

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 5	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2020 - * 053	Amendment No. (req. for Amendments *) 3
Filing by Cboe BZX Exchange, Inc. Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
			Rule	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(5) <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) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>		Section 3C(b)(2) * <input type="checkbox"/>	
Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>			
<b>Description</b>				
Provide a brief description of the action (limit 250 characters, required when Initial is checked *)				
<input type="text"/>				
<b>Contact Information</b>				
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 * Sarah	Last Name * Tadtman			
Title * Counsel				
E-mail *				
Telephone *	Fax			
<b>Signature</b>				
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 02/16/2021	VP, Associate General Counsel			
By Kyle Murray				
(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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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 Sent As Paper Document

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

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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 Sent As Paper Document

**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.

**Partial Amendment No. 3 to SR-CboeBZX-2020-053**

Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) is filing this Partial Amendment No. 3 to SR-CboeBZX-2020-053 to partially amend Amendment No. 2 to SR-CboeBZX-2019-053 (the “Proposal”), which was submitted on February 1, 2021 and amended and replaced in its entirety Amendment No. 1, which was submitted on June 26, 2020, which amended and replaced in its entirety the proposal as originally submitted on June 23, 2020. Pursuant to the Proposal, the Exchange proposed a rule change to list and trade shares of the 2x Long VIX Futures ETF (the “Fund”), a series of VS Trust, under Rule 14.11(f)(4) (“Trust Issued Receipts”). This Partial Amendment No. 3 proposes to make a change to the Proposal in order to clarify that the issuer represents that it will notify both the Exchange and the Securities and Exchange Commission (the “Commission”) in the event that the Fund participates in an Extended Rebalance Period as soon as practicable, but no later than 9:00 a.m. ET on the trading day following the event. The Exchange believes that this proposed change clarifies the Proposal, as further described below, and is consistent with the Securities Exchange Act of 1934 in that it would further clarify and add additional detail to the Proposal and eliminate potential confusion.

The Exchange is proposing to amend the following paragraph on page 13 of 58 in the Form 19b-4 Information and pages 40 and 41 of 55 of the Exhibit 1 that currently state:

Further to this point, the Sponsor expects that allowing the Funds to participate in an Extended Rebalance Period will minimize the impact on the price of VIX Futures Contracts, and particularly minimize any impact of large rebalances during periods of

market illiquidity.<sup>1</sup> Accordingly, defining an explicit rebalancing methodology and limiting the Funds' participation in the VIX Futures Contracts should reduce the impact of the Fund's rebalancing on the price of VIX Futures Contracts.

The Exchange is proposing that it would instead read as follows:

Further to this point, the Sponsor expects that allowing the Funds to participate in an Extended Rebalance Period will minimize the impact on the price of VIX Futures Contracts, and particularly minimize any impact of large rebalances during periods of market illiquidity.<sup>2</sup> Accordingly, defining an explicit rebalancing methodology and

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<sup>1</sup> Research on the impact of the portfolio rebalancing of VIX Exchange Traded Products ("VIX ETPs") on VIX futures' prices suggests that large rebalancing trades from inverse and leveraged VIX ETPs have a smaller than expected price impact on VIX futures. See Brøgger, S.B., *The Market Impact of Uninformed Flows: Evidence from the VIX Futures Market* (2019). Available at: SSRN 3497537. This has been explained as resulting from the predictability of rebalancing flows from large VIX ETPs being priced into the VIX futures. See Todorov, K., *Passive Funds Actively Affect Prices: Evidence from the Largest ETF Markets* (2019). Unpublished working paper, London School of Economics. Further research shows that the presence of ETF flow in an underlying market actually improves underlying liquidity. In that study they found bid-ask spreads to be narrower, order book deeper, and market resiliency larger on days when ETFs performed a rebalance, finding that this increased liquidity stemmed from a larger number of trading accounts that supplied liquidity to exploit the predictable order flow from rebalancing ETFs. Accordingly, one can assume that liquidity in VIX Futures Contracts during the Fund's rebalancing period will be expected to grow, and this will reduce the fraction of the trading activity that the Fund's rebalance will contribute to the VIX futures market. Bessembinder, H., Carrion, A., Tuttle, L. and Venkataraman, K., *Liquidity, Resiliency and Market Quality Around Predictable Trades: Theory and Evidence*. *Journal of Financial Economics*, 121(1) (2016), pp.142-166.

<sup>2</sup> Research on the impact of the portfolio rebalancing of VIX Exchange Traded Products ("VIX ETPs") on VIX futures' prices suggests that large rebalancing trades from inverse and leveraged VIX ETPs have a smaller than expected price impact on VIX futures. See Brøgger, S.B., *The Market Impact of Uninformed Flows: Evidence from the VIX Futures Market* (2019). Available at: SSRN 3497537. This has been explained as resulting from the predictability of rebalancing flows from large VIX ETPs being priced into the VIX futures. See Todorov, K., *Passive Funds Actively Affect Prices: Evidence from the Largest*

limiting the Funds' participation in the VIX Futures Contracts should reduce the impact of the Fund's rebalancing on the price of VIX Futures Contracts. In the event that the Fund participates in an Extended Rebalance Period, the Fund represents that it will notify the Exchange and the Commission of such participation as soon as practicable, but no later than 9:00 a.m. ET on the trading day following the event.

As noted above, the Exchange believes that this proposed change adds clarifying information that is consistent with other changes made in previous Amendment No. 2 and is consistent with the Securities Exchange Act of 1934 in that it would clarify and add additional detail to the Proposal and eliminate potential confusion.

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*ETF Markets* (2019). Unpublished working paper, London School of Economics. Further research shows that the presence of ETF flow in an underlying market actually improves underlying liquidity. In that study they found bid-ask spreads to be narrower, order book deeper, and market resiliency larger on days when ETFs performed a rebalance, finding that this increased liquidity stemmed from a larger number of trading accounts that supplied liquidity to exploit the predictable order flow from rebalancing ETFs. Accordingly, one can assume that liquidity in VIX Futures Contracts during the Fund's rebalancing period will be expected to grow, and this will reduce the fraction of the trading activity that the Fund's rebalance will contribute to the VIX futures market. Bessembinder, H., Carrion, A., Tuttle, L. and Venkataraman, K., *Liquidity, Resiliency and Market Quality Around Predictable Trades: Theory and Evidence*. Journal of Financial Economics, 121(1) (2016), pp.142-166.