit Security that may not be available in sufficient quantity for delivery or that may not be eligible for transfer through the Depository Trust Company (“DTC”) or the clearing process through the NSCC.

Except as noted below, all creation orders must be placed for one or more Creation Units and must be received by the Distributor at a time specified by the Adviser. Currently, such orders must be received in proper form no later than 2:30 p.m. Eastern Time on the date such order is placed in order for creation of Creation Units to be effected based on the NAV of Shares of the Fund as next determined on such date after receipt of the order in proper form. The “Settlement Date” is generally the third business day after the transmittal date. On days when the Exchange or the bond markets close earlier than normal, the Fund may require orders to create or to redeem Creation Units to be placed earlier in the day.

Fund Deposits must be delivered through either the Continuous Net Settlement facility of the NSCC, the Federal Reserve System (for cash and government securities), through DTC (for corporate and municipal securities), or through a central depository account, such as with Euroclear or DTC, maintained by State Street or a sub-custodian (a “Central Depository Account”), in any case at the discretion of the Adviser, by an authorized participant. Any portion of a Fund Deposit that may not be delivered through the NSCC, Federal Reserve System or DTC must be delivered through a Central Depository Account.



A standard creation transaction fee may be imposed to offset the transfer and other transaction costs associated with the issuance of Creation Units.

Shares of the Fund may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Distributor and only on a business day. PSA will make available through the NSCC, prior to the opening of business on the Exchange on each business day, the designated portfolio of securities (including any portion of such securities for which cash may be substituted) that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form on that day (“Fund Securities”). The redemption proceeds for a Creation Unit generally will consist of a specified amount of cash less a redemption transaction fee. The Fund generally will redeem Creation Units entirely for cash.

A standard redemption transaction fee may be imposed to offset transfer and other transaction costs that may be incurred by the Fund.

Redemption requests for Creation Units of the Fund must be submitted to the Distributor by or through an authorized participant by a time specified by the Adviser. Currently, such requests must be received no later than 10:45 a.m. Eastern Time on any business day, in order to receive that day’s NAV. The authorized participant must transmit the request for redemption in the form required by the Fund to the Distributor in accordance with procedures set forth in the authorized participant agreement.

Additional information regarding the Shares and the Fund, including investment strategies, risks, creation and redemption procedures, fees and expenses, portfolio holdings disclosure policies, distributions, taxes and reports to be distributed to beneficial

owners of the Shares can be found in the Registration Statement or on the website for the Fund ([www.ProShares.com](http://www.ProShares.com)), as applicable.

#### Availability of Information

The Fund's website, which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Fund that may be downloaded. The websites will include additional quantitative information updated on a daily basis, including, for the Fund: (1) the prior business day's reported NAV, the closing market price or the midpoint of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask price"),<sup>19</sup> daily trading volume, and a calculation of the premium and discount of the closing market price or 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 against the NAV, within appropriate ranges, for each of the four previous calendar quarters. Daily trading volume information will be available in the financial section of newspapers, through subscription services such as Bloomberg, Thomson Reuters, and International Data Corporation, which can be accessed by authorized participants and other investors, as well as through other electronic services, including major public websites. On each business day, before commencement of trading in Shares during Regular Trading Hours<sup>20</sup> on the Exchange, the Fund will disclose on its website

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<sup>19</sup> The Bid/Ask Price of the Fund will be determined using the midpoint of the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund's NAV. The records relating to Bid/Ask Prices will be retained by the Fund and its service providers.

<sup>20</sup> Regular Trading Hours are 9:30 a.m. to 4:00 p.m. Eastern Time.

the identities and quantities of the portfolio Futures Contracts and other assets (the “Disclosed Portfolio”) held by the Fund that will form the basis for the Fund’s calculation of NAV at the end of the business day.<sup>21</sup> The Disclosed Portfolio will include, as applicable, the names, quantity, exposure value (notional value + gains/losses), and market value of the Futures Contracts and other assets held by the Fund and the characteristics of such assets. The website and information will be publicly available at no charge.

In addition, for the Fund, an estimated value, defined in BATS Rule 14.11(i)(3)(C) as the “Intraday Indicative Value,” that reflects an estimated intraday value of the Fund’s portfolio, will be disseminated. Moreover, the Intraday Indicative Value will be based upon the current value for the components of the Disclosed Portfolio and will be updated and widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange’s Regular Trading Hours.<sup>22</sup> In addition, the quotations of certain of the Fund’s holdings may not be updated during U.S. trading hours if such holdings do not trade in the United States or if updated prices cannot be ascertained.

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<sup>21</sup> Under accounting procedures to be followed by the Fund, trades made on the prior business day (“T”) will be booked and reflected in NAV on the current business day (“T+1”). Accordingly, the Fund will be able to disclose at the beginning of the business day the portfolio that will form the basis for the NAV calculation at the end of the business day.

<sup>22</sup> Currently, it is the Exchange’s understanding that several major market data vendors display and/or make widely available Intraday Indicative Values published via the Consolidated Tape Association (“CTA”) or other data feeds.

The dissemination of the Intraday Indicative Value, together with the Disclosed Portfolio, will allow investors to determine the value of the underlying portfolio of the Fund on a daily basis and provide an estimate of that value throughout the trading day.

Intraday price quotations on repurchase agreements and U.S. Government securities of the type held by the Fund are available from major broker-dealer firms and from third-parties, which may provide prices free with a time delay, or “live” with a paid fee. For Futures Contracts, such intraday information is available directly from the applicable listing exchange. Intraday price information is also available through subscription services, such as Bloomberg and Thomson Reuters, which can be accessed by authorized participants and other investors. Money market fund shares are not generally priced or quoted on an intraday basis.

Information regarding market price and volume of the Shares will be continually available on a real-time basis throughout the day on brokers’ computer screens and other electronic services. The previous day’s closing price and trading volume information for the Shares will be generally available daily in the print and online financial press. Quotation and last sale information for the Shares will be available on the facilities of the CTA.

#### Initial and Continued Listing

The Shares will be subject to BATS Rule 14.11(i), which sets forth the initial and continued listing criteria applicable to Managed Fund Shares. The Exchange represents that, for initial and/or continued listing, the Fund must be in compliance with Rule 10A-3

under the Act.<sup>23</sup> A minimum of 100,000 Shares will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the NAV will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.

#### 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 the Fund. The Exchange will halt trading in the Shares under the conditions specified in BATS Rule 11.18. Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in the Futures Contracts and other assets composing the Disclosed Portfolio of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares also will be subject to Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which Shares of the Fund may be halted.

#### 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. BATS will allow trading in the Shares from 8:00 a.m. until 5:00 p.m. Eastern Time. The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in BATS Rule 11.11(a), the minimum price variation

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<sup>23</sup> See 17 CFR 240.10A-3.

for quoting and entry of orders in Managed Fund Shares traded on the Exchange is \$0.01, with the exception of securities that are priced less than \$1.00, for which the minimum price variation for order entry is \$0.0001.

### Surveillance

The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws.

Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Managed Fund Shares. The Exchange may obtain information regarding trading in the Shares and the underlying futures via the Intermarket Surveillance Group ("ISG") from other exchanges who are members or affiliates of the ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement.<sup>24</sup> In addition, the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to FINRA's Trade Reporting and Compliance Engine ("TRACE"). The Exchange prohibits the distribution of material non-public information by its employees.

### Information Circular

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<sup>24</sup> For a list of the current members and affiliate members of ISG, see [www.isgportal.com](http://www.isgportal.com). The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. The Exchange also notes that all of the futures contracts in the Disclosed Portfolio for the Fund will trade on markets that are a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

Prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) BATS Rule 3.7, which imposes suitability obligations on Exchange members with respect to recommending transactions in the Shares to customers; (3) how information regarding the Intraday Indicative Value is disseminated; (4) the risks involved in trading the Shares during the Pre-Opening<sup>25</sup> and After Hours Trading Sessions<sup>26</sup> when an updated Intraday Indicative Value will not be calculated or publicly disseminated; (5) the requirement that members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Information Circular will advise members, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Fund. Members purchasing Shares from the Fund for resale to investors will deliver a prospectus to such investors. The Information Circular will also discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act.

In addition, the Information Circular will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Information

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<sup>25</sup> The Pre-Opening Session is from 8:00 a.m. to 9:30 a.m. Eastern Time.

<sup>26</sup> The After Hours Trading Session is from 4:00 p.m. to 5:00 p.m. Eastern Time.

Circular will also disclose the trading hours of the Shares of the Fund and the applicable NAV calculation time for the Shares. The Information Circular will disclose that information about the Shares of the Fund will be publicly available on the Fund's website. In addition, the Information Circular will reference that the Trust is subject to various fees and expenses described in the Registration Statement.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act<sup>27</sup> in general and Section 6(b)(5) of the Act<sup>28</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, 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 the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in BATS Rule 14.11(i). The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. If the investment adviser to the investment company issuing Managed Fund Shares is affiliated

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<sup>27</sup> 15 U.S.C. 78f.

<sup>28</sup> 15 U.S.C. 78f(b)(5).



with a broker-dealer, such investment adviser to the investment company shall erect a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio. The Adviser is not a registered broker-dealer, but is affiliated with a broker-dealer and has implemented a “fire wall” with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the Fund’s portfolio. The Exchange may obtain information regarding trading in the Shares and the underlying futures via the ISG from other exchanges who are members or affiliates of the ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement.<sup>29</sup> In addition, the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to FINRA’s TRACE.

According to the Registration Statement, the Fund expects that, under normal circumstances, it will have at least 80% of its assets invested, either directly or indirectly via the Subsidiary, in Futures Contracts. The Fund also may invest its net assets in money market instruments as collateral for the Futures Contracts and in order to help manage cash flows in and out of the Fund.

Additionally, the Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment). The Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in

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<sup>29</sup> See note 24, supra.

values, net assets, or other circumstances, more than 15% of the Fund's net assets are held in illiquid assets. Illiquid assets include assets subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of the Shares that the NAV will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time. In addition, a large amount of information is publicly available regarding the Fund and the Shares, thereby promoting market transparency. Moreover, the Intraday Indicative Value will be disseminated by one or more major market data vendors at least every 15 seconds during Regular Trading Hours. On each business day, before commencement of trading in Shares during Regular Trading Hours, the Fund will disclose on its website the Disclosed Portfolio that will form the basis for the Fund's calculation of NAV at the end of the business day. Pricing information will be available on the Fund's website including: (1) the prior business day's reported NAV, the Bid/Ask Price of the Fund, and a calculation of the premium and discount 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 Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. Additionally, information regarding market price and trading of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information for the Shares will be available on the

facilities of the CTA. The website for the Fund will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Trading in Shares of the Fund will be halted under the conditions specified in BATS Rule 11.18. Trading may also be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Finally, trading in the Shares will be subject to BATS Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which Shares of the Fund may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

Intraday price quotations on repurchase agreements and U.S. Government securities of the type held by the Fund are available from major broker-dealer firms and from third-parties, which may provide prices free with a time delay, or "live" with a paid fee. For Futures Contracts, such intraday information is available directly from the applicable listing exchange. Intraday price information is also available through subscription services, such as Bloomberg and Thomson Reuters, which can be accessed by authorized participants and other investors. Money market fund shares are not generally priced or quoted on an intraday basis.

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 actively-managed exchange-traded product 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

relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement as well as trade information for certain fixed income instruments as reported to FINRA's TRACE. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

For the above reasons, the Exchange believes that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act.

(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, rather will facilitate the listing and trading of additional actively-managed exchange-traded products that will enhance competition among both market participants and listing venues, 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

The Exchange has neither solicited nor received written comments on 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 (i) as the Commission may designate up to 90 days of such date

if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange 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 proposal 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 No. SR-BATS-2015-56 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 No. SR-BATS-2015-56. 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 am and 3:00 pm. 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 No. SR-BATS-2015-56 and should be submitted on or before [\_\_\_\_\_21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>30</sup>

Robert W. Errett  
Deputy Secretary

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<sup>30</sup> 17 CFR 200.30-3(a)(12).