

Allocation Option would not require any material change to DTC's settlement framework, technology, or operating procedures including existing settlement cycles and risk management controls; (ii) DTCC's Technology Risk Management existing control procedures could manage data integrity and authorization provisioning to mitigate information and technology risk; and (iii) DEGCL is only receiving CMS Reports and CMS Delivery Information from a CMS Sub-Account specifically designated for this purpose by a CMS Participant.<sup>22</sup> Therefore, the Commission believes that DTC has sought to identify, monitor, and manage the relevant risks associated with the proposed rule change, consistent with Rule 17Ad-22(e)(20), cited above.

### III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act, in particular the requirements of Section 17A of the Act<sup>23</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that proposed rule change SR-DTC-2017-001 be, and hereby is, *approved*.<sup>24</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>25</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80591; File No. SR-NASDAQ-2017-025]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Order Granting Approval of Proposed Rule Change, as Modified by Amendment Nos. 3 and 4, To List and Trade Shares of the Hartford Global Impact NextShares™ Fund Under Nasdaq Rule 5745

May 4, 2017.

#### I. Introduction

On March 1, 2017, The NASDAQ Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission

("Commission"), 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> a proposed rule change to list and trade common shares ("Shares") of the Hartford Global Impact NextShares™ Fund ("Fund") under Nasdaq Rule 5745. The proposed rule change was published for comment in the **Federal Register** on March 20, 2017.<sup>3</sup> On April 13, 2017, the Exchange filed Amendment No. 3 to the proposed rule change and, on May 3, 2017, the Exchange filed Amendment No. 4 to the proposed rule change.<sup>4</sup> The Commission

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

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

<sup>3</sup> See Securities Exchange Act Release No. 80237 (March 14, 2017), 82 FR 14395 ("Notice").

<sup>4</sup> On April 4, 2017, the Exchange filed Amendment No. 1 to the proposed rule change and, on April 18, 2017, the Exchange withdrew Amendment No. 1. On April 12, 2017, the Exchange filed Amendment No. 2 to the proposed rule change and, on April 13, 2017, the Exchange withdrew Amendment No. 2. Amendment No. 3 to the proposed rule change replaces and supersedes the original filing in its entirety. In Amendment No. 3, the Exchange: (a) Represents that neither the Adviser nor the Sub-Adviser (as defined herein) is a registered broker-dealer; however, it represents that each of the Adviser and the Sub-Adviser is affiliated with a broker-dealer, and each of the Adviser and the Sub-Adviser has implemented and will maintain a fire wall with respect to its affiliated broker-dealer regarding access to information concerning the composition of, and/or changes to, the Fund's portfolio; (b) represents that personnel who make decisions on the Fund's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material, non-public information regarding the Fund's portfolio; (c) represents that, in the event that the Adviser or the Sub-Adviser registers as a broker-dealer or becomes newly affiliated with a broker-dealer, or any new adviser or a sub-adviser to the Fund is a registered broker-dealer or becomes affiliated with a broker-dealer, such new adviser or sub-adviser will implement and maintain a fire wall with respect to its relevant personnel and/or such broker-dealer affiliate, if applicable, regarding access to information concerning the composition of, and/or changes to, the Fund's portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio; (d) provides additional detail regarding the investments and operation of the Fund and the Master Portfolio (as defined herein); (e) clarifies the public Web sites on which certain information about the Fund would be available; (f) modifies the continued listing representations to conform to Nasdaq rules; and (g) makes other technical, non-substantive corrections in the proposed rule change. Amendment No. 3 is available at: <https://www.sec.gov/comments/sr-nasdaq-2017-025/nasdaq2017025-1701702-149977.pdf>. Amendment No. 4 to the proposed rule change is a partial amendment in which the Exchange clarifies that the Reporting Authority (as defined in Nasdaq Rule 5745) will implement and maintain, or ensure that the Composition File (as defined in Nasdaq Rule 5745) will be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the Fund's portfolio positions and changes in the positions. Because Amendment Nos. 3 and 4 to the proposed rule change do not materially alter the substance of the proposed rule change or raise unique or novel regulatory issues, Amendment Nos. 3 and 4 are not subject to notice and comment.

received no comments on the proposed rule change. This order grants approval of the proposed rule change, as modified by Amendment Nos. 3 and 4.

#### II. Exchange's Description of the Proposed Rule Change

The Exchange proposes to list and trade the Shares of the Fund under Nasdaq Rule 5745, which governs the listing and trading of Exchange-Traded Managed Fund Shares, as defined in Nasdaq Rule 5745(c)(1). The Fund is a series of Hartford Funds NextShares Trust ("Trust").<sup>5</sup> The Exchange represents that the Trust will be registered with the Commission as an open-end investment company and that it has filed a registration statement on Form N-1A ("Registration Statement") with the Commission.<sup>6</sup>

Hartford Funds Management Company, LLC ("Adviser") will be the adviser to the Fund and Wellington Management Company LLP will be the sub-adviser to the Fund ("Sub-Adviser"). ALPS Distributors, Inc. will be the principal underwriter and distributor of the Fund's Shares. Hartford Funds Management Company, LLC will act as the administrator and accounting agent to the Fund. State Street Bank and Trust Company will act as sub-administrator, sub-accounting agent, transfer agent, and custodian to the Fund.

The Exchange has made the following representations and statements in describing the Fund.<sup>7</sup>

<sup>5</sup> According to the Exchange, the Commission has issued an order granting the Trust and certain affiliates of the Trust exemptive relief under the Investment Company Act of 1940 ("1940 Act"). See Investment Company Act Release No. 31607 (May 19, 2015) (File No. 812-14439). The Exchange represents that, in compliance with Nasdaq Rule 5745(b)(5), which applies to Shares based on an international or global portfolio, the Trust's application for exemptive relief under the 1940 Act states that the Trust will comply with the federal securities laws in accepting securities for deposits and satisfying redemptions with securities, including that the securities accepted for deposits and the securities used to satisfy redemption requests are sold in transactions that would be exempt from registration under the Securities Act of 1933, as amended.

<sup>6</sup> See Registration Statement on Form N-1A for the Trust dated November 30, 2016 (File Nos. 333-214842 and 811-23215).

<sup>7</sup> The Commission notes that additional information regarding the Trust, the Fund, and the Shares, including investment strategies, risks, creation and redemption procedures, calculation of net asset value ("NAV"), fees, distributions, and taxes, among other things, can be found in the Notice, Amendment Nos. 3 and 4, and Registration Statement, as applicable. See *supra* notes 3, 4, and 6, respectively, and accompanying text.

<sup>22</sup> *Id.*

<sup>23</sup> 15 U.S.C. 78q-1.

<sup>24</sup> In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>25</sup> 17 CFR 200.30-3(a)(12).

*A. Principal Investment Strategy of the Hartford Global Impact NextShares™ Fund*

According to the Exchange, the Fund will be actively managed and will pursue the investment strategy described below.<sup>8</sup>

The investment objective of the Fund is long-term capital appreciation. The Fund seeks to achieve its objective by investing all of its assets in shares of the Global Impact Master Portfolio (“Master Portfolio;” and references to the “Fund” include, where applicable, the Master Portfolio), which has the same investment objective and strategy as the Fund. The Fund invests in equity securities of issuers located throughout the world, including non-dollar securities and securities of emerging market issuers. The Fund’s Sub-Adviser specifically seeks to invest the Fund’s assets in companies that focus their operations in areas that the Sub-Adviser believes are likely to address major social and environmental challenges including, but not limited to, hunger, health, clean water and sanitation, affordable housing, education and training, financial inclusion, narrowing the digital divide, alternative energy, resource stewardship and resource efficiency. The Fund may invest in companies of any market capitalization, including small capitalization securities, located anywhere in the world, although the Fund will not normally invest more than 33% of its assets in issuers that conduct their principal business activities in emerging markets or whose securities are traded principally on exchanges in emerging markets.

The Fund may also invest in depositary receipts or other securities that are convertible into securities of foreign issuers and could, at times, hold a portion of its assets in cash. Under normal circumstances, at least 40% (and normally not less than 30%) of the Fund’s net assets will be invested in or exposed to foreign securities or derivative instruments with exposure to foreign securities of at least three different countries outside the United States.<sup>9</sup>

<sup>8</sup> According to the Exchange, additional information regarding the Fund will be available on the free public Web site for the Fund at [www.hartfordfunds.com](http://www.hartfordfunds.com) (which may contain links for certain information to [www.nextshares.com](http://www.nextshares.com)).

<sup>9</sup> According to the Exchange, investments are deemed to be “foreign” if: (a) An issuer’s domicile or location of headquarters is in a foreign country; (b) an issuer derives a significant proportion (at least 50%) of its revenues or profits from goods produced or sold, investments made, or services performed in a foreign country or has at least 50% of its assets situated in a foreign country; (c) the principal trading market for a security is located in

The Fund will operate as a “feeder fund,” which means it will invest all of its assets in another investment company (the Master Portfolio). The Master Portfolio is a series of the Hartford Funds Master Trust, a Delaware statutory trust. The Adviser and the Sub-Adviser are also the Adviser and Sub-Adviser, respectively, of the Master Portfolio. The Fund has the same investment objective and limitations as the Master Portfolio in which it invests. The Fund does not buy investment securities directly. The Master Portfolio, on the other hand, invests directly in portfolio securities. According to the Exchange, use of the master/feeder structure enables the Fund to pool its assets with other investors in the Master Portfolio, if any, which may result in efficiencies in portfolio management and administration that could lower Fund costs and enhance shareholder returns.

*B. Portfolio Disclosure and Composition File*

Consistent with the disclosure requirements that apply to traditional open-end investment companies, a complete list of current Fund portfolio positions will be made available at least once each calendar quarter, with a reporting lag of not more than 60 days. The Fund may provide more frequent disclosures of portfolio positions at its discretion.

As defined in Nasdaq Rule 5745(c)(3), the “Composition File” is the specified portfolio of securities and/or cash that the Fund will accept as a deposit in issuing a creation unit of Shares, and the specified portfolio of securities and/or cash that the Fund will deliver in a redemption of a creation unit of Shares. The Composition File will be disseminated through the National Securities Clearing Corporation once each business day before the open of trading in Shares on that day and also will be made available to the public each day on a free Web site.<sup>10</sup> Because the Fund seeks to preserve the confidentiality of its current portfolio trading program, the Fund’s Composition File generally will not be a pro rata reflection of the Fund’s investment positions. Each security included in the Composition File will be a current holding of the Fund, but the

a foreign country; or (d) it is a foreign currency. According to the Exchange, the Fund’s investments in derivative securities, exchange traded funds, and exchange traded notes will be considered to be “foreign” if the underlying assets represented by the investment are determined to be foreign using the foregoing criteria.

<sup>10</sup> The Exchange represents that the free Web site containing the Composition File will be [www.nextshares.com](http://www.nextshares.com).

Composition File generally will not include all of the securities in the Fund’s portfolio or match the weightings of the included securities in the portfolio. Securities that the Adviser or the Sub-Adviser is in the process of acquiring for the Fund generally will not be represented in the Fund’s Composition File until their purchase has been completed. Similarly, securities that are held in the Fund’s portfolio but are in the process of being sold may not be removed from its Composition File until the sale is substantially completed. To the extent that the Fund creates or redeems Shares in-kind, it will use cash amounts to supplement the in-kind transactions to the extent necessary to ensure that creation units are purchased and redeemed at NAV. The Composition File also may consist entirely of cash, in which case it will not include any of the securities in the Fund’s portfolio.<sup>11</sup>

*C. Intraday Indicative Value*

An estimated value of an individual Share, defined in Nasdaq Rule 5745(c)(2) as the “Intraday Indicative Value” (“IIV”) will be calculated and disseminated at intervals of not more than 15 minutes throughout the Regular Market Session<sup>12</sup> when Shares trade on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the IIV will be calculated on an intraday basis and provided to Nasdaq for dissemination via the Nasdaq Global Index Service. The IIV will be based on current information regarding the value of the securities and other assets held by the Fund.<sup>13</sup> The purpose of the IIV is to enable investors to estimate the next-determined NAV so they can determine the number of Shares to buy or sell if they want to transact in an approximate dollar amount.<sup>14</sup>

<sup>11</sup> In determining whether the Fund will issue or redeem creation units entirely on a cash basis, the key consideration will be the benefit that would accrue to the Fund and its investors.

<sup>12</sup> See Nasdaq Rule 4120(b)(4) (describing the three trading sessions on the Exchange: (1) Pre-Market Session from 4:00 a.m. to 9:30 a.m. Eastern Time (“E.T.”); (2) Regular Market Session from 9:30 a.m. to 4:00 p.m. or 4:15 p.m. E.T.; and (3) Post-Market Session from 4:00 p.m. or 4:15 p.m. to 8:00 p.m. E.T.).

<sup>13</sup> IIVs disseminated throughout each trading day would be based on the same portfolio as used to calculate that day’s NAV. The Fund will reflect purchases and sales of portfolio positions in its NAV the next business day after trades are executed.

<sup>14</sup> In NAV-Based Trading, described herein, prices of executed trades are not determined until the reference NAV is calculated, so buyers and sellers of Shares during the trading day will not know the final value of their purchases and sales until the end of the trading day. The Exchange represents that the Fund’s Registration Statement, Web site,

#### D. NAV-Based Trading

Because Shares will be listed and traded on the Exchange, Shares will be available for purchase and sale on an intraday basis. Shares will be purchased and sold in the secondary market at prices directly linked to the Fund's next-determined NAV using a trading protocol called "NAV-Based Trading." All bids, offers, and execution prices of Shares will be expressed as a premium/discount (which may be zero) to the Fund's next-determined NAV (e.g., NAV - \$0.01, NAV + \$0.01).<sup>15</sup> The Fund's NAV will be determined each business day, normally as of 4:00 p.m. E.T. Trade executions will be binding at the time orders are matched on Nasdaq's facilities, with the transaction prices contingent upon the determination of NAV. Nasdaq represents that all Shares listed on the Exchange will have a unique identifier associated with their ticker symbols, which will indicate that the Shares are traded using NAV-Based Trading.

According to the Exchange, member firms will utilize certain existing order types and interfaces to transmit Share bids and offers to Nasdaq, which will process Share trades like trades in shares of other listed securities.<sup>16</sup> In the systems used to transmit and process transactions in Shares, the Fund's next-determined NAV will be represented by a proxy price (e.g., 100.00) and a premium/discount of a stated amount to the next-determined NAV to be represented by the same increment/decrement from the proxy price used to denote NAV (e.g., NAV - \$0.01 would be represented as 99.99; NAV + \$0.01 as 100.01).

To avoid potential investor confusion, Nasdaq represents that it will work with

and any advertising or marketing materials will include prominent disclosure of this fact. The Exchange states that, although IIVs may provide useful estimates of the value of intraday trades, they cannot be used to calculate with precision the dollar value of the Shares to be bought or sold.

<sup>15</sup> According to the Exchange, the premium or discount to NAV at which Share prices are quoted and transactions are executed will vary depending on market factors, including the balance of supply and demand for Shares among investors, transaction fees and other costs in connection with creating and redeeming creation units of Shares, the cost and availability of borrowing Shares, competition among market makers, the Share inventory positions and inventory strategies of market makers, the profitability requirements and business objectives of market makers, and the volume of Share trading.

<sup>16</sup> According to the Exchange, all orders to buy or sell Shares that are not executed on the day the order is submitted will be automatically canceled as of the close of trading on that day. Prior to the commencement of trading in the Fund, the Exchange will inform its members in an Information Circular of the effect of this characteristic on existing order types.

member firms and providers of market data services to seek to ensure that representations of intraday bids, offers, and execution prices of Shares that are made available to the investing public follow the "NAV - \$0.01/NAV + \$0.01" (or similar) display format. Specifically, the Exchange will use the NASDAQ Basic and NASDAQ Last Sale data feeds to disseminate intraday price and quote data for Shares in real time in the "NAV - \$0.01/NAV + \$0.01" (or similar) display format. Member firms may use the NASDAQ Basic and NASDAQ Last Sale data feeds to source intraday Share prices for presentation to the investing public in the "NAV - \$0.01/NAV + \$0.01" (or similar) display format. Alternatively, member firms could source intraday Share prices in proxy price format from the Consolidated Tape and other Nasdaq data feeds (e.g., Nasdaq TotalView and Nasdaq Level 2) and use a simple algorithm to convert prices into the "NAV - \$0.01/NAV + \$0.01" (or similar) display format. Prior to the commencement of trading in the Fund, the Exchange will inform its members in an Information Circular of the identities of the specific Nasdaq data feeds from which intraday Share prices in proxy price format may be obtained.

#### III. Discussion and Commission Findings

After careful review, the Commission finds that the Exchange's proposal to list and trade the Shares is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>17</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>18</sup> which requires, among other things, that the Exchange's rules be 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 Shares will be subject to Rule 5745, which sets forth the initial and continued listing criteria applicable to Exchange-Traded Managed Fund Shares. A minimum of 50,000 Shares and no less than two creation units of the Fund will be outstanding at the

commencement of trading on the Exchange.

Nasdaq 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. Every order to trade Shares of the Fund is subject to the proxy price protection threshold of plus/minus \$1.00, which determines the lower and upper thresholds for the life of the order and provides that the order will be canceled at any point if it exceeds \$101.00 or falls below \$99.00.<sup>19</sup> With certain exceptions, each order also must contain the applicable order attributes, including routing instructions and time-in-force information, as described in Nasdaq Rule 4703.<sup>20</sup>

Nasdaq also represents that trading in the Shares will be subject to the existing trading surveillances, administered by both Nasdaq and the Financial Industry Regulatory Authority, Inc. ("FINRA") on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.<sup>21</sup> The Exchange represents that its surveillance procedures are adequate to properly monitor trading of Shares on the Exchange and to deter and detect violations of Exchange rules and applicable federal securities laws. FINRA, on behalf of the Exchange, will communicate as needed with, and may obtain information from, other markets and entities that are members of the Intermarket Surveillance Group ("ISG")<sup>22</sup> regarding trading in the Shares, and in exchange-traded securities and instruments held by the Fund (to the extent those exchange-traded securities and instruments are known through the publication of the Composition File and periodic public disclosures of the Fund's portfolio holdings). In addition, the Exchange may obtain information regarding trading in the Shares, and in exchange-traded securities and instruments held by the Fund (to the extent those exchange-traded securities and instruments are known through the publication of the Composition File and periodic public disclosures of the

<sup>19</sup> See Nasdaq Rule 5745(h).

<sup>20</sup> See Nasdaq Rule 5745(b)(6).

<sup>21</sup> The Exchange states that FINRA provides surveillance of trading on the Exchange pursuant to a regulatory services agreement, and that the Exchange is responsible for FINRA's performance under this regulatory services agreement.

<sup>22</sup> For a list of the current members of ISG, see [www.isgportal.org](http://www.isgportal.org). The Exchange notes that not all components of the Fund's portfolio may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

<sup>17</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>18</sup> 15 U.S.C. 78f(b)(5).

Fund's portfolio holdings), from markets and other entities that are members of ISG, which includes securities and futures exchanges, or with which the Exchange has in place a comprehensive surveillance sharing agreement.

Prior to the commencement of trading in the Fund, 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: (a) The procedures for purchases and redemptions of Shares in creation units (and that Shares are not individually redeemable); (b) Nasdaq Rule 2111A, which imposes suitability obligations on Nasdaq members with respect to recommending transactions in the Shares to customers; (c) how information regarding the IIV and Composition File is disseminated; (d) the requirement that members deliver a prospectus to investors purchasing Shares prior to or concurrently with the confirmation of a transaction; and (e) information regarding NAV-Based Trading protocols.

The Information Circular also will identify the specific Nasdaq data feeds from which intraday Share prices in proxy price format may be obtained. As noted above, all orders to buy or sell Shares that are not executed on the day the order is submitted will be automatically canceled as of the close of trading on that day, and the Information Circular will discuss the effect of this characteristic on existing order types. In addition, Nasdaq intends to provide its members with a detailed explanation of NAV-Based Trading through a Trading Alert issued prior to the commencement of trading in Shares on the Exchange.

Nasdaq states that neither the Adviser nor the Sub-Adviser is a registered broker-dealer; however, each of the Adviser and the Sub-Adviser is affiliated with a broker-dealer and has implemented and will maintain a fire wall with respect to its affiliated broker-dealer regarding access to information concerning the composition of, and/or changes to, the Fund's portfolio.<sup>23</sup> The

<sup>23</sup> See Amendment No. 3, *supra* note 4. The Exchange further represents that an investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 ("Advisers Act"). As a result, the Adviser, Sub-Adviser, and their related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule

Reporting Authority<sup>24</sup> will implement and maintain, or ensure that the Composition File will be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the Fund's portfolio positions and changes in the positions.<sup>25</sup> In the event that (a) the Adviser or the Sub-Adviser registers as a broker-dealer or becomes newly affiliated with a broker-dealer, or (b) any new adviser or a sub-adviser to the Fund is a registered broker-dealer or becomes affiliated with a broker-dealer, such new adviser or sub-adviser will implement and maintain a fire wall with respect to its relevant personnel and/or such broker-dealer affiliate, as the case may be, regarding access to information concerning the composition of, and/or changes to, the Fund's portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding the portfolio.<sup>26</sup>

The Commission finds that the proposal to list and trade the Shares on the Exchange is consistent with Section 11A(a)(1)(C)(iii) of the Act,<sup>27</sup> which sets forth Congress' finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations for, and transactions in, securities. Information regarding NAV-based trading prices, best bids and offers for Shares, and volume of Shares traded will be continuously available on a real-time basis throughout each trading day on brokers' computer screens and other electronic services. All bids and offers for Shares and all Share trade executions will be reported intraday in real time by the Exchange to the Consolidated Tape<sup>28</sup> and separately

206(4)–7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has: (i) Adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above. See Amendment No. 3, *supra* note 4, at note 9.

<sup>24</sup> See Nasdaq Rule 5745(c)(4).

<sup>25</sup> See Amendment No. 4, *supra* note 4.

<sup>26</sup> See Amendment No. 3, *supra* note 4.

<sup>27</sup> 15 U.S.C. 78k-1(a)(1)(C)(iii).

<sup>28</sup> Due to systems limitations, the Consolidated Tape will report intraday execution prices and quotes for Shares using a proxy price format.

disseminated to member firms and market data services through the Exchange data feeds.

Once the Fund's daily NAV has been calculated and disseminated, Nasdaq will price each Share trade entered into during the day at the Fund's NAV plus/minus the trade's executed premium/discount. Using the final trade price, each executed Share trade will then be disseminated to member firms and market data services via a File Transfer Protocol ("FTP") file<sup>29</sup> that will be created for exchange-traded managed funds and will be confirmed to the member firms participating in the trade to supplement the previously provided information with final pricing.

The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily (on each day that the New York Stock Exchange is open for trading) and provided to Nasdaq via the Mutual Fund Quotation Service ("MFQS") by the fund accounting agent. As soon as the NAV is entered into MFQS, Nasdaq will disseminate the value to market participants and market data vendors via the Mutual Fund Dissemination Service so that all firms will receive the NAV per share at the same time.

The Exchange further represents that it may consider all relevant factors in exercising its discretion to halt or suspend trading in Shares. Nasdaq will halt trading in Shares under the conditions specified in Nasdaq Rule 4120 and in Nasdaq Rule 5745(d)(2)(C). Additionally, Nasdaq may cease trading Shares if other unusual conditions or circumstances exist that, in the opinion of Nasdaq, make further dealings on Nasdaq detrimental to the maintenance of a fair and orderly market. To manage the risk of a non-regulatory Share trading halt, Nasdaq has in place back-up processes and procedures to ensure orderly trading.

Prior to the commencement of market trading in Shares, the Fund will be required to establish and maintain a public Web site through which its current prospectus may be

Nasdaq has represented that it will separately report real-time execution prices and quotes to member firms and providers of market data services in the "NAV - \$0.01/NAV + \$0.01" (or similar) display format, and will otherwise seek to ensure that representations of intraday bids, offers, and execution prices for Shares that are made available to the investing public follow the same display format.

<sup>29</sup> According to Nasdaq, FTP is a standard network protocol used to transfer computer files on the Internet. Nasdaq will arrange for the daily dissemination of an FTP file with executed Share trades to member firms and market data services.

downloaded.<sup>30</sup> The Web site will include (directly or through a link to [www.nextshares.com](http://www.nextshares.com)) additional Fund information updated on a daily basis, including the prior business day's NAV, and the following trading information for that business day expressed as premiums/discounts to NAV: (a) Intraday high, low, average, and closing prices of Shares in Exchange trading; (b) the midpoint of the highest bid and lowest offer prices as of the close of Exchange trading, expressed as a premium/discount to NAV ("Closing Bid/Ask Midpoint"); and (c) the spread between highest bid and lowest offer prices as of the close of Exchange trading ("Closing Bid/Ask Spread").<sup>31</sup> The Web site will also contain charts showing the frequency distribution and range of values of trading prices, Closing Bid/Ask Midpoints, and Closing Bid/Ask Spreads over time.

The Exchange represents that all statements and representations made in the filing regarding: (a) The description of the Fund's portfolio, (b) limitations on portfolio holdings or reference assets, (c) dissemination and availability of the reference asset or IIVs, or (d) the applicability of Exchange listing rules shall constitute continued listing requirements for listing the Shares on the Exchange. The issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements.<sup>32</sup> If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under Nasdaq Rules 5800, *et seq.*

This approval order is based on all of the Exchange's representations, including those set forth above, in the

<sup>30</sup> The Exchange represents that the Web site containing this information will be [www.hartfordfunds.com](http://www.hartfordfunds.com).

<sup>31</sup> The Exchange represents that the Web site containing the Fund's NAV will be [www.hartfordfunds.com](http://www.hartfordfunds.com) and that all other information listed will be made available on [www.nextshares.com](http://www.nextshares.com), which can be accessed directly and via a link on [www.hartfordfunds.com](http://www.hartfordfunds.com).

<sup>32</sup> The Commission notes that certain other proposals for the listing and trading of Managed Fund Shares include a representation that the exchange will "surveil" for compliance with the continued listing requirements. *See, e.g.*, Securities Exchange Act Release No. 78005 (Jun. 7, 2016), 81 FR 38247 (Jun. 13, 2016) (SR-BATS-2015-100). In the context of this representation, it is the Commission's view that "monitor" and "surveil" both mean ongoing oversight of a fund's compliance with the continued listing requirements. Therefore, the Commission does not view "monitor" as a more or less stringent obligation than "surveil" with respect to the continued listing requirements.

Notice, and Amendment Nos. 3 and 4,<sup>33</sup> and the Exchange's description of the Fund. The Commission notes that the Fund and the Shares must comply with the requirements of Nasdaq Rule 5745 and the conditions set forth in this proposed rule change to be listed and traded on the Exchange on an initial and continuing basis.

For the foregoing reasons, the Commission finds that the proposed rule change, as modified by Amendment Nos. 3 and 4, is consistent with Section 6(b)(5)<sup>34</sup> and Section 11A(a)(1)(C)(iii) of the Act<sup>35</sup> and the rules and regulations thereunder applicable to a national securities exchange.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>36</sup> that the proposed rule change (SR-NASDAQ-2017-025), as modified by Amendment Nos. 3 and 4, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>37</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80590; File No. SR-NYSEMK-2017-01]

### Self-Regulatory Organizations; NYSE MKT LLC; Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1, To Adopt New Equity Trading Rules To Transition Trading on the Exchange From a Floor-Based Market With a Parity Allocation Model to a Fully Automated Market With a Price-Time Priority Model on the Exchange's New Trading Technology Platform, Pillar

May 4, 2017.

#### I. Introduction

On January 25, 2017, NYSE MKT LLC ("Exchange" or "NYSE MKT") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule

<sup>33</sup> *See supra* notes 3 and 4.

<sup>34</sup> 15 U.S.C. 78f(b)(5).

<sup>35</sup> 15 U.S.C. 78k-1(a)(1)(C)(iii).

<sup>36</sup> 15 U.S.C. 78s(b)(2).

<sup>37</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.

change to adopt new equity trading rules to transition trading on the Exchange from a floor-based market with a parity-allocation model to a fully automated market with price-time-priority allocation model on the Exchange's new trading technology platform, Pillar. The proposed rule change was published for comment in the **Federal Register** on February 15, 2017.<sup>3</sup> On March 29, 2017, the Commission designated a longer period for action on the proposed rule change.<sup>4</sup> On April 24, 2017, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>5</sup> The Commission received no comments on the proposal. The Commission is approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis and soliciting comments on Amendment No. 1.

#### II. Description of the Proposed Rule Change, as Modified by Amendment No. 1

The Exchange proposes to adopt new equities trading rules to facilitate the transition to Pillar, a new trading-technology platform, in order to operate as a fully-automated cash equities market. As part of this transition, the Exchange would move from the current floor-based market with a parity-allocation model to a fully automated market with a price-time-priority allocation model. Consequently,

<sup>3</sup> *See* Securities Exchange Act Release No. 79993 (Feb. 9, 2017), 82 FR 10814 (Feb. 15, 2017) ("Notice").

<sup>4</sup> *See* Securities Exchange Act Release No. 80337 (Mar. 29, 2017), 82 FR 16459 (Apr. 4, 2017).

<sup>5</sup> In Amendment No. 1, the Exchange proposes to: (1) Amend proposed Exchange Rule 7.35E(a)(10)(A) to specify the "Auction Collar" as the greater of \$0.50 or 10% away from the Auction Reference Price and delete the specified percentages to conform to rule filing SR-NYSEArca-2016-130; (2) amend proposed Exchange Rule 7.35E(d)(2) to note that the Closing Auction Imbalance Freeze will begin ten minutes (rather than one minute) before the schedule time for the Closing Auction; (3) amend proposed Exchange Rule 7.35E(f)(2) to reject certain orders until after the Auction Processing Period for the IPO Auction has concluded; (4) amend proposed Exchange Rule 7.35E(h)(3)(A) and (B) to define "previously-live orders" for Core Open Auction, Trading Halt Auction, Closing Auction, and IPO Auction, and how unexecuted orders would be processed, when the Exchange transitions from continuous trading from a prior trading session; (5) amend proposed Exchange rule 7.31E(h)(3)(A) to specify that Discretionary Pegged Orders do not participate in any auctions; (6) amend proposed Exchange Rule 7.34E(c)(1)(A) to add that Discretionary Pegged Orders may not be entered before or during the Early Trading Session; (7) amend proposed Exchange Rule 7.46E to reflect recent changes to publication dates with respect to the Tick Size Pilot Plan; and (8) state that the Pillar transition is anticipated to occur in the third quarter of 2017. The Exchange represents that most of the amendments relate to a recent proposed rule change (SR-NYSEArca-2017-47) by NYSE Arca, Inc. ("NYSE Arca").