

and for Commission actions related to each budget, a description of the information that should be included in each budget submission, limits on the PCAOB's ability to incur expenses and obligations except as provided in the approved budget, procedures relating to supplemental budget requests, requirements for the PCAOB to furnish on a quarterly basis certain budget-related information, and a list of definitions that apply to the rule and to general discussions of PCAOB budget matters.

In accordance with the budget rule, in March 2020 the PCAOB provided the Commission with a narrative description of its program issues and outlook for the 2021 budget year. In response, the Commission provided the PCAOB with economic assumptions and general budgetary guidance for the 2021 budget year. The PCAOB subsequently delivered a preliminary budget and budget justification to the Commission. Staff from the Commission's Office of the Chief Accountant and Office of Financial Management dedicated a substantial amount of time to the review and analysis of the PCAOB's programs, projects, and budget estimates and attended several meetings with staff of the PCAOB to further develop the understanding of the PCAOB's budget and operations. During the course of this review, Commission staff relied upon representations and supporting documentation from the PCAOB. Based on this review, the Commission issued a "passback" letter to the PCAOB on October 28, 2020. On November 19, 2020, the PCAOB adopted its 2021 budget and accounting support fee during an open meeting, and subsequently submitted that budget to the Commission for approval.

After considering the above, the Commission did not identify any proposed disbursements in the 2021 budget adopted by the PCAOB that are not properly recoverable through the annual accounting support fee, and the Commission believes that the aggregate proposed 2021 annual accounting support fee does not exceed the PCAOB's aggregate recoverable budget expenses for 2021.

Significant uncertainty surrounding the impact of COVID-19 on the PCAOB's operations reinforces the importance of continued coordination between the SEC and PCAOB. The Commission directs the PCAOB during 2021 to continue to schedule monthly meetings, as necessary, with the Commission's staff to discuss important policy initiatives, changes related to program areas, and significant impacts to the PCAOB's 2021 budget, including

significant differences between actual and budgeted amounts and anticipated cost-savings. Separately, the Commission directs the PCAOB to continue its written quarterly updates on recent activities, including strategic initiatives, for the PCAOB's Office of Economic and Risk Analysis, Office of Data, Security, and Technology, and Division of Registration and Inspections. The PCAOB Board will make itself available to meet with the Commissioners on these and other topics. The PCAOB should also submit its 2020 annual report to the Commission by March 31, 2021.

The Commission understands that the Office of Management and Budget ("OMB") has determined that the 2021 budget of the PCAOB is subject to sequestration under the Budget Control Act of 2011.<sup>4</sup> For 2020, the PCAOB sequestered \$16.8 million. That amount will become available in 2021. For 2021, the sequestration amount will be 5.7% or \$16.4 million. Consequently, we expect the PCAOB will have approximately \$0.4 million in excess funds available from the 2020 sequestration for spending in 2021. Accordingly, the PCAOB has reduced its accounting support fee for 2021 by approximately \$0.4 million.

The Commission has determined that the PCAOB's 2021 budget and annual accounting support fee are consistent with Section 109 of the Sarbanes-Oxley Act. Accordingly,

*It is ordered*, pursuant to Section 109 of the Sarbanes-Oxley Act, that the PCAOB budget and annual accounting support fee for calendar year 2021 are approved.

By the Commission.

**J. Matthew DeLesDernier**,

*Assistant Secretary*.

[FR Doc. 2020-28156 Filed 12-21-20; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-90691; File No. SR-CboeBZX-2020-093]

### Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To List and Trade Shares of the ProShares Short VIX Short-Term Futures ETF and the ProShares Ultra VIX Short-Term Futures ETF, Each a Series of ProShares Trust II, Under Rule 14.11(f)(4), Trust Issued Receipts

December 16, 2020.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 14, 2020, Cboe BZX Exchange, Inc. ("Exchange" or "BZX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to list and trade Shares of the ProShares Short VIX Short-Term Futures ETF (the "Short Fund") and the ProShares Ultra VIX Short-Term Futures ETF (the "Ultra Fund", and collectively the "Funds") under Rule 14.11(f)(4), which governs the listing and trading of Trust Issued Receipts<sup>5</sup> on the Exchange.<sup>6</sup> The Exchange notes that the Funds have previously been approved by the Commission and are currently listed on Arca.<sup>7</sup> This proposal is substantively

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

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

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

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>5</sup> Rule 14.11(f)(4) applies to Trust Issued Receipts that invest in "Financial Instruments." The term "Financial Instruments," as defined in Rule 14.11(f)(4)(A)(iv), means any combination of investments, including cash; securities; options on securities and indices; futures contracts; options on futures contracts; forward contracts; equity caps, collars and floors; and swap agreements.

<sup>6</sup> The Commission approved BZX Rule 14.11(f)(4) in Securities Exchange Act Release No. 68619 (January 10, 2013), 78 FR 3489 (January 16, 2013) (SR-BATS-2012-044).

<sup>7</sup> See Securities Exchange Act No. 64470 (May 11, 2011) 76 FR 28493 (May 15, 2011) (SR-NYSEArca-

<sup>4</sup> OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2021, February 10, 2020, available at [https://www.whitehouse.gov/wp-content/uploads/2020/02/JC-sequestration\\_report\\_FY21\\_2-10-20.pdf](https://www.whitehouse.gov/wp-content/uploads/2020/02/JC-sequestration_report_FY21_2-10-20.pdf).

identical to the Original Proposal with updates from the Prior Proposal, and the issuer represents that all material representations contained within the Original Proposal as updated by the Prior Proposal remain true. Further, the Funds are already trading on the Exchange pursuant to unlisted trading privileges, as provided in Rule 14.11(j).

The text of the proposed rule change is also available on the Exchange's website ([http://markets.cboe.com/us/equities/regulation/rule\\_filings/bzx/](http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/)), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

#### 1. Purpose

The Exchange proposes to list and trade Shares of the ProShares Short VIX Short-Term Futures ETF (the "Short Fund") and the ProShares Ultra VIX Short-Term Futures ETF (the "Ultra Fund", and collectively the "Funds") under Rule 14.11(f)(4), which governs the listing and trading of Trust Issued

2011-23) (Proposal to list and trade Shares of the ProShares Short VIX Short-Term Futures ETF and the ProShares Ultra VIX Short-Term Futures ETF (the "Original Proposal"). See also Securities Exchange Act No. 65134 (August 15, 2011) 76 FR 52037 (August 19, 2011) (SR-NYSEArca-2011-23) (Order approving the listing and trading of the ProShares Short VIX Short-Term Futures ETF and the ProShares Ultra VIX Short-Term Futures ETF). See also Securities Exchange Act No. 83000 (April 5, 2018) 83 FR 15659 (April 11, 2018) (SR-NYSEArca-2018-17) (Notice of filing and immediate effectiveness to amend certain representations made in the Prior Proposal relating to Shares of the ProShares Short VIX Short-Term Futures ETF and the ProShares Ultra VIX Short-Term Futures ETF (the "Prior Proposal").

Receipts<sup>8</sup> on the Exchange.<sup>9</sup> The Exchange notes that the Funds have previously been approved by the Commission and are currently listed on Arca.<sup>10</sup> This proposal is substantively identical to the Original Proposal with updates from the Prior Proposal, and the issuer represents that all material representations contained within the Original Proposal as updated by the Prior Proposal remain true. Further, the Funds are already trading on the Exchange pursuant to unlisted trading privileges, as provided in Rule 14.11(j).

The Sponsor, a Maryland limited liability company, serves as the Sponsor of Trust. The Sponsor is a commodity pool operator.<sup>11</sup> Bank of New York Mellon serves as the administrator (the "Administrator"), custodian and transfer agent of the Funds and their respective Shares. SEI Investments

<sup>8</sup> Rule 14.11(f)(4) applies to Trust Issued Receipts that invest in "Financial Instruments." The term "Financial Instruments," as defined in Rule 14.11(f)(4)(A)(iv), means any combination of investments, including cash; securities; options on securities and indices; futures contracts; options on futures contracts; forward contracts; equity caps, collars and floors; and swap agreements.

<sup>9</sup> The Commission approved BZX Rule 14.11(f)(4) in Securities Exchange Act Release No. 68619 (January 10, 2013), 78 FR 3489 (January 16, 2013) (SR-BATS-2012-044).

<sup>10</sup> See Securities Exchange Act No. 64470 (May 11, 2011) 76 FR 28493 (May 15, 2011) (SR-NYSEArca-2011-23) (Proposal to list and trade Shares of the ProShares Short VIX Short-Term Futures ETF and the ProShares Ultra VIX Short-Term Futures ETF (the "Original Proposal"). See also Securities Exchange Act No. 65134 (August 15, 2011) 76 FR 52037 (August 19, 2011) (SR-NYSEArca-2011-23) (Order approving the listing and trading of the ProShares Short VIX Short-Term Futures ETF and the ProShares Ultra VIX Short-Term Futures ETF). See also Securities Exchange Act No. 83000 (April 5, 2018) 83 FR 15659 (April 11, 2018) (SR-NYSEArca-2018-17) (Notice of filing and immediate effectiveness to amend certain representations made in the Prior Proposal relating to Shares of the ProShares Short VIX Short-Term Futures ETF and the ProShares Ultra VIX Short-Term Futures ETF (the "Prior Proposal").

<sup>11</sup> The Trust filed on behalf of the Funds a registration statement on Form S-3 under the Securities Act of 1933 (File No. 333-231875) ("Registration Statement") on May 11, 2020 that was declared effective on September 9, 2020. The Funds' prospectus containing the previous investment objectives for the Funds was filed pursuant to Rule 424(b)(3) on February 15, 2018. A prospectus containing the new objectives, as described in the Prior Proposal, was filed pursuant to Rule 424(b)(3) on February 28, 2018 (the "Prior Registration Statement"). The description of the Funds and the Shares contained in the Prior Proposal are based on the Prior Registration Statement. As noted above, all material representations contained within the Original Proposal as updated by the Prior Proposal remain true. The change to each Fund's investment objective as described in the Prior Proposal was implemented effective as of the close of business on February 27, 2018. The Sponsor issued a press release dated February 26, 2018 regarding the Sponsor's plans to reduce the target exposure for the Funds. See [http://www.proshares.com/news/proshare\\_capital\\_management\\_llc\\_plans\\_to\\_reduce\\_target\\_exposure\\_on\\_two\\_etfs.html](http://www.proshares.com/news/proshare_capital_management_llc_plans_to_reduce_target_exposure_on_two_etfs.html).

Distribution Co. ("Distributor") serves as Distributor of the Shares. Wilmington Trust Company, a Delaware banking corporation, is the sole trustee of the Trust.

The Short Fund seeks, on a daily basis, to provide investment results (before fees and expenses) that correspond to one-half the inverse (–0.5x) of the daily performance, at the time of the net asset value ("NAV") calculation, of a benchmark that seeks to offer exposure to market volatility through publicly traded futures markets. The Ultra Fund seeks, on a daily basis, to provide investment results (before fees and expenses) that correspond to one and one-half times (1.5x) the daily performance, at the time of NAV calculation, of a benchmark that seeks to offer exposure to market volatility through publicly traded futures markets. The benchmark for the Funds is the S&P 500 VIX Short-Term Futures Index (ticker symbol SPVIXSTR, the "Index").<sup>12</sup> The Index utilizes prices of the next two near-term VIX futures contracts to replicate a position that rolls the nearest month VIX futures contracts to the next month on a daily basis in equal fractional amounts. The Ultra Fund will take long positions in futures contracts based on the Cboe Volatility Index ("VIX"), while the Short Fund will take short positions in futures contracts based on the VIX.

The Index is comprised of, and the value of the Funds will be based on, VIX futures contracts traded on the Cboe Futures Exchange, Inc. ("CFE") (hereinafter referred to as "VIX Futures Contracts"). VIX Futures Contracts are measures of the market's expectation of the level of VIX at certain points in the future, and as such will behave differently than current or spot VIX values.<sup>13</sup> The Funds are not linked to the VIX, and in many cases the Index, and by extension the Funds, could

<sup>12</sup> Standard & Poor's Financial Services LLC, the index sponsor with respect to the Index, is not a broker-dealer and has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the Index.

<sup>13</sup> VIX is the ticker symbol for the Cboe Volatility Index, a popular measure of implied volatility. According to the Registration Statement, the goal of the VIX is to estimate the implied volatility of the S&P 500 over the next 30 days. A relatively high level of the VIX corresponds to a more volatile U.S. equity market as expressed by more costly options on the S&P 500 Index. The VIX represents one measure of the market's expectation of the volatility over the next 30 day period. It is a composite value of options on the S&P 500 Index. The formula used to calculate the composite value utilizes current market prices for a series of out-of-the-money calls and puts for the front month and second month expirations.

significantly underperform or outperform the VIX.

While the VIX represents a measure of the current expected volatility of the S&P 500 over the next 30 days, the prices of VIX Futures Contracts are based on the current expectation of what the expected 30-day volatility will be at a particular time in the future (on the expiration date). For example, a VIX Futures Contract purchased in March that expires in May, in effect, is a forward contract on what the level of the VIX, as a measure of 30-day implied volatility of the S&P 500, will be on the May expiration date. The forward volatility reading of the VIX may not correlate directly to the current volatility reading of the VIX because the implied volatility of the S&P 500 at a future expiration date may be different from the current implied volatility of the S&P 500. As a result, the Index and the Funds should be expected to perform very differently from one-half the inverse of the daily performance or a multiple of the daily performance of the Index over all periods of time. To illustrate, on December 4, 2019, the VIX closed at a price of 14.8 and the price of the February 2020 VIX Futures Contracts expiring on February 19, 2020 was 18.125. In this example, the price of the VIX represented the 30-day implied, or “spot,” volatility (the volatility expected for the period from December 5, 2019 to January 5, 2020) of the S&P 500 and the February 2020 VIX Futures Contracts represented forward implied volatility (the volatility expected for the period from February 19 to March 19, 2020) of the S&P 500.

If the Short Fund is successful in meeting its objective, its value (before fees and expenses) should gain approximately half as much on a percentage basis as its Index when the Index declines on a given day. Conversely, its value (before fees and expenses) should lose approximately half as much on a percentage basis as the Index when the Index rises on a given day.

If the Ultra Fund is successful in meeting its objective, its value (before fees and expenses) should gain approximately 1.5 times as much on a percentage basis as its Index when the Index rises on a given day. Conversely, its value (before fees and expenses) should lose approximately 1.5 times as much on a percentage basis as its Index when the Index declines on a given day.

Each Fund will under Normal Market Conditions<sup>14</sup> invest in VIX Futures

Contracts based on components of the Index to pursue its investment objective. In the event position accountability rules are reached with respect to VIX Futures Contracts, ProShare Capital Management LLC (“the Sponsor”), may, in its commercially reasonable judgment, cause such Fund to obtain exposure through swaps referencing the relevant Index or particular VIX Futures Contracts, or invest in other futures contracts or swaps not based on the particular VIX Futures Contracts if such instruments tend to exhibit trading prices or returns that correlate with the Index or any VIX Futures Contract and will further the investment objective of such Fund.<sup>15</sup> The Funds may also invest in swaps if the market for a specific VIX 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 prevent a Fund from obtaining the appropriate amount of investment exposure to the affected VIX Futures Contracts directly or to other futures contracts.<sup>16</sup> Each Fund also may invest in Cash and Cash Equivalents<sup>17</sup> 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) that may serve as collateral for the futures contracts.

If the Sponsor to the Trust issuing the Trust Issued Receipts is affiliated with a broker-dealer, such Sponsor to the Trust shall erect and maintain a “fire wall” between the Sponsor and the broker-dealer with respect to access to information concerning the composition and/or changes to such Trust portfolio. The Sponsor is not a broker-dealer, but is affiliated with a broker-dealer and has

Market Conditions “includes, but is not limited to, the absence of trading halts in the applicable financial markets generally; operational issues causing dissemination of inaccurate market information or system failures; or force majeure type events such as natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption, or any similar intervening circumstance.”

<sup>15</sup> To the extent practicable, the Funds will invest in swaps cleared through the facilities of a centralized clearing house.

<sup>16</sup> According to the Registration Statement, the Sponsor will also attempt to mitigate the Funds’ credit risk by transacting only with large, well-capitalized institutions using measures designed to determine the creditworthiness of a counterparty. The Sponsor will take various steps to limit counterparty credit risk, as described in the Registration Statement.

<sup>17</sup> For purposes of this proposal, the term “Cash and Cash Equivalents” shall have the definition provided in Exchange Rule 14.11(i)(4)(C)(iii), applicable to Managed Fund Shares.

implemented and will maintain a “fire wall” with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the portfolio. In the event that (a) the Sponsor becomes a broker-dealer or newly affiliated with a broker-dealer, or (b) any new sponsor is a broker-dealer or becomes affiliated with a broker-dealer, it will implement and maintain 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.

Each of the Funds uses investment techniques that include the use of any one or a combination of VIX Futures Contracts and may, if applicable, include swaps. The Funds’ investment techniques may involve a small investment relative to the amount of investment exposure assumed and may result in losses exceeding the amounts invested. Such techniques, particularly when used to create leverage, may expose the Funds to potentially dramatic changes (losses or gains) in the value of their investments and imperfect correlation between the value of the investments and the security or Index.

The Funds do not seek to achieve their stated investment objective over a period greater than one day because mathematical compounding prevents the Funds from perfectly achieving such results. Accordingly, results over periods of time greater than one day typically will not be a simple one-half of the inverse correlation (–50%) or multiple correlation (+150%) of the period return of the Index and may differ significantly.

According to the Registration Statement, each Fund is not actively managed by traditional methods, which typically involve effecting changes in the composition of a portfolio on the basis of judgments relating to economic, financial and market considerations with a view toward obtaining positive results under all market conditions. Rather, each Fund seeks to remain fully invested at all times in investment positions that, in combination, provide exposure to its Index consistent with its investment objective even during periods in which that benchmark is flat or moving in a manner which causes the value of a Fund to decline.

In seeking to achieve each Fund’s investment objective, the Sponsor uses a mathematical approach to investing. Using this approach, the Sponsor

<sup>14</sup> For the purpose of this filing, the term “Normal Market Conditions” shall have the same definition as Rule 14.11(i)(3)(D), which provides that Normal

determines the type, quantity and mix of investment positions that the Sponsor believes in combination should produce returns consistent with such Fund's objective. The Sponsor relies upon a pre-determined model to generate orders that result in repositioning the Funds' investments in accordance with their respective investment objectives.

#### The S&P 500 VIX Short-Term Futures Index

According to the Registration Statement, the Index is intended to reflect the returns that are potentially available through an unleveraged investment in the VIX Futures Contracts comprising the Index (the "Index Components").

Unlike the Index, the VIX, which is not a benchmark for any Fund, is calculated based on the prices of put and call options on the S&P 500, which are traded on Cboe Exchange, Inc.

The S&P 500 VIX Short-Term Futures Index employs rules for selecting the Index Components and a formula to calculate a level for the Index from the prices of these components. Currently, the Index Components represent the prices of the two near-term VIX futures months, replicating a position that rolls the nearest month VIX Futures Contract to the next month VIX Futures Contract on a daily basis in equal fractional amounts. This results in a constant weighted average maturity of one month. The roll period begins on the Tuesday prior to the monthly CFE VIX Futures Contracts settlement date and runs through the Tuesday prior to the subsequent month's CFE VIX Futures Contract settlement date.

#### Calculation of the Index

The level of the Index is calculated in accordance with the method described in the Registration Statement. The level of the Index will be published at least every 15 seconds both in real time from 9:30 a.m. to 4:00 p.m., E.T. and at the close of trading on each Business Day<sup>18</sup> by Bloomberg L.P. and Reuters.

The Index Components comprising the Index represent the prices of certain VIX Futures Contracts. The Index takes a daily rolling long position in contracts of specified maturities and is intended to reflect the returns that are potentially available through an unleveraged investment in those contracts. The Index measures the return from a rolling long position in the first and second month VIX Futures Contracts. The Index

rolls continuously throughout each month from the first month VIX Futures Contract into the second month VIX Futures Contract.

The Index rolls on a daily basis. According to the Registration Statement, one of the effects of daily rolling is to maintain a constant weighted average maturity for the underlying futures contracts. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, futures contracts normally specify a certain date for the delivery of the underlying asset or financial instrument or, in the case of futures contracts relating to indices such as the VIX, a certain date for payment in cash of an amount determined by the level of the underlying index. The Index operates by selling, on a daily basis, Index Components with a nearby settlement date and purchasing Index Components with a longer-dated settlement date. The roll for each contract occurs on each Business Day according to a pre-determined schedule that has the effect of keeping constant the weighted average maturity of the relevant Index Components. This process is known as "rolling" a futures position, and the Index is a "rolling index". The constant weighted average maturity for the futures underlying the Index is one month.

Because the Index incorporates this process of rolling futures positions on a daily basis, and the Funds, in general, also roll their positions on a daily basis, the daily roll is not anticipated to be a significant source of tracking error between the Funds and the Index. The Index is based on VIX Futures Contracts and not the VIX, and as such neither the Funds nor the Index are expected to track the VIX.

#### Purchases and Redemptions of Creation Units

The Funds will create and redeem Shares from time to time in one or more Creation Units. A Creation Unit is a block of 50,000 Shares. Except when aggregated in Creation Units, the Shares are not redeemable securities.

On any Business Day, an authorized participant may place an order with the Distributor to create one or more Creation Units.<sup>19</sup> The total cash payment required to create each Creation Unit is the NAV of 50,000 Shares of each Fund on the purchase order date plus the applicable transaction fee.

The procedures by which an authorized participant can redeem one or more Creation Units mirror the procedures for the purchase of Creation Units. On any Business Day, an authorized participant may place an order with the Distributor to redeem one or more Creation Units. The redemption proceeds from a Fund consist of the cash redemption amount. The cash redemption amount is equal to the NAV of the number of Creation Unit(s) of a Fund requested in the authorized participant's redemption order as of the time of the calculation of a Fund's NAV on the redemption order date, less applicable transaction fees.

#### Availability of Information Regarding the Shares

The NAV for the Funds' Shares will be calculated by the Administrator once a day and will be disseminated daily to all market participants at the same time.<sup>20</sup> Pricing information will be available on each Fund's website including: (1) The prior Business Day's reported NAV, the closing market price or the bid/ask price, 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.

The intraday, closing, and settlement prices of the Index Components are also readily available from the websites of CFE ([www.cfe.cboe.com](http://www.cfe.cboe.com)), automated quotation systems, published or other public sources, or on-line information services such as Bloomberg or Reuters. Complete real-time data for component futures underlying the Index is available by subscription from Reuters and Bloomberg. Specifically, the level of the Index will be published at least every 15 seconds both in real time from 9:30 a.m. to 4:00 p.m. E.T. and at the close of trading on each Business Day by Bloomberg and Reuters. The CFE also provides delayed futures information on current and past trading sessions and market news free of charge on its website. The specific contract specifications for component futures

<sup>20</sup> According to the Registration Statement, net asset value means the total assets of the Funds including, but not limited to, all Cash and Cash Equivalents or other debt securities less total liabilities of the Funds, each determined on the basis of generally accepted accounting principles in the United States, consistently applied under the accrual method of accounting. Each Fund's NAV is calculated once each trading day as of 4 p.m. (E.T.), or an earlier time as set forth on [www.proshares.com](http://www.proshares.com).

<sup>18</sup> A "Business Day" means any day other than a day when any of BZX, Cboe, CFE or other exchange material to the valuation or operation of the Funds, or the calculation of the VIX, options contracts underlying the VIX, VIX Futures Contracts or the Index is closed for trading.

<sup>19</sup> Authorized participants have a cut-off time of 2:00 p.m. E.T. to place creation and redemption orders.

underlying the Index are also available on such websites, as well as other financial informational sources.

Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the Consolidated Tape Association (“CTA”). Quotation and last-sale information regarding VIX Futures Contracts will be available from the exchanges on which such instruments are traded. Quotation and last-sale information for swaps will be available from nationally recognized data services providers, such as Reuters and Bloomberg, through subscription agreements or from a broker-dealer who makes markets in such instruments. Quotation and last-sale information for swaps are available through third-party pricing services or broker-dealers who make markets in such instruments. Pricing information regarding Cash and Cash Equivalents in which the Funds may invest is generally available through nationally recognized data services providers, such as Reuters and Bloomberg, through subscription agreements.

In addition, the Funds’ website at [www.proshares.com](http://www.proshares.com) will display the end of day closing Index level, and NAV per Share for the applicable Fund. The Funds will provide website disclosure of portfolio holdings daily and will include, as applicable, the notional value (in U.S. dollars) of VIX Futures Contracts, swaps, as well as Cash and Cash Equivalents held in the portfolio of the Funds. This website disclosure of the portfolio composition of the Funds will occur at the same time as the disclosure by the Funds of the portfolio composition to authorized participants so that all market participants are provided portfolio composition information at the same time. Therefore, the same portfolio information will be provided on the public website as well as in electronic files provided to authorized participants.

In addition, in order to provide updated information relating to the Funds for use by investors and market professionals, an updated Intraday Indicative Value (“IIV”) will be calculated. The IIV is an indicator of the value of the VIX Futures Contracts, swaps, and Cash and/or Cash Equivalents less liabilities of a Fund at the time the IIV is disseminated. The IIV will be calculated and widely disseminated by one or more major market data vendors every 15 seconds throughout Regular Trading Hours.<sup>21</sup>

<sup>21</sup> As defined in Rule 1.5(w), the term “Regular Trading Hours” means the time between 9:30 a.m. and 4:00 p.m. E.T.

In addition, the IIV is available through on-line information services such as Bloomberg and Reuters.

The IIV disseminated during Regular Trading Hours should not be viewed as an actual real time update of the NAV, which is calculated only once a day. The IIV also should not be viewed as a precise value of the Shares.

The Exchange believes that dissemination of the IIV provides additional information regarding the Funds that is not otherwise available to the public and is useful to professionals and investors in connection with the related Shares trading on the Exchange or the creation or redemption of such Shares.

Additional information regarding the Funds and the Shares, including investment strategies, risks, creation and redemption procedures, fees, portfolio holdings disclosure policies, distributions and taxes is included in the Registration Statement.

#### Initial and Continued Listing

The Shares of each Fund will conform to the initial and continued listing criteria under BZX Rule 14.11(f)(4). The Exchange represents that, for initial and continued listing, the Funds and the Trust must be in compliance with Rule 10A–3 under the Act. A minimum of 100,000 Shares of each Fund 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 per Share for each Fund will be calculated daily and 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 of the Funds. The Exchange will halt trading in the Shares under the conditions specified in BZX 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 securities and/or the financial instruments composing the daily disclosed portfolio of the Funds; 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(f)(4)(C)(ii), which sets forth circumstances under which Shares of a Fund may be halted.

The Exchange represents that the Exchange may halt trading during the

day in which an interruption to the dissemination of the IIV, the value of the Index, the VIX or the value of the underlying VIX Futures Contracts occurs. If an interruption to the dissemination of the IIV, the value of an Index, the VIX or the value of the underlying VIX Futures Contracts persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. In addition, if the Exchange becomes aware that the NAV with respect to the Shares is not disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants.

#### Suitability

Currently, Interpretation and Policy .01 of Exchange Rule 3.7 (Recommendations to Customers) provides that a member, in recommending a transaction in connection with products listed pursuant to Chapter XIV, must have reasonable grounds to believe that the recommendation is suitable for the customer based on any facts disclosed by the customer as to its other security holdings and as to its financial situation and needs. Further, the rule provides, that no member shall recommend to a customer a transaction in any such product unless the member has a reasonable basis for believing at the time of making the recommendation that the customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks of the recommended transaction and is financially able to bear the risks of the recommended position.

Prior to the commencement of trading, the Exchange will inform its members of the suitability requirements of, Interpretation and Policy .01 of Exchange Rule 3.7 in an Information Circular. Specifically, members will be reminded in the Information Circular that, in recommending transactions in the Shares, they must have a reasonable basis to believe that (1) the recommendation is suitable for a customer given reasonable inquiry concerning the customer’s investment objectives, financial situation, needs, and any other information known by such member, and (2) the customer can evaluate the special characteristics, and is able to bear the financial risks, of an investment in the Shares. In connection with the suitability obligation, the Information Circular will also provide that members must make reasonable efforts to obtain the following

information: (1) The customer's financial status; (2) the customer's tax status; (3) the customer's investment objectives; and (4) such other information used or considered to be reasonable by such member or registered representative in making recommendations to the customer.

In addition, FINRA has implemented increased sales practice and customer margin requirements for FINRA members applicable to inverse and leveraged ETFs (which include the Shares) and options on leveraged ETFs, as described in FINRA Regulatory Notices 09–31 (June 2009), 09–53 (August 2009) and 09–65 (November 2009) (the "FINRA Regulatory Notices"). Members that carry customer accounts will be required to follow the FINRA guidance set forth in these notices. As noted above, each Fund will seek daily investment results, before fees and expenses, that correspond to the Index. The Funds do not seek to achieve their respective primary investment objective over a period of time greater than a single day. The return of the Funds for a period longer than a single day will not be a simple multiple (one-half of the inverse correlation (– 50%) with respect to the ProShares Short VIX Short-Term Futures ETF or multiple correlation (+150%) with respect to the ProShares Ultra VIX Short-Term Futures ETF) of the period return of the Index because the return of each Fund is the result of its return for each day compounded over the period and usually will differ in amount and possibly even direction for the same period. These differences can be significant.

#### 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. The Exchange will allow trading in the Shares during all trading sessions and has the appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in BZX Rule 11.11(a), the minimum price variation for quoting and entry of orders in securities 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

Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Trust Issued Receipts. The Exchange will

allow trading in the Shares during all trading sessions on the Exchange and has the appropriate rules to facilitate transactions in the Shares during all trading sessions. 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. All of the VIX Futures Contracts held by the Funds will trade on markets that are a member of ISG or affiliated with a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.<sup>22</sup> The Exchange, FINRA, on behalf of the Exchange, or both will communicate regarding trading in the Shares and the underlying listed instruments, including listed derivatives held by the Funds, with the ISG, other markets or entities who are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, the Exchange, FINRA, on behalf of the Exchange, or both may obtain information regarding trading in the Shares and the underlying listed instruments, including listed derivatives, held by the Funds from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. The Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees. All statements and representations made in this filing regarding the Index composition, description of the portfolio or reference assets, limitations on portfolio holdings or reference assets, dissemination and availability of the Index, reference asset, and IIV, and the applicability of Exchange rules specified in this filing shall constitute continued listing requirements for the Funds. The issuer has represented to the Exchange that it will advise the Exchange of any failure by the Funds or the Shares to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will surveil for compliance with the continued listing requirements. If the Funds or the Shares are not in compliance with the applicable listing requirements, the Exchange will

<sup>22</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 Funds' holdings may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

commence delisting procedures under Exchange Rule 14.12. In addition, the Exchange also has a general policy prohibiting 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) BZX 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 IIV and the Disclosed Portfolio is disseminated; (4) the risks involved in trading the Shares outside of Regular Trading Hours<sup>23</sup> when an updated IIV 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.

The Information Circular will advise ETP Holders, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Funds. The Exchange notes that investors purchasing Shares directly from the Funds will receive a prospectus. Members purchasing Shares from the Funds for resale to investors will deliver a prospectus to such investors. The Information Circular will reference the FINRA Regulatory Notices regarding sales practice and customer margin requirements for FINRA members applicable to leveraged ETFs and options on leveraged ETFs. 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 Funds are subject to various fees and expenses described in the Registration Statement. The Information Circular will also reference that the Commodity Futures Trading Commission has regulatory jurisdiction over futures contracts traded on U.S. markets.

<sup>23</sup> As defined in Rule 1.5(w), "Regular Trading Hours" means the time between 9:30 a.m. and 4:00 p.m. Eastern Time.

The Information Circular will also disclose the trading hours of the Shares of the Funds and that the NAV for the Shares is calculated after 4:00 p.m. E.T. each trading day. The Information Circular will disclose that information about the Shares of the Funds is publicly available on the Funds' website.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act<sup>24</sup> in general and Section 6(b)(5) of the Act<sup>25</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 under Rule 14.11(f)(4). If the Sponsor to the Trust issuing the Trust Issued Receipts is affiliated with a broker-dealer, such Sponsor to the Trust shall erect and maintain a "fire wall" between the Sponsor and the broker-dealer with respect to access to information concerning the composition and/or changes to the Funds' portfolio. The Sponsor is not a broker-dealer, but is affiliated with a broker-dealer and has implemented and will maintain a "fire wall" with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the portfolio. In the event that (a) the Sponsor becomes a broker-dealer or newly affiliated with a broker-dealer, or (b) any new sponsor is a broker-dealer or becomes affiliated with a broker-dealer, it will implement and maintain 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 the portfolio. The Exchange, FINRA, on behalf of the Exchange, or both may obtain information regarding trading in the Shares and the underlying listed

instruments, including listed derivatives, held by the Funds from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

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 Funds' holdings will be made available to all market participants at the same time. In addition, a large amount of information is publicly available regarding the Funds and the Shares, thereby promoting market transparency. Moreover, the IIV 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 Funds will disclose on their website the holdings 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 Funds' website including: (1) The prior Business Day's reported NAV, the closing market price or the bid/ask price, 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. 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 Funds will include a form of the prospectus for each Fund and additional data relating to NAV and other applicable quantitative information. Trading in Shares of the Funds will be halted under the conditions specified in Exchange 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

14.11(f)(4)(C)(ii), which sets forth circumstances under which Shares of the Funds may be halted. In addition, as noted above, investors will have ready access to information regarding the Funds' holdings, the IIV, the Index value, and quotation and last sale information for the Shares.

Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the CTA. Quotation and last-sale information regarding VIX Futures Contracts will be available from the exchanges on which such instruments are traded. Quotation and last-sale information for swaps will be available from nationally recognized data services providers, such as Reuters and Bloomberg, through subscription agreements or from a broker-dealer who makes markets in such instruments. Quotation and last-sale information for swaps will be valued on the basis of quotations or equivalent indication of value supplied by a third-party pricing service or broker-dealer who makes markets in such instruments. Pricing information regarding Cash Equivalents in which the Fund may invest is generally available through nationally recognized data services providers, such as Reuters and Bloomberg, through subscription agreements.

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 an 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. In addition, as noted above, investors will have ready access to information regarding the Funds' holdings, the IIV, and quotation and last sale information for the Shares. The Information Circular will also reference the FINRA Regulatory Notices regarding sales practice and customer margin requirements for FINRA members applicable to leveraged ETFs and options on leveraged ETFs.

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.

<sup>24</sup> 15 U.S.C. 78f.

<sup>25</sup> 15 U.S.C. 78f(b)(5).

### 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 transfer from Arca and listing of additional exchange-traded products on the Exchange, which will enhance competition among listing venues, to the benefit of issuers, investors, and the marketplace more broadly.

### 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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>26</sup> and Rule 19b-4(f)(6) thereunder.<sup>27</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>28</sup> normally does not become operative for 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>29</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange states that waiver of the 30-day operative delay will allow the Funds to transfer listing to the Exchange as soon as is practicable and minimize the amount of time that the Funds' listing venue will be in transition. The Funds have previously been approved by the

Commission to list and trade on NYSE Arca, Inc.<sup>30</sup> The Exchange states that this proposal is substantively identical to the Original Proposal, including changes from the Prior Proposal, and the issuer represents that all material representations contained within the Original Proposal, as updated by the Prior Proposal, remain true. For these reasons, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission waives the 30-day operative delay and designates the proposed rule change operative upon filing.<sup>31</sup>

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### Electronic Comments

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeBZX-2020-093 on the subject line.

#### Paper Comments

• Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090. All submissions should refer to File Number SR-CboeBZX-2020-093. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the

Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeBZX-2020-093 and should be submitted on or before January 12, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>32</sup>

**J. Matthew DeLesDernier,**  
Assistant Secretary.

[FR Doc. 2020-28151 Filed 12-21-20; 8:45 am]

BILLING CODE 8011-01-P

### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-90685; File No. SR-CboeBZX-2020-092]

### Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To List and Trade Shares of the ProShares VIX Short-Term Futures ETF and the ProShares VIX Mid-Term Futures ETF, Each a Series of ProShares Trust II, Under Rule 14.11(f)(4) (Trust Issued Receipts)

December 16, 2020.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 14, 2020, Cboe BZX Exchange, Inc. ("Exchange" or "BZX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial"

<sup>26</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>27</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>28</sup> 17 CFR 240.19b-4(f)(6).

<sup>29</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>30</sup> See *supra* note.

<sup>31</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>32</sup> 17 CFR 200.30-3(a)(12).

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

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