



September 30, 2016

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: File No. SR-BatsBZX-2016-26, Amendment No. 1

Dear Mr. Fields:

On September 30, 2016, Bats BZX Exchange, Inc. (the "Exchange") filed with the Securities and Exchange Commission (the "Commission") Amendment No. 1 to SR-BatsBZX-2016-26 in order to add additional details to the proposal. This Amendment No. 1 to the proposal amended and replaced in its entirety the proposal as originally submitted on June 23, 2016. The Exchange submitted proposal SR-BatsBZX-2016-26 in order to add the EURO STOXX 50 Volatility Futures to the definition of Futures Reference Asset. In order to provide notice for public review of this Amendment No. 1, in addition to posting on the Exchange's public website, the Exchange is filing this comment letter with the Commission.

Sincerely,



Kyle Murray
Assistant General Counsel

Required fields are shown with yellow backgrounds and asterisks.

Filing by Bats BZX Exchange, Inc.
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

Exhibit 2 Sent As Paper Document	Exhibit 3 Sent As Paper Document
<input type="checkbox"/>	<input type="checkbox"/>

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Last Name *

Title *

E-mail *

Telephone * Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date

By

(Name *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

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

Add Remove View

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

Add Remove View

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”),¹ and Rule 19b-4 thereunder,² Bats BZX Exchange, Inc. (the “Exchange” or “BZX”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend BZX Rule 14.11(d) in order to add the EURO STOXX 50® Volatility (VSTOXX®) Futures (“VSTOXX Futures”) to the definition of Futures Reference Asset.

(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.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Eric Swanson
EVP, General Counsel



Kyle Murray
Assistant General Counsel



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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

for, the Proposed Rule Change.

(a) Purpose

This Amendment No. 1 to SR-BatsBZX-2016-26 amends and replaces in its entirety the proposal as originally submitted on June 23, 2016. The Exchange submits this Amendment No. 1 in order to clarify certain points and add additional details to the proposal.

The Commission has approved the listing of debt securities known as Linked Securities³ and, in particular, Futures-Linked Securities, which are Linked Securities with a payment at maturity based on the performance of a Futures Reference Asset,⁴ including listing pursuant to Rule 19b-4(e) under Rule 14.11(d)(2).⁵ Rule 19b-4(e)⁶ under the Act provides that the listing and trading of a new derivative securities product by a self-regulatory organization (“SRO”) shall not be deemed a proposed rule change, pursuant to

³ As defined in Rule 14.11(d), “Linked Securities” includes Multifactor Index-Linked Securities, Equity Index-Linked Securities, Commodity-Linked Securities, Fixed Income Index-Linked Securities, and Futures-Linked Securities.

⁴ As defined in Rule 14.11(d), “Futures Reference Asset” includes “an index of (a) futures on Treasury Securities, GSE Securities, supranational debt and debt of a foreign country or a subdivision thereof, or options or other derivatives on any of the foregoing; or (b) interest rate futures or options or derivatives on the foregoing in this subparagraph (b); or (c) CBOE Volatility Index (VIX) Futures.”

⁵ See Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018) (Order Approving Proposed Rule Change to Adopt Rules for the Qualification, Listing and Delisting of Companies on the Exchange) (the “Approval Order”). The Approval Order approved the rules permitting the listing of both Tier I and Tier II securities on the Exchange and the requirements associated therewith, which includes, among others, the listing and trading of Linked Securities, trading hours and halts, and listing fees originally applicable to Linked Securities.

⁶ 17 CFR 240.19b-4(e).

section (c)(1) of Rule 19b-4,⁷ if the Commission has approved, pursuant to Section 19(b) of the Act,⁸ the SRO's trading rules, procedures, and listing standards for the product class and the SRO has a surveillance program for the product class.⁹

The Exchange proposes to amend Rule 14.11(d) in order to add VSTOXX Futures to the definition of Futures Reference Asset, which would allow the Exchange to list Futures-Linked Securities linked to VSTOXX Futures through generic listing standards pursuant to Rule 19b-4(e) under BZX Rule 14.11(d)(2)(K)(iv). The Exchange notes that prior to listing Futures-Linked Securities linked to VSTOXX Futures pursuant to Rule 14.11(d)(2)(K)(iv), an issuer would be required to represent to the Exchange that it will advise the Exchange of any failure of the Futures-Linked Securities to comply with the continued listing requirements.

Rule 14.11(d)(2)(K)(iv)(a) requires that a Futures-Linked Security meet one of the following standards: (1) that the Futures Reference Asset to which the security is linked shall have been reviewed and approved for the trading of Futures-Linked Securities or options or other derivatives by the Commission under Section 19(b)(2) of the Act and rules thereunder and the conditions set forth in the Commission's approval order, including with respect to comprehensive surveillance sharing agreements, continue to be satisfied; or (2) the pricing information for components of a Futures Reference Asset must be derived from a market which is a member or affiliate of a member of the Intermarket Surveillance Group ("ISG") or a market with which the Exchange has a

⁷ 17 CFR 240.19b-4(c)(1).

⁸ 15 U.S.C. 78s(b).

⁹ See Securities Exchange Act Release No. 40761 (December 8, 1998), 63 FR 70952 (December 22, 1998).

comprehensive surveillance sharing agreement (“CSSA”).¹⁰ A Futures Reference Asset may include components not representing more than 10% of the dollar weight of such Futures Reference Asset for which the pricing information is derived from markets that do not meet requirement (2); provided, however, that no single component subject to this exception exceeds 7% of the dollar weight of the Futures Reference Asset. As proposed, adding VSTOXX Futures to the definition of Futures Reference Asset would satisfy the first criterion described above and the second criterion would be satisfied by virtue of Eurex Deutschland’s membership in ISG, as further described below.

Further, any Futures-Linked Securities linked to VSTOXX Futures would also be required to meet both the initial and continued listing standards under Rule 14.11(d)(2)(K)(iv)(b) and (c) or be subject to delisting or removal proceedings, which include: (i) that the value of the Futures Reference Asset be calculated and widely disseminated by one or more major market data vendors on at least a 15-second basis during the Exchange’s regular market session; (ii) for Futures-Linked Securities that are periodically redeemable, the Intraday Indicative Value of the securities must be calculated and widely disseminated by the Exchange or one or more major market data vendors on at least a 15-second basis during the Exchange’s regular market session; (iii) the aggregate market value or the principal amount of the Futures-Linked Securities must be at least \$400,000; (iv) the value of the VSTOXX Futures must be calculated and available; and (v) any other event occurs or condition exists which in the opinion of the Exchange makes further dealings on the Exchange inadvisable. Any Futures-Linked

¹⁰ ISG is comprised of an international group of exchanges, market centers, and market regulators that perform front-line market surveillance in their respective jurisdictions. See <https://www.isgportal.org/home.html>.

Securities linked to VSTOXX Futures would also be required to meet the listing standards applicable to all Linked Securities under 14.11(d)(2). Finally, all Linked Securities listed pursuant to Rule 14.11(d) are included within the definition of “security” or “securities” as such terms are used in the Rules of the Exchange and, as such, are subject to the full panoply of Exchange Rules and procedures that currently govern the trading of securities on the Exchange.

The Exchange believes that the proposed standards would continue to ensure transparency surrounding the listing process for Linked Securities. Additionally, the Exchange believes that the existing standards for listing and trading Futures-Linked Securities are reasonably designed to promote a fair and orderly market for such Futures-Linked Securities and, because, as further described below, VSTOXX Futures are essentially the European equivalent of the VIX Futures in the U.S., which are already included as a Futures Reference Asset, the addition of VSTOXX Futures to Futures Reference Assets does not affect this.

The proposed addition of VSTOXX Futures to those instruments included in Futures Reference Assets would also work in conjunction with the existing initial and continued listing criteria related to surveillance procedures and trading guidelines. The Exchange believes that its surveillance procedures are adequate to continue to properly monitor the trading of the Futures-Linked Securities linked to VSTOXX Futures in all trading sessions and to deter and detect violations of Exchange rules. Specifically, the Exchange intends to utilize its existing surveillance procedures applicable to derivative products, which includes Linked Securities, to monitor trading in the Futures-Linked Securities. The issuer of a series of Linked Securities is and will continue to be required

to comply with Rule 10A-3 under the Act for the initial and continued listing of Linked Securities, as provided under Rule 14.11(d)(2)(F). The Exchange notes that the proposed change is not intended to amend any other component or requirement of Rule 14.11(d).

VSTOXX

The information in this filing relating to the VSTOXX was taken from the website of STOXX Limited (“STOXX”). The VSTOXX was originally developed by STOXX in 2005 and is based on EURO STOXX 50 Index real-time option prices that are listed on the Eurex Deutschland (“Eurex”) and are designed to reflect the market expectations of near-term up to long-term volatility by measuring the square root of the implied variances across all options of a given time to expiration. The EURO STOXX 50 Index, Europe's leading Blue-chip index for the Eurozone, provides a blue-chip representation of super sector leaders in the Eurozone. The index includes 50 stocks that are among the largest free-float market capitalization stocks from 12 Eurozone countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.¹¹¹²

¹¹ The EURO STOXX 50 Index is weighted according to free-float market cap (with a maximum weight of 10% quarterly) and is designed to include the 50 leaders from the EURO STOXX index, which includes only stocks from those 12 Eurozone countries named above. Components for the EURO STOXX 50 Index are determined as follows: (i) by creating a list of stocks that are in the EURO STOXX index that includes only the top 60% of each of the 19 supersectors (as established by the Industry Classification Benchmark) as measured by free-float market capitalization in each supersector. Such list also includes all current EURO STOXX 50 Index; (ii) ranking all of the stocks in that selection list by free-float market capitalization; and (iii) taking the 40 largest stocks on the list and including them in the EURO STOXX 50 Index and determining the remaining 10 stocks for inclusion by adding the largest remaining stocks ranked between 41 and 60 that are currently in the EURO STOXX 50 Index. To the extent that the number of stocks selected is still below 50, then the largest

The model for VSTOXX aims at making pure volatility tradable – i.e. it should be possible to replicate the indices with an options portfolio which does not react to price fluctuations, but to changes in volatility only. The VSTOXX does not measure implied volatilities of at-the-money EURO STOXX 50 Index options, but the implied variance across all options of a given time to expiry.¹³ A portfolio of EURO STOXX 50 Index options with different exercise price and weighting meets this goal: the implied volatilities of all eligible options with a given time to expiry are considered. The

remaining stocks are selected until there are 50 stocks included in the EURO STOXX 50 Index. A deleted stock is replaced immediately and is replaced based on the latest selection list, as described above, which is updated monthly.

¹² The Exchange notes that the Commission has approved a proposal to list and trade shares of a fund that tracks the EURO STOXX 50 Index. See Securities Exchange Act Release No. 46686 (October 18, 2002), 67 FR 65388 (October 24, 2002) (NYSE-2002-51).

¹³ The VSTOXX and VIX are nearly identical calculations of expected volatility in the EURO STOXX 50 Index and the S&P 500, respectively, based on pricing in the applicable options. Both processes involve screening of available option prices, followed by the construction of variance terms and then the subsequent weighting of those terms into the index values and the differences between them are largely cosmetic. VSTOXX employs the following screens options on EURO STOXX 50 Index as follows: (i) all option prices that are one-sided or without both a bid and ask are screened out; (ii) only options that are quoted within an established maximum spread are eligible for inclusion; and (iii) options that are too far out of the money (would have an impact on the index value of less than 0.5 index points) are excluded. Similarly, VIX excludes options on the S&P 500 as follows: (i) all calls that have a bid price of zero are excluded and after two consecutive strikes have zero bid prices, no higher strikes are used; and (ii) all puts that have a bid price of zero are excluded and after two consecutive strikes have zero bid prices, no lower strikes are used. While such screens are not exactly the same, they are both designed to exclude options from their universe that do not have sufficient liquidity to rely on such pricing for purposes of calculating volatility. After choosing the applicable options universe, both VSTOXX and VIX use essentially identical formulas for calculating variance across the included options. Finally, after determining the variance, both VSTOXX and VIX again use a substantively identical formula for weighting each of the individual variances in order to calculate the respective index value.

VSTOXX is calculated using a series of sub-indices that are based on put and call options on the EURO STOXX 50 Index in eight expiry months with a maximum time to expiry of two years in order to bracket a 30-day calendar period. The VSTOXX is calculated using linear interpolation of the sub-indices whose times to expiration closely surround the targeted fixed time to expiry. If there are no such surrounding sub-indices, the VSTOXX is calculated by extrapolation of two sub-indices with closest time to expiry. Because the calculation relies on two sub-indices, VSTOXX is independent of a specific time to expiry, which helps to eliminate effects that typically result in strong volatility fluctuations close to expiry.

STOXX will compute the index on a real-time basis throughout each trading day, from 8:50 a.m. until 5:30 p.m. Central European Time (“CET”) (3:50 a.m. until 12:30 p.m. Eastern Time (“ET”)). VSTOXX levels will be calculated by STOXX and disseminated by major market data vendors such as Bloomberg and Thomson Reuters on a real-time basis throughout each trading day.

VSTOXX Futures

Additional information regarding the VSTOXX Futures can be found on the Eurex website. Eurex¹⁴ began listing and trading VSTOXX Futures in June 2009 under the ticker symbol FVS. VSTOXX Futures are cash settled and trade between the hours of 7:30 a.m. and 10:30 p.m. CET (2:30 a.m. and 5:30 p.m. ET). The VSTOXX Futures contract value is 100 Euros per index point of the underlying and it is traded to two

¹⁴ The Exchange notes that Eurex is a member of the ISG and, as such, the Exchange may obtain information regarding trading in the underlying VSTOXX futures contracts. For a list of the current members and affiliate members of ISG, see www.isgportal.com.

decimal places with a minimum price change of 0.05 points (equivalent to a value of 5 Euros). The daily settlement price is determined during the closing auction of the respective futures contract. The last trading day and final settlement day is 30 calendar days prior to the third Friday of the expiration month of the underlying options, which is usually the Wednesday prior to the second to last Friday of the respective maturity month.

The monthly volume and open interest, in USD, as of the last day of each month in 2015 for the VSTOXX Futures was as follows:

	Monthly Volume (USD)	Open Interest (USD)
Jan-15	1,916,437,601	486,772,067
Feb-15	1,126,070,071	409,419,303
Mar-15	1,318,852,657	414,012,733
Apr-15	1,484,997,987	451,249,212
May-15	1,236,975,400	426,194,591
Jun-15	1,952,524,278	588,991,482
Jul-15	1,658,790,585	575,821,234
Aug-15	1,269,161,197	469,785,978
Sep-15	2,059,860,768	684,640,331
Oct-15	1,354,413,865	600,708,025
Nov-15	1,239,076,845	397,025,249
Dec-15	15,350,681,77	276,743,850

Both in the numbers shown above and throughout the history of VSTOXX Futures, the monthly trading volume and open interest in VSTOXX Futures has, subject to natural fluctuation in the market, continued to grow. The Exchange notes that the monthly trading volume in the VSTOXX Futures is very similar to the trading volume of the CBOE Volatility Index® (VIX®) Futures prior to NYSE Arca, Inc. adding the VIX

Futures to the definition of futures reference asset in its comparable rule,¹⁵ which, as noted above, the Exchange also added to its rules related to Futures-Linked Securities. Much like the Futures-Linked Securities linked to the VIX Futures, Futures-Linked Securities linked to the VSTOXX Futures will provide investors with the ability to better diversify and hedge their portfolios using an exchange listed security without having to trade directly in the underlying futures contracts.

As such, the Exchange believes that the proposed amendment to add VSTOXX Futures as an underlying Futures Reference Asset will facilitate the listing and trading of an additional Futures-Linked Security that will enhance competition among market participants, to the benefit of investors and the marketplace.

b. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act¹⁶ in general and Section 6(b)(5) of the Act¹⁷ in particular in that it is designed to promote just and equitable principles of trade, 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 proposed rule change is designed to promote just and equitable principles of trade, 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 Futures-Linked Securities that will enhance competition among

¹⁵ See Securities Exchange Act Release No. 58968 (November 17, 2008), 73 FR 71082 (November 24, 2008) (NYSEArca-2008-111).

¹⁶ 15 U.S.C. 78f.

¹⁷ 15 U.S.C. 78f(b)(5).

market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in Futures-Linked Securities and may obtain information regarding both the Futures-Linked Securities and VSTOXX Futures via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information on an intraday basis regarding: (i) the value of the Futures Reference Asset, which will be calculated and widely disseminated by one or more major market data vendors on at least a 15-second basis during the Exchange's regular market session; (ii) for Futures-Linked Securities that are periodically redeemable, the Intraday Indicative Value of the securities, which must be calculated and widely disseminated by the Exchange or one or more major market data vendors on at least a 15-second basis during the Exchange's regular market session; and (iii) information regarding market price and trading of Futures-Linked Securities 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 securities will be available on the facilities of the CTA.

Further, any Futures-Linked Securities linked to VSTOXX Futures would be required to meet both the initial and continued listing standards, including certain of those named above, under Rule 14.11(d)(2)(K)(iv)(b) and (c) or be subject to delisting or removal proceedings, which include: (i) that the value of the Futures Reference Asset be calculated and widely disseminated by one or more major market data vendors on at least a 15-second basis during the Exchange's regular market session; (ii) for Futures-Linked Securities that are periodically redeemable, the Intraday Indicative Value of the securities

must be calculated and widely disseminated by the Exchange or one or more major market data vendors on at least a 15-second basis during the Exchange's regular market session; (iii) the aggregate market value or the principal amount of the Futures-Linked Securities must be at least \$400,000; (iv) the value of the VSTOXX Futures must be calculated and available; and (v) any other event occurs or condition exists which in the opinion of the Exchange makes further dealings on the Exchange inadvisable. Any Futures-Linked Securities linked to VSTOXX Futures would also be required to meet the listing standards applicable to all Linked Securities under 14.11(d)(2). Finally, all Linked Securities listed pursuant to Rule 14.11(d) are included within the definition of "security" or "securities" as such terms are used in the Rules of the Exchange and, as such, are subject to the full panoply of Exchange Rules and procedures that currently govern the trading of securities on the Exchange. Additionally, trading in the securities will be halted under the conditions specified in BZX Rule 11.18. Trading may also be halted because of market conditions, for reasons that, in the view of the Exchange, make trading in the securities inadvisable, or the circumstances set forth in BZX Rule 14.11(d)(2)(H), which sets forth circumstances under which Linked Securities may be halted.

The Exchange also believes that the existing standards for listing and trading Futures-Linked Securities are reasonably designed to promote just and equitable principles of trade, to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest for such Futures-Linked Securities and, because VSTOXX Futures at their core are the European equivalent of the VIX Futures in the U.S., which are already included as a Futures Reference Asset, the addition of VSTOXX Futures to Futures Reference Assets does not change this belief. Specifically, aside from

a few minor differences between the way that the VSTOXX and VIX are calculated, VSTOXX Futures and VIX Futures are essentially the same futures product based on the expected volatility as calculated based on a different set of options.¹⁸

As noted above, both in the context presented herein and throughout the history of VSTOXX Futures, the monthly trading volume and open interest in VSTOXX Futures has, subject to natural fluctuation in the market, continued to grow. The Exchange notes that the monthly trading volume in the VSTOXX Futures is very similar to the trading volume of the VIX Futures prior to NYSE Arca, Inc. adding the VIX Futures to the definition of futures reference asset in its comparable rule,¹⁹ which, as noted above, the Exchange also added to its rules related to Futures-Linked Securities. Much like the Futures-Linked Securities linked to the VIX Futures, Futures-Linked Securities linked to the VSTOXX Futures will provide investors with the ability to better diversify and hedge their portfolios using an exchange listed security without having to trade directly in the underlying futures contracts. The Exchange also believes that the proposed rule change would fulfill the intended objective of Rule 19b-4(e) under the Act by allowing Futures-Linked Securities linked to the VSTOXX Futures that satisfy the listing standards in Rule 14.11(d) to be listed and traded without separate Commission approval. However, as proposed, the Exchange would continue to file separate proposed rule changes before the

¹⁸ As noted above, the VSTOXX and VIX are nearly identical calculations of expected volatility in the EURO STOXX 50 Index and the S&P 500, respectively, based on pricing in the applicable options. While there are differences in the options screening methodologies, such differences are largely cosmetic and do not differ in a substantively impactful manner. The formulas to calculate variance in such underlying options and weighting are also functionally equivalent.

¹⁹ See Securities Exchange Act Release No. 58968 (November 17, 2008), 73 FR 71082 (November 24, 2008) (NYSEArca-2008-111).

listing and trading of Futures-Linked Securities that do not satisfy the criteria of Rule 14.11(d)(2)(K)(iv). As such, the Exchange believes that the proposed amendment to add VSTOXX Futures as an underlying Futures Reference asset will facilitate the listing and trading of an additional Futures-Linked Security that will enhance competition among market participants, to the benefit of investors and the marketplace.

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. Instead, the Exchange believes that the proposed rule change would facilitate the listing and trading of additional types of Futures-Linked Securities, which will enhance competition among market participants, to the benefit of investors and the marketplace and provide investors with the ability to better diversify and hedge their portfolios using an exchange listed security without having to trade directly in the underlying futures contracts. The Exchange believes that this would reduce the time frame for bringing Futures-Linked Securities linked to the VSTOXX Futures to market, thereby reducing the burdens on issuers and other market participants and promoting competition.

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)

Not applicable.

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 – 4: Not applicable.

Exhibit 5: Text of Proposed Rule Change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____; File No. SR-BatsBZX-2016-26 Amendment No. 1)

Self-Regulatory Organizations; Bats BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Amend BZX Rule 14.11(d) to Add the EURO STOXX 50® Volatility Futures to the Definition of Futures Reference Asset

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on _____, Bats BZX Exchange, Inc. (the “Exchange” or “BZX”) 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 filed a proposal to amend Rule 14.11(d) in order to add the EURO STOXX 50® Volatility (VSTOXX®) Futures (“VSTOXX Futures”) to the definition of Futures Reference Asset.

The text of the proposed rule change is available at the Exchange’s website at 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 for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

This Amendment No. 1 to SR-BatsBZX-2016-26 amends and replaces in its entirety the proposal as originally submitted on June 23, 2016. The Exchange submits this Amendment No. 1 in order to clarify certain points and add additional details to the proposal.

The Commission has approved the listing of debt securities known as Linked Securities³ and, in particular, Futures-Linked Securities, which are Linked Securities with a payment at maturity based on the performance of a Futures Reference Asset,⁴ including listing pursuant to Rule 19b-4(e) under Rule 14.11(d)(2).⁵ Rule 19b-4(e)⁶ under the Act

³ As defined in Rule 14.11(d), "Linked Securities" includes Multifactor Index-Linked Securities, Equity Index-Linked Securities, Commodity-Linked Securities, Fixed Income Index-Linked Securities, and Futures-Linked Securities.

⁴ As defined in Rule 14.11(d), "Futures Reference Asset" includes "an index of (a) futures on Treasury Securities, GSE Securities, supranational debt and debt of a foreign country or a subdivision thereof, or options or other derivatives on any of the foregoing; or (b) interest rate futures or options or derivatives on the foregoing in this subparagraph (b); or (c) CBOE Volatility Index (VIX) Futures."

⁵ See Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018) (Order Approving Proposed Rule Change to Adopt Rules for the Qualification, Listing and Delisting of Companies on the Exchange) (the "Approval Order"). The Approval Order approved the rules permitting the listing of both Tier I and Tier II securities on the Exchange and the requirements associated therewith, which includes, among others, the

provides that the listing and trading of a new derivative securities product by a self-regulatory organization (“SRO”) shall not be deemed a proposed rule change, pursuant to section (c)(1) of Rule 19b-4,⁷ if the Commission has approved, pursuant to Section 19(b) of the Act,⁸ the SRO’s trading rules, procedures, and listing standards for the product class and the SRO has a surveillance program for the product class.⁹

The Exchange proposes to amend Rule 14.11(d) in order to add VSTOXX Futures to the definition of Futures Reference Asset, which would allow the Exchange to list Futures-Linked Securities linked to VSTOXX Futures through generic listing standards pursuant to Rule 19b-4(e) under BZX Rule 14.11(d)(2)(K)(iv). The Exchange notes that prior to listing Futures-Linked Securities linked to VSTOXX Futures pursuant to Rule 14.11(d)(2)(K)(iv), an issuer would be required to represent to the Exchange that it will advise the Exchange of any failure of the Futures-Linked Securities to comply with the continued listing requirements.

Rule 14.11(d)(2)(K)(iv)(a) requires that a Futures-Linked Security meet one of the following standards: (1) that the Futures Reference Asset to which the security is linked shall have been reviewed and approved for the trading of Futures-Linked Securities or options or other derivatives by the Commission under Section 19(b)(2) of the Act and rules thereunder and the conditions set forth in the Commission’s approval

listing and trading of Linked Securities, trading hours and halts, and listing fees originally applicable to Linked Securities.

⁶ 17 CFR 240.19b-4(e).

⁷ 17 CFR 240.19b-4(c)(1).

⁸ 15 U.S.C. 78s(b).

⁹ See Securities Exchange Act Release No. 40761 (December 8, 1998), 63 FR 70952 (December 22, 1998).

order, including with respect to comprehensive surveillance sharing agreements, continue to be satisfied; or (2) the pricing information for components of a Futures Reference Asset must be derived from a market which is a member or affiliate of a member of the Intermarket Surveillance Group (“ISG”) or a market with which the Exchange has a comprehensive surveillance sharing agreement (“CSSA”).¹⁰ A Futures Reference Asset may include components not representing more than 10% of the dollar weight of such Futures Reference Asset for which the pricing information is derived from markets that do not meet requirement (2); provided, however, that no single component subject to this exception exceeds 7% of the dollar weight of the Futures Reference Asset. As proposed, adding VSTOXX Futures to the definition of Futures Reference Asset would satisfy the first criterion described above and the second criterion would be satisfied by virtue of Eurex Deutschland’s membership in ISG, as further described below.

Further, any Futures-Linked Securities linked to VSTOXX Futures would also be required to meet both the initial and continued listing standards under Rule 14.11(d)(2)(K)(iv)(b) and (c) or be subject to delisting or removal proceedings, which include: (i) that the value of the Futures Reference Asset be calculated and widely disseminated by one or more major market data vendors on at least a 15-second basis during the Exchange’s regular market session; (ii) for Futures-Linked Securities that are periodically redeemable, the Intraday Indicative Value of the securities must be calculated and widely disseminated by the Exchange or one or more major market data vendors on at least a 15-second basis during the Exchange’s regular market session; (iii)

¹⁰ ISG is comprised of an international group of exchanges, market centers, and market regulators that perform front-line market surveillance in their respective jurisdictions. See <https://www.isgportal.org/home.html>.

the aggregate market value or the principal amount of the Futures-Linked Securities must be at least \$400,000; (iv) the value of the VSTOXX Futures must be calculated and available; and (v) any other event occurs or condition exists which in the opinion of the Exchange makes further dealings on the Exchange inadvisable. Any Futures-Linked Securities linked to VSTOXX Futures would also be required to meet the listing standards applicable to all Linked Securities under 14.11(d)(2). Finally, all Linked Securities listed pursuant to Rule 14.11(d) are included within the definition of “security” or “securities” as such terms are used in the Rules of the Exchange and, as such, are subject to the full panoply of Exchange Rules and procedures that currently govern the trading of securities on the Exchange.

The Exchange believes that the proposed standards would continue to ensure transparency surrounding the listing process for Linked Securities. Additionally, the Exchange believes that the existing standards for listing and trading Futures-Linked Securities are reasonably designed to promote a fair and orderly market for such Futures-Linked Securities and, because, as further described below, VSTOXX Futures are essentially the European equivalent of the VIX Futures in the U.S., which are already included as a Futures Reference Asset, the addition of VSTOXX Futures to Futures Reference Assets does not affect this.

The proposed addition of VSTOXX Futures to those instruments included in Futures Reference Assets would also work in conjunction with the existing initial and continued listing criteria related to surveillance procedures and trading guidelines. The Exchange believes that its surveillance procedures are adequate to continue to properly monitor the trading of the Futures-Linked Securities linked to VSTOXX Futures in all

trading sessions and to deter and detect violations of Exchange rules. Specifically, the Exchange intends to utilize its existing surveillance procedures applicable to derivative products, which includes Linked Securities, to monitor trading in the Futures-Linked Securities. The issuer of a series of Linked Securities is and will continue to be required to comply with Rule 10A-3 under the Act for the initial and continued listing of Linked Securities, as provided under Rule 14.11(d)(2)(F). The Exchange notes that the proposed change is not intended to amend any other component or requirement of Rule 14.11(d).

VSTOXX

The information in this filing relating to the VSTOXX was taken from the website of STOXX Limited (“STOXX”). The VSTOXX was originally developed by STOXX in 2005 and is based on EURO STOXX 50 Index real-time option prices that are listed on the Eurex Deutschland (“Eurex”) and are designed to reflect the market expectations of near-term up to long-term volatility by measuring the square root of the implied variances across all options of a given time to expiration. The EURO STOXX 50 Index, Europe’s leading Blue-chip index for the Eurozone, provides a blue-chip representation of super sector leaders in the Eurozone. The index includes 50 stocks that are among the largest free-float market capitalization stocks from 12 Eurozone countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.¹¹¹²

¹¹ The EURO STOXX 50 Index is weighted according to free-float market cap (with a maximum weight of 10% quarterly) and is designed to include the 50 leaders from the EURO STOXX index, which includes only stocks from those 12 Eurozone countries named above. Components for the EURO STOXX 50 Index are determined as follows: (i) by creating a list of stocks that are in the EURO STOXX index that includes only the top 60% of each of the 19 supersectors (as

The model for VSTOXX aims at making pure volatility tradable – i.e. it should be possible to replicate the indices with an options portfolio which does not react to price fluctuations, but to changes in volatility only. The VSTOXX does not measure implied volatilities of at-the-money EURO STOXX 50 Index options, but the implied variance across all options of a given time to expiry.¹³ A portfolio of EURO STOXX 50 Index

established by the Industry Classification Benchmark) as measured by free-float market capitalization in each supersector. Such list also includes all current EURO STOXX 50 Index; (ii) ranking all of the stocks in that selection list by free-float market capitalization; and (iii) taking the 40 largest stocks on the list and including them in the EURO STOXX 50 Index and determining the remaining 10 stocks for inclusion by adding the largest remaining stocks ranked between 41 and 60 that are currently in the EURO STOXX 50 Index. To the extent that the number of stocks selected is still below 50, then the largest remaining stocks are selected until there are 50 stocks included in the EURO STOXX 50 Index. A deleted stock is replaced immediately and is replaced based on the latest selection list, as described above, which is updated monthly.

¹² The Exchange notes that the Commission has approved a proposal to list and trade shares of a fund that tracks the EURO STOXX 50 Index. See Securities Exchange Act Release No. 46686 (October 18, 2002), 67 FR 65388 (October 24, 2002) (NYSE-2002-51).

¹³ The VSTOXX and VIX are nearly identical calculations of expected volatility in the EURO STOXX 50 Index and the S&P 500, respectively, based on pricing in the applicable options. Both processes involve screening of available option prices, followed by the construction of variance terms and then the subsequent weighting of those terms into the index values and the differences between them are largely cosmetic. VSTOXX employs the following screens options on EURO STOXX 50 Index as follows: (i) all option prices that are one-sided or without both a bid and ask are screened out; (ii) only options that are quoted within an established maximum spread are eligible for inclusion; and (iii) options that are too far out of the money (would have an impact on the index value of less than 0.5 index points) are excluded. Similarly, VIX excludes options on the S&P 500 as follows: (i) all calls that have a bid price of zero are excluded and after two consecutive strikes have zero bid prices, no higher strikes are used; and (ii) all puts that have a bid price of zero are excluded and after two consecutive strikes have zero bid prices, no lower strikes are used. While such screens are not exactly the same, they are both designed to exclude options from their universe that do not have sufficient liquidity to rely on such pricing for purposes of calculating volatility. After choosing the applicable options universe, both

options with different exercise price and weighting meets this goal: the implied volatilities of all eligible options with a given time to expiry are considered. The VSTOXX is calculated using a series of sub-indices that are based on put and call options on the EURO STOXX 50 Index in eight expiry months with a maximum time to expiry of two years in order to bracket a 30-day calendar period. The VSTOXX is calculated using linear interpolation of the sub-indices whose times to expiration closely surround the targeted fixed time to expiry. If there are no such surrounding sub-indices, the VSTOXX is calculated by extrapolation of two sub-indices with closest time to expiry. Because the calculation relies on two sub-indices, VSTOXX is independent of a specific time to expiry, which helps to eliminate effects that typically result in strong volatility fluctuations close to expiry.

STOXX will compute the index on a real-time basis throughout each trading day, from 8:50 a.m. until 5:30 p.m. Central European Time (“CET”) (3:50 a.m. until 12:30 p.m. Eastern Time (“ET”)). VSTOXX levels will be calculated by STOXX and disseminated by major market data vendors such as Bloomberg and Thomson Reuters on a real-time basis throughout each trading day.

VSTOXX Futures

Additional information regarding the VSTOXX Futures can be found on the Eurex website. Eurex¹⁴ began listing and trading VSTOXX Futures in June 2009 under

VSTOXX and VIX use essentially identical formulas for calculating variance across the included options. Finally, after determining the variance, both VSTOXX and VIX again use a substantively identical formula for weighting each of the individual variances in order to calculate the respective index value.

¹⁴ The Exchange notes that Eurex is a member of the ISG and, as such, the Exchange may obtain information regarding trading in the underlying VSTOXX

the ticker symbol FVS. VSTOXX Futures are cash settled and trade between the hours of 7:30 a.m. and 10:30 p.m. CET (2:30 a.m. and 5:30 p.m. ET). The VSTOXX Futures contract value is 100 Euros per index point of the underlying and it is traded to two decimal places with a minimum price change of 0.05 points (equivalent to a value of 5 Euros). The daily settlement price is determined during the closing auction of the respective futures contract. The last trading day and final settlement day is 30 calendar days prior to the third Friday of the expiration month of the underlying options, which is usually the Wednesday prior to the second to last Friday of the respective maturity month.

The monthly volume and open interest, in USD, as of the last day of each month in 2015 for the VSTOXX Futures was as follows:

	Monthly Volume (USD)	Open Interest (USD)
Jan-15	1,916,437,601	486,772,067
Feb-15	1,126,070,071	409,419,303
Mar-15	1,318,852,657	414,012,733
Apr-15	1,484,997,987	451,249,212
May-15	1,236,975,400	426,194,591
Jun-15	1,952,524,278	588,991,482
Jul-15	1,658,790,585	575,821,234
Aug-15	1,269,161,197	469,785,978
Sep-15	2,059,860,768	684,640,331
Oct-15	1,354,413,865	600,708,025
Nov-15	1,239,076,845	397,025,249
Dec-15	15,350,681,77	276,743,850

Both in the numbers shown above and throughout the history of VSTOXX Futures, the monthly trading volume and open interest in VSTOXX Futures has, subject

futures contracts. For a list of the current members and affiliate members of ISG, see www.isgportal.com.

to natural fluctuation in the market, continued to grow. The Exchange notes that the monthly trading volume in the VSTOXX Futures is very similar to the trading volume of the CBOE Volatility Index® (VIX®) Futures prior to NYSE Arca, Inc. adding the VIX Futures to the definition of futures reference asset in its comparable rule,¹⁵ which, as noted above, the Exchange also added to its rules related to Futures-Linked Securities. Much like the Futures-Linked Securities linked to the VIX Futures, Futures-Linked Securities linked to the VSTOXX Futures will provide investors with the ability to better diversify and hedge their portfolios using an exchange listed security without having to trade directly in the underlying futures contracts.

As such, the Exchange believes that the proposed amendment to add VSTOXX Futures as an underlying Futures Reference Asset will facilitate the listing and trading of an additional Futures-Linked Security that will enhance competition among market participants, to the benefit of investors and the marketplace.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act¹⁶ in general and Section 6(b)(5) of the Act¹⁷ in particular in that it is designed to promote just and equitable principles of trade, 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 proposed rule change is designed to promote just and equitable principles of

¹⁵ See Securities Exchange Act Release No. 58968 (November 17, 2008), 73 FR 71082 (November 24, 2008) (NYSEArca-2008-111).

¹⁶ 15 U.S.C. 78f.

¹⁷ 15 U.S.C. 78f(b)(5).

trade, 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 Futures-Linked Securities 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 Futures-Linked Securities and may obtain information regarding both the Futures-Linked Securities and VSTOXX Futures via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information on an intraday basis regarding: (i) the value of the Futures Reference Asset, which will be calculated and widely disseminated by one or more major market data vendors on at least a 15-second basis during the Exchange's regular market session; (ii) for Futures-Linked Securities that are periodically redeemable, the Intraday Indicative Value of the securities, which must be calculated and widely disseminated by the Exchange or one or more major market data vendors on at least a 15-second basis during the Exchange's regular market session; and (iii) information regarding market price and trading of Futures-Linked Securities 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 securities will be available on the facilities of the CTA.

Further, any Futures-Linked Securities linked to VSTOXX Futures would be required to meet both the initial and continued listing standards, including certain of those named above, under Rule 14.11(d)(2)(K)(iv)(b) and (c) or be subject to delisting or removal proceedings, which include: (i) that the value of the Futures Reference Asset be

calculated and widely disseminated by one or more major market data vendors on at least a 15-second basis during the Exchange's regular market session; (ii) for Futures-Linked Securities that are periodically redeemable, the Intraday Indicative Value of the securities must be calculated and widely disseminated by the Exchange or one or more major market data vendors on at least a 15-second basis during the Exchange's regular market session; (iii) the aggregate market value or the principal amount of the Futures-Linked Securities must be at least \$400,000; (iv) the value of the VSTOXX Futures must be calculated and available; and (v) any other event occurs or condition exists which in the opinion of the Exchange makes further dealings on the Exchange inadvisable. Any Futures-Linked Securities linked to VSTOXX Futures would also be required to meet the listing standards applicable to all Linked Securities under 14.11(d)(2). Finally, all Linked Securities listed pursuant to Rule 14.11(d) are included within the definition of "security" or "securities" as such terms are used in the Rules of the Exchange and, as such, are subject to the full panoply of Exchange Rules and procedures that currently govern the trading of securities on the Exchange. Additionally, trading in the securities will be halted under the conditions specified in BZX Rule 11.18. Trading may also be halted because of market conditions, for reasons that, in the view of the Exchange, make trading in the securities inadvisable, or the circumstances set forth in BZX Rule 14.11(d)(2)(H), which sets forth circumstances under which Linked Securities may be halted.

The Exchange also believes that the existing standards for listing and trading Futures-Linked Securities are reasonably designed to promote just and equitable principles of trade, to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest for such Futures-Linked Securities and, because

VSTOXX Futures at their core are the European equivalent of the VIX Futures in the U.S., which are already included as a Futures Reference Asset, the addition of VSTOXX Futures to Futures Reference Assets does not change this belief. Specifically, aside from a few minor differences between the way that the VSTOXX and VIX are calculated, VSTOXX Futures and VIX Futures are essentially the same futures product based on the expected volatility as calculated based on a different set of options.¹⁸

As noted above, both in the context presented herein and throughout the history of VSTOXX Futures, the monthly trading volume and open interest in VSTOXX Futures has, subject to natural fluctuation in the market, continued to grow. The Exchange notes that the monthly trading volume in the VSTOXX Futures is very similar to the trading volume of the VIX Futures prior to NYSE Arca, Inc. adding the VIX Futures to the definition of futures reference asset in its comparable rule,¹⁹ which, as noted above, the Exchange also added to its rules related to Futures-Linked Securities. Much like the Futures-Linked Securities linked to the VIX Futures, Futures-Linked Securities linked to the VSTOXX Futures will provide investors with the ability to better diversify and hedge their portfolios using an exchange listed security without having to trade directly in the underlying futures contracts. The Exchange also believes that the proposed rule change would fulfill the intended objective of Rule 19b-4(e) under the Act by allowing Futures-

¹⁸ As noted above, the VSTOXX and VIX are nearly identical calculations of expected volatility in the EURO STOXX 50 Index and the S&P 500, respectively, based on pricing in the applicable options. While there are differences in the options screening methodologies, such differences are largely cosmetic and do not differ in a substantively impactful manner. The formulas to calculate variance in such underlying options and weighting are also functionally equivalent.

¹⁹ See Securities Exchange Act Release No. 58968 (November 17, 2008), 73 FR 71082 (November 24, 2008) (NYSEArca-2008-111).

Linked Securities linked to the VSTOXX Futures that satisfy the listing standards in Rule 14.11(d) to be listed and traded without separate Commission approval. However, as proposed, the Exchange would continue to file separate proposed rule changes before the listing and trading of Futures-Linked Securities that do not satisfy the criteria of Rule 14.11(d)(2)(K)(iv). As such, the Exchange believes that the proposed amendment to add VSTOXX Futures as an underlying Futures Reference asset will facilitate the listing and trading of an additional Futures-Linked Security that will enhance competition among market participants, to the benefit of investors and the marketplace.

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. Instead, the Exchange believes that the proposed rule change would facilitate the listing and trading of additional types of Futures-Linked Securities, which will enhance competition among market participants, to the benefit of investors and the marketplace and provide investors with the ability to better diversify and hedge their portfolios using an exchange listed security without having to trade directly in the underlying futures contracts. The Exchange believes that this would reduce the time frame for bringing Futures-Linked Securities linked to the VSTOXX Futures to market, thereby reducing the burdens on issuers and other market participants and promoting competition.

(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. Please include File No. SR-BatsBZX-2016-26 Amendment No. 1 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-BatsBZX-2016-26 Amendment No. 1. 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-BatsBZX-2016-26 Amendment No. 1 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.²⁰

Robert W. Errett
Deputy Secretary

²⁰ 17 CFR 200.30-3(a)(12).

Note: Proposed new language is underlined. Proposed deletions are enclosed in [brackets].

Rules of Bats BZX Exchange, Inc.

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Rule 14.11. Other Securities

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(d) Securities Linked to the Performance of Indexes and Commodities (Including Currencies)

The Exchange will consider for listing and trading equity index-linked securities (“Equity Index-Linked Securities”), commodity-linked securities (“Commodity-Linked Securities”), fixed income index-linked securities (“Fixed Income Index-Linked Securities”), futures-linked securities (“Futures-Linked Securities”) and multifactor index-linked securities (“Multifactor Index-Linked Securities” and, together with Equity Index-Linked Securities, Commodity-Linked Securities, Fixed Income Index-Linked Securities and Futures-Linked Securities, “Linked Securities”) that in each case meet the applicable criteria of this Rule. Equity Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance of an underlying equity index or indexes (an “Equity Reference Asset”). The payment at maturity with respect to Commodity-Linked Securities is based on one or more physical Commodities or Commodity futures, options or other Commodity derivatives, Commodity-Related Securities, or a basket or index of any of the foregoing (any such basis for payment is referred to below as the “Commodity Reference Asset”). The payment at maturity with respect to Fixed Income Index-Linked Securities is based on the performance of one or more indexes or portfolios of notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities (“Treasury Securities”), government-sponsored entity securities (“GSE Securities”), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or a subdivision thereof or a basket or index of any of the foregoing (a “Fixed Income Reference Asset”). The payment at maturity with respect to Futures-Linked Securities is based on the performance of an index of (a) futures on Treasury Securities, GSE Securities, supranational debt and debt of a foreign country or a subdivision thereof, or options or other derivatives on any of the foregoing; or (b) interest rate futures or options or derivatives on the foregoing in this subparagraph (b); or (c) CBOE Volatility Index (VIX) Futures; or (d) EURO STOXX 50 Volatility Index (VSTOXX) Futures (a “Futures Reference Asset”). The payment at maturity with respect to Multifactor Index-Linked Securities is based on the performance of any combination of two or more Equity Reference Assets, Commodity Reference Assets, Fixed Income Reference Assets or Futures Reference Assets (a “Multifactor Reference Asset”, and together with Equity Reference Asset, Commodity Reference Asset, Fixed Income Reference Asset and Futures Reference Asset, “Reference Assets”). A Multifactor Reference Asset may include as a component a notional investment in cash or a cash equivalent based on a widely accepted overnight loan interest rate, LIBOR, Prime Rate, or an implied interest rate based on observed market spot and foreign currency forward rates.

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