

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 DTC and on DTCC's website (<http://dtcc.com/legal/sec-rule-filings.aspx>). 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-DTC-2017-023 and should be submitted on or before January 29, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

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Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82429; File No. SR-CboeBZX-2017-021]

### Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change To List and Trade Shares of the First Trust Bitcoin Strategy ETF and the First Trust Inverse Bitcoin Strategy ETF, Each a Series of the First Trust Exchange-Traded Fund VII, Under Rule 14.11(i), Managed Fund Shares

January 2, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 19, 2017, Cboe BZX Exchange, Inc. (the "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 Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>12</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.

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

The Exchange filed a proposal to list and trade shares of the First Trust Bitcoin Strategy ETF and the First Trust Inverse Bitcoin Strategy ETF (each a "Fund" and, collectively, the "Funds"), each a series of the First Trust Exchange-Traded Fund VII (the "Trust"), under Rule 14.11(i) ("Managed Fund Shares"). The shares of the Funds are referred to herein as the "Shares."

The text of the proposed rule change is available at the Exchange's website at [www.markets.cboe.com](http://www.markets.cboe.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

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

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

##### 1. Purpose

The Exchange proposes to list and trade shares of the First Trust Bitcoin Strategy ETF (the "Long Bitcoin Fund") and the First Trust Inverse Bitcoin Strategy ETF (the "Inverse Bitcoin Fund") under Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange.<sup>3</sup>

The Shares will be offered by the Trust, which was organized as a Massachusetts business trust on November 6, 2012. The Trust is registered with the Commission as an open-end investment company and has filed a registration statement on behalf of the Funds on Form N-1A ("Registration Statement") with the

<sup>3</sup> The Commission originally approved BZX Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018) and subsequently approved generic listing standards for Managed Fund Shares under Rule 14.11(i) in Securities Exchange Act Release No. 78396 (July 22, 2016), 81 FR 49698 (July 28, 2016) (SR-BATS-2015-100).

Commission.<sup>4</sup> The Adviser, as defined below, is also registered as a Commodity Pool Operator.

First Trust Advisors L.P. is the investment adviser (the "Adviser") to the Funds and a commodity pool operator ("CPO"). The Funds will be operated in accordance with applicable Commodity Futures Trading Commission ("CFTC") rules, as well as the regulatory scheme applicable to registered investment companies. Registration as a CPO imposes additional compliance obligations on the Adviser and the Funds related to additional laws, regulations, and enforcement policies.

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

<sup>4</sup> See Registration Statement on Form N-1A for the Trust, dated December 11, 2017 (File Nos. 333-184918 and 811-22767). The descriptions of the Funds and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order, upon which the Trust may rely, granting certain exemptive relief under the Investment Company Act of 1940 (15 U.S.C. 80a-1) ("1940 Act") (the "Exemptive Order"). See Investment Company Act Release No. 30029, April 10, 2012 (File No. 812-13795). In addition, on December 6, 2012, the staff of the Commission's Division of Investment Management ("Division") issued a no-action letter ("No-Action Letter") relating to the use of derivatives by actively-managed exchange-traded funds ("ETFs"). See No-Action Letter dated December 6, 2012 from Elizabeth G. Osterman, Associate Director, Office of Exemptive Applications, Division of Investment Management. The No-Action Letter stated that the Division would not recommend enforcement action to the Commission under applicable provisions of and rules under the 1940 Act if ETFs operating in reliance on specified orders (which include the Exemptive Order) invest in options contracts, futures contracts, or swap agreements provided that they comply with certain representations stated in the No-Action Letter.

<sup>5</sup> An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the

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

#### Bitcoin Futures Contracts

Prior to listing a new commodity futures contract, a designated contract market must either submit a self-certification to the CFTC that the contract complies with the Commodity Exchange Act ("CEA") and CFTC regulations or voluntarily submit the contract for CFTC approval. This process applies to all futures contracts and all commodities underlying the futures contracts, whether the new

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.

futures contracts are related to oil, gold, or any other commodity.<sup>6</sup> On December 1, 2017, it was announced that both Cboe Futures Exchange, Inc. ("CFE") and Chicago Mercantile Exchange, Inc. ("CME") had self-certified with the CFTC new contracts for bitcoin<sup>7</sup> futures products.<sup>8</sup> While the CFE bitcoin futures contracts ("XBT Futures")<sup>9</sup> and the CME bitcoin futures contracts ("CME Futures")<sup>10</sup> will differ in certain of their implementation details, both contracts will generally trade and settle like any other cash-settled commodity futures contracts.<sup>11</sup>

The Exchange proposes to list the Funds pursuant to Rule 14.11(i), however there are two ways in which the Funds will not necessarily meet the listing standards included in that Rule. As such, the Exchange submits this proposal in order to allow each Fund to hold: (i) Listed derivatives in a manner that does not comply with Rule 14.11(i)(4)(C)(iv)(b);<sup>12</sup> and (ii) Non-U.S.

<sup>6</sup> Section 1a(9) of the CEA defines commodity to include, among other things, "all services, rights, and interests in which contracts for future delivery are presently or in the future dealt in." The definition of commodity is broad. 7 U.S.C. 1a(9).

<sup>7</sup> Bitcoin is a digital asset based on the decentralized, open source protocol of the peer-to-peer bitcoin computer network (the "Bitcoin Network"). No single entity owns or operates the Bitcoin Network; the infrastructure is collectively maintained by a decentralized user base. The Bitcoin Network is accessed through software, and software governs bitcoin's creation, movement, and ownership. The value of bitcoin is determined by the supply of and demand for bitcoin on websites that facilitate the transfer of bitcoin in exchange for government-issued currencies, and in private end-user-to-end-user transactions.

<sup>8</sup> Bitcoin is a commodity as defined in Section 1a(9) of the CEA. 7 U.S.C. 1a(9). See *In re Coinflip, Inc.*, No. 15-29 (CFTC Sept. 17, 2015), available at: <http://www.cftc.gov/ucm/groups/public/@enforcementactions/documents/legalpleading/enfcoinfliporder09172015.pdf>.

<sup>9</sup> The XBT Futures are cash-settled futures contracts based on the auction price of bitcoin in U.S. dollars on the Gemini Exchange that will expire on a weekly, monthly and quarterly basis. XBT Futures are designed to reflect economic exposure related to the price of bitcoin. XBT Futures began trading on December 10, 2017.

<sup>10</sup> The CME Futures are also cash-settled futures contracts based on the CME CF Bitcoin Reference Rate, which is based on an aggregation of trade flow from several bitcoin spot exchanges, that will expire on a monthly and quarterly basis. CME Futures began trading on December 17, 2017.

<sup>11</sup> Bitcoin Futures Contracts (as defined herein) are measures of the market's expectation of the price of bitcoin at certain points in the future, and as such will behave differently than current or spot bitcoin prices. The Funds are not linked to bitcoin and in many cases the Funds could significantly underperform or outperform the price of bitcoin.

<sup>12</sup> Rule 14.11(i)(4)(C)(iv)(b) provides that "the aggregate gross notional value of listed derivatives based on any five or fewer underlying reference assets shall not exceed 65% of the weight of the portfolio (including gross notional exposures), and the aggregate gross notional value of listed derivatives based on any single underlying reference asset shall not exceed 30% of the weight

Component Stocks<sup>13</sup> in a manner that may not comply with Rule 14.11(i)(4)(C)(i)(b)(3)<sup>14</sup> and (4).<sup>15</sup> Otherwise, the Funds will comply with all other listing requirements of the Generic Listing Standards<sup>16</sup> for Managed Fund Shares on an initial and continued listing basis under Rule 14.11(i).

#### First Trust Bitcoin Strategy ETF

According to the Registration Statement, the Long Bitcoin Fund is an actively managed fund that seeks to provide investors with long exposure to the price movements of bitcoin instruments. Under Normal Market Conditions,<sup>17</sup> the Long Bitcoin Fund

of the portfolio (including gross notional exposures).<sup>17</sup> The Exchange is proposing that the Funds be exempt from the requirement of Rule 14.11(i)(4)(C)(iv)(b) that prevents the aggregate gross notional value of listed derivatives based on any single underlying reference asset from exceeding 30% of the weight of the portfolio (including gross notional exposures) and the requirement that the aggregate gross notional value of listed derivatives based on any five or fewer underlying reference assets shall not exceed 65% of the weight of the portfolio (including gross notional exposures).

<sup>13</sup> The term "Non-U.S. Component Stock" means an equity security that (a) is not registered under Sections 12(b) or 12(g) of the Act, (b) is issued by an entity that is not organized, domiciled or incorporated in the United States, and (c) is issued by an entity that is an operating company (including Real Estate Investment Trusts (REITs) and income trusts, but excluding investment trusts, unit trusts, mutual funds, and derivatives).

<sup>14</sup> Rule 14.11(i)(4)(C)(i)(b)(3) provides that "the most heavily weighted Non-U.S. Component stock shall not exceed 25% of the equity weight of the portfolio, and, to the extent applicable, the five most heavily weighted Non-U.S. Component Stocks shall not exceed 60% of the equity weight of the portfolio." As proposed, each Fund may hold as few as one Non-U.S. Component Stock, meaning that the Non-U.S. Component Stock could constitute 100% of the equity weight of the portfolio. As noted below, however, neither Fund will hold more than 25% of the weight of the portfolio in Non-U.S. Component Stocks.

<sup>15</sup> Rule 14.11(i)(4)(C)(i)(b)(4) provides that "where the equity portion of the portfolio includes Non-U.S. Component Stocks, the equity portion of the portfolio shall include a minimum of 20 total component stocks; provided, however, that there shall be no minimum number of component stocks if (a) one or more series of Derivative Securities Products or Linked Securities constitute, at least in part, components underlying a series of Managed Fund Shares, or (b) one or more series of Derivative Securities Products or Linked Securities account for 100% of the equity weight of the portfolio of a series of Managed Fund Shares." While the Funds, as proposed, would be permitted to hold Derivative Securities Products or Linked Securities (both of which are ETPs, as defined below), they won't necessarily hold such instruments and may hold fewer than 20 Non-U.S. Component Stocks, which would not comply with this Rule.

<sup>16</sup> For purposes of this proposal, the term "Generic Listing Standards" shall mean the generic listing rules for Managed Fund Shares under Rule 14.11(i)(4)(C).

<sup>17</sup> The term "Normal Market Conditions" includes, but is not limited to, the absence of trading halts in the applicable financial markets generally; operational issues causing dissemination

seeks to achieve its investment objective by investing in a portfolio of financial instruments that provide exposure to movements in the value of bitcoin. While the Long Bitcoin Fund intends to invest primarily in Bitcoin Futures Contracts,<sup>18</sup> it may also invest in other Listed Bitcoin Derivatives,<sup>19</sup> OTC Bitcoin Derivatives,<sup>20</sup> U.S. exchange-listed ETPs,<sup>21</sup> and Non-U.S. Component Stocks (collectively, “Bitcoin Instruments”), cash and Cash Equivalents,<sup>22</sup> and U.S. government and agency securities with maturities of five years or less (“GSE Securities”). While

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. On a temporary basis, including for defensive purposes, during the initial invest-up period (*i.e.*, the six-week period following the commencement of trading of Shares on the Exchange) and during periods of high cash inflows or outflows, the Long Bitcoin Fund may depart from its principal investment strategies; for example, it may hold a higher than normal proportion of its assets in cash. During such periods, the Long Bitcoin Fund may not be able to achieve its investment objective. The Long Bitcoin Fund may adopt a defensive strategy when the Adviser believes instruments in which the Long Bitcoin Fund normally invests have elevated risks due to political or economic factors and in other extraordinary circumstances.

<sup>18</sup>For purposes of this proposal, the term “Bitcoin Futures Contracts” shall mean XBT Futures, CME Futures, and any other exchange-listed bitcoin futures contracts, as available.

<sup>19</sup>The term “Listed Bitcoin Derivatives” includes Bitcoin Futures Contracts and other listed derivatives (as provided in Rule 14.11(i)(4)(C)(iv)) including options contracts on Bitcoin Futures Contracts as well as options contracts, swap contracts, and other derivative instruments linked to bitcoin, the price of bitcoin, or an index thereof.

<sup>20</sup>The term “OTC Bitcoin Derivatives” includes over-the-counter options on bitcoin and bitcoin indices and over-the-counter swaps, including total return swaps on bitcoin, Bitcoin Futures, or bitcoin indices. The Exchange notes that the Long Bitcoin Fund’s holdings in OTC Bitcoin Derivatives will meet the Generic Listing Standards related to OTC derivatives under Rule 14.11(i)(4)(C)(v).

<sup>21</sup>For purposes of this filing, the term “ETP” means Portfolio Depository Receipts, Index Fund Shares, Linked Securities, Trust Issued Receipts, and Managed Fund Shares, as defined in Rule 14.11(b), 14.11(c), 14.11(d), 14.11(f), and 14.11(i), respectively, and the analogous products and listing rules on other national securities exchanges.

<sup>22</sup>As defined in Rule 14.11(i)(4)(C)(iii), Cash Equivalents are short-term instruments with maturities of less than three months, including: (i) U.S. Government securities, including bills, notes, and bonds differing as to maturity and rates of interest, which are either issued or guaranteed by the U.S. Treasury or by U.S. Government agencies or instrumentalities; (ii) certificates of deposit issued against funds deposited in a bank or savings and loan association; (iii) bankers acceptances, which are short-term credit instruments used to finance commercial transactions; (iv) repurchase agreements and reverse repurchase agreements; (v) bank time deposits, which are monies kept on deposit with banks or savings and loan associations for a stated period of time at a fixed rate of interest; (vi) commercial paper, which are short-term unsecured promissory notes; and (vii) money market funds.

the Long Bitcoin Fund intends to invest primarily in Bitcoin Instruments, the remainder of the Fund’s assets will primarily be invested in cash, Cash Equivalents, and GSE Securities. The Long Bitcoin Fund intends to use such instruments as investments and, to the extent applicable, to collateralize the Fund’s Bitcoin Instrument exposure on a day-to-day basis.<sup>23</sup>

#### First Trust Inverse Bitcoin Strategy ETF

According to the Registration Statement, the Inverse Bitcoin Fund seeks to provide investors with short exposure to the price movements of bitcoin instruments. Under Normal Market Conditions, the Inverse Bitcoin Fund seeks to achieve its investment objective by investing in a portfolio of financial instruments that provide short exposure to movements in the value of bitcoin.<sup>24</sup> While the Inverse Bitcoin Fund intends to invest primarily in Bitcoin Futures Contracts, it may also invest in Bitcoin Instruments,<sup>25</sup> cash and Cash Equivalents, and GSE Securities. While the Inverse Bitcoin Fund intends to invest primarily in Bitcoin Instruments, the remainder of the Inverse Bitcoin Fund’s assets will primarily be invested in cash, Cash Equivalents, and GSE Securities. The Inverse Bitcoin Fund intends to use such instruments as investments and, to the extent applicable, to collateralize the Inverse Bitcoin Fund’s Bitcoin Instrument exposure on a day-to-day basis.<sup>26</sup>

#### Investment Restrictions

Each Fund may hold up to an aggregate amount of 15% of its net

<sup>23</sup>The Exchange notes that the Long Bitcoin Fund’s holdings in cash, Cash Equivalents, and GSE Securities will meet the Generic Listing Standards related to fixed income securities and cash and cash equivalents under Rules 14.11(i)(4)(C)(ii) and (iii).

<sup>24</sup>On a temporary basis, including for defensive purposes, during the initial invest-up period (*i.e.*, the six-week period following the commencement of trading of Shares on the Exchange) and during periods of high cash inflows or outflows, the Inverse Bitcoin Fund may depart from its principal investment strategies; for example, it may hold a higher than normal proportion of its assets in cash. During such periods, the Inverse Bitcoin Fund may not be able to achieve its investment objective. The Inverse Bitcoin Fund may adopt a defensive strategy when the Adviser believes instruments in which the Inverse Bitcoin Fund normally invests have elevated risks due to political or economic factors and in other extraordinary circumstances.

<sup>25</sup>The Exchange notes that the Inverse Bitcoin Fund’s holdings in OTC Bitcoin Derivatives, which are included in the definition of Bitcoin Instruments, will meet the Generic Listing Standards related to OTC derivatives under Rule 14.11(i)(4)(C)(v).

<sup>26</sup>The Exchange notes that the Inverse Bitcoin Fund’s holdings in cash, Cash Equivalents, and GSE Securities will meet the Generic Listing Standards related to fixed income securities and cash and cash equivalents under Rules 14.11(i)(4)(C)(ii) and (iii).

assets in illiquid assets (calculated at the time of investment) deemed illiquid by the Adviser<sup>27</sup> under the 1940 Act.<sup>28</sup> Each Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of a Fund’s net assets are held in illiquid assets. Illiquid assets include assets subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.

Under Normal Market Conditions, each Fund’s investments will be consistent with the Fund’s investment objective and will not be used to enhance leverage (although certain derivatives and other investments may result in leverage).<sup>29</sup> Each Fund’s

<sup>27</sup>In reaching liquidity decisions, the Adviser may consider the following factors: The frequency of trades and quotes for the security; the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; and the nature of the security and the nature of the marketplace trades (*e.g.*, the time needed to dispose of the security, the method of soliciting offers, and the mechanics of transfer).

<sup>28</sup>The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. *See* Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. *See also*, Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding “Restricted Securities”); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund’s portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. *See* Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act of 1933).

<sup>29</sup>Each Fund will include appropriate risk disclosure in its offering documents, including leveraging risk. Leveraging risk is the risk that certain transactions of a fund, including a fund’s use of derivatives, may give rise to leverage, causing a fund to be more volatile than if it had not been leveraged. Each Fund’s investments in derivative instruments will be made in accordance with the 1940 Act and consistent with each Fund’s investment objective and policies. To mitigate leveraging risk, each Fund will segregate or earmark liquid assets determined to be liquid by the Adviser in accordance with procedures established by the Trust’s Board and in accordance with the 1940 Act or otherwise cover the transactions that give rise to such risk. These procedures have been adopted consistent with Section 18 of the 1940 Act and related Commission guidance. *See* 15 U.S.C. 80a 18; Investment Company Act Release No. 10666 (April

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investments will not be used to seek leveraged or inverse leveraged returns (*i.e.* two times or three times the Fund's benchmark). Each Fund's use of derivative instruments will be collateralized or earmarked.

#### Additional Information

Each Fund's holdings will meet the Generic Listing Standards with two exceptions, and, as such, the Exchange submits this proposal in order to allow each Fund to hold: (i) listed derivatives in a manner that does not comply with Rule 14.11(i)(4)(C)(iv)(b);<sup>30</sup> and (ii) Non-U.S. Component Stocks in a manner that may not comply with Rules 14.11(i)(4)(C)(i)(b)(3)<sup>31</sup> and (4).<sup>32</sup> The Exchange, however, believes that the policy concerns that these rules are intended to address are mitigated as they relate to the Funds and their holdings for a number of reasons.

First, the policy concerns underlying all three rules are mitigated by the fact that the Exchange believes that the underlying reference asset is not susceptible to manipulation because the nature of the bitcoin ecosystem makes manipulation of bitcoin difficult. The geographically diverse and continuous nature of bitcoin trading makes it difficult and prohibitively costly to manipulate the price of bitcoin and, in many instances, the bitcoin market is generally less susceptible to manipulation than the equity, fixed income, and commodity futures markets. There are a number of reasons this is the case, including that there is not inside information about revenue, earnings, corporate activities, or sources of supply; manipulation of the price on any single venue would require manipulation of the global bitcoin price in order to be effective; a substantial over-the-counter market provides liquidity and shock-absorbing capacity; bitcoin's 24/7/365 nature provides constant arbitrage opportunities across all trading venues; and it is unlikely that any one actor could obtain a dominant market share.

Further, bitcoin is arguably less susceptible to manipulation than other commodities that underlie ETPs; there may be inside information relating to the supply of the physical commodity such as the discovery of new sources of supply or significant disruptions at mining facilities that supply the commodity that simply are inapplicable

as it relates to bitcoin. Further, the Exchange believes that the fragmentation across bitcoin exchanges, the relatively slow speed of transactions, and the capital necessary to maintain a significant presence on each exchange make manipulation of bitcoin prices through continuous trading activity unlikely. Moreover, the linkage between the bitcoin markets and the presence of arbitrageurs in those markets means that the manipulation of the price of bitcoin price on any single venue would require manipulation of the global bitcoin price in order to be effective. Arbitrageurs must have funds distributed across multiple bitcoin exchanges in order to take advantage of temporary price dislocations, thereby making it unlikely that there will be strong concentration of funds on any particular bitcoin exchange. As a result, the potential for manipulation on a particular bitcoin exchange would require overcoming the liquidity supply of such arbitrageurs who are effectively eliminating any cross-market pricing differences. For all of these reasons, bitcoin is not particularly susceptible to manipulation, especially as compared to other approved ETP reference assets.

Second, the Exchange believes that the concerns on which Rule 14.11(i)(4)(C)(iv)(b) are based related to ensuring that no single listed derivative and underlying reference asset that is susceptible to manipulation constitutes greater than 35% of the weight of the portfolio are further mitigated by the liquidity that the Exchange expects to exist in the market for Listed Bitcoin Derivatives. This belief is based on numerous conversations with market participants, issuers, and discussions with personnel of CFE. This expected liquidity in the market for Bitcoin Futures Contracts, the surveillance programs of the futures exchanges listing such Bitcoin Futures Contracts, Exchange surveillance procedures related to trading in the Shares, and CFTC oversight of the Bitcoin Futures Contracts, all combined with the difficulty in manipulating the bitcoin market described above will mitigate the concerns that Rule 14.11(i)(4)(C)(iv)(b) was designed to protect against and further prevent trading in the Shares from being susceptible to manipulation.

Third, the Exchange believes that the market cap and liquidity of the Non-U.S. Component Stocks held by the Funds along with a cap at 25% of each Fund's total assets that can be allocated to Non-U.S. Component Stocks would mitigate the concerns which Rules 14.11(i)(4)(C)(i)(b)(3) and (4) are intended to address. Any Non-U.S. Component Stock held by the Funds

will have at least \$100 million in market cap and will have a minimum global monthly trading volume of 250,000 shares, or a minimum global notional volume traded per month of \$25 million, averaged over the last six months. This combination of large market cap with significant trading volume reduces the likelihood of manipulation of any particular security and the cap of 25% of the Fund's total assets assures that, while the Non-U.S. Component Stock holdings may not meet the concentration and diversity requirements of Rules 14.11(i)(4)(C)(i)(b)(3) and (4), respectively, such diversity and concentration requirements will not be met only for a limited portion of the portfolio.

The Exchange represents that, except for the diversification requirements for listed derivatives in Rule 14.11(i)(4)(C)(iv)(b) and the concentration and diversification requirements for Non-U.S. Component Stocks in Rules 14.11(i)(4)(C)(i)(b)(3) and (4), the Funds' proposed investments will satisfy, on an initial and continued listing basis, all of the Generic Listing Standards and all other applicable requirements for Managed Fund Shares under Rule 14.11(i). The Trust is required to comply with Rule 10A-3 under the Act for the initial and continued listing of the Shares of the Funds. A minimum of 100,000 Shares will be outstanding at the commencement of trading on the Exchange. In addition, the Exchange represents that the Shares of the Funds will comply with all other requirements applicable to Managed Fund Shares, which includes the dissemination of key information such as the Disclosed Portfolio,<sup>33</sup> Net Asset Value,<sup>34</sup> and the Intraday Indicative Value,<sup>35</sup> suspension of trading or removal,<sup>36</sup> trading halts,<sup>37</sup> surveillance,<sup>38</sup> minimum price variation for quoting and order entry,<sup>39</sup> and the information circular,<sup>40</sup> as set forth in Exchange rules applicable to Managed Fund Shares. Moreover, at least 90% of the weight of the Listed Bitcoin Derivatives held by each Fund will consist of instruments that trade on markets that are a member of the Intermarket Surveillance Group ("ISG") or affiliated with a member of ISG or with which the Exchange has in place

18, 1979), 44 FR 25128 (April 27, 1979); Dreyfus Strategic Investing, Commission No-Action Letter (June 22, 1987); Merrill Lynch Asset Management, L.P., Commission No-Action Letter (July 2, 1996).

<sup>30</sup> See note 12, *supra*.

<sup>31</sup> See note 14, *supra*.

<sup>32</sup> See note 15, *supra*.

<sup>33</sup> See Rule 14.11(i)(4)(A)(ii) and 14.11(i)(4)(B)(ii).

<sup>34</sup> See Rule 14.11(i)(4)(A)(ii).

<sup>35</sup> See Rule 14.11(i)(4)(B)(i).

<sup>36</sup> See Rule 14.11(i)(4)(B)(iii).

<sup>37</sup> See Rule 14.11(i)(4)(B)(iv).

<sup>38</sup> See Rule 14.11(i)(2)(C).

<sup>39</sup> See Rule 14.11(i)(2)(B).

<sup>40</sup> See Rule 14.11(i)(6).

a comprehensive surveillance sharing agreement. Information regarding market price and trading volume 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 will be available via the CTA high-speed line. Quotation, intra-day, closing and settlement prices of Listed Bitcoin Derivatives will be readily available from their respective exchange or swap execution facility, as applicable, as well as through automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Quotation, intra-day, closing and settlement prices of U.S. exchange-listed ETPs will be readily available from the listing exchange, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Quotation information for OTC Bitcoin Derivatives may be obtained from brokers and dealers who make markets in such instruments. Quotation, intra-day, closing and settlement prices of Non-U.S. Component Stocks will be readily available from automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Price information on Cash Equivalents and GSE Securities is available from major broker-dealer firms or market data vendors, as well as from automated quotation systems, published or other public sources, or online information services.

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. Additionally, the Listed Bitcoin Derivatives will be subject to the rules and surveillance programs of their respective listing venue and the CFTC.<sup>41</sup>

<sup>41</sup> The CFTC issued a press release on December 1, 2017, noting the self-certifications from CFE and CME and highlighting the rigorous process that the CFTC had undertaken in its engagement with CFE and CME prior to the self-certification for the applicable Bitcoin Futures Contracts. The press release focused on the ongoing surveillances that will occur on each listing exchange, including surveillance based on information sharing with the underlying cash bitcoin exchanges as well as the actions that the CFTC will undertake after the contracts are launched, including monitoring and analyzing the size and development of the market, positions and changes in positions over time, open interest, initial margin requirements, and variation margin payments, stress testing positions, conduct reviews of designated contract markets, derivatives clearing organizations, clearing firms, and individual traders involved in trading and clearing

Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Managed Fund Shares. The Exchange or FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares and the underlying Listed Bitcoin Derivatives with the ISG, other exchanges who are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement.<sup>42</sup> The Exchange may also obtain information regarding trading in the spot bitcoin market via exchanges with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to FINRA's Trade Reporting and Compliance Engine ("TRACE"). The Exchange prohibits the distribution of material non-public information by its employees.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act<sup>43</sup> in general and Section 6(b)(5) of the Act<sup>44</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 meet each of the initial and continued listing criteria in BZX Rule 14.11(i) except that each Fund may hold: (i) Listed derivatives in a manner that does not comply with Rule 14.11(i)(4)(C)(iv)(b);<sup>45</sup> and (ii) Non-U.S.

bitcoin futures. For more information, see <http://www.cftc.gov/PressRoom/PressReleases/pr7654-17>.

<sup>42</sup> For a list of the current members and affiliate members of ISG, see [www.isgportal.com](http://www.isgportal.com). The Exchange notes that not all components of the Disclosed Portfolio for a Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. At least 90% of the weight of the Listed Bitcoin Derivatives held by each Fund will consist of instruments that 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>43</sup> 15 U.S.C. 78f.

<sup>44</sup> 15 U.S.C. 78f(b)(5).

<sup>45</sup> See note 12, supra.

Component Stocks in a manner that may not comply with Rule 14.11(i)(4)(C)(i)(b)(3)<sup>46</sup> and (4).<sup>47</sup> The Exchange, however, believes that the policy concerns that these rules are intended to address are mitigated as they relate to the Funds and their holdings for a number of reasons.

First, the policy concerns underlying all three rules are mitigated by the fact that the Exchange believes that the underlying reference asset is not susceptible to manipulation because the nature of the bitcoin ecosystem makes manipulation of bitcoin difficult. The geographically diverse and continuous nature of bitcoin trading makes it difficult and prohibitively costly to manipulate the price of bitcoin and, in many instances, the bitcoin market is generally less susceptible to manipulation than the equity, fixed income, and commodity futures markets. There are a number of reasons this is the case, including that there is not inside information about revenue, earnings, corporate activities, or sources of supply; manipulation of the price on any single venue would require manipulation of the global bitcoin price in order to be effective; a substantial over-the-counter market provides liquidity and shock-absorbing capacity; bitcoin's 24/7/365 nature provides constant arbitrage opportunities across all trading venues; and it is unlikely that any one actor could obtain a dominant market share.

Further, bitcoin is arguably less susceptible to manipulation than other commodities that underlie ETPs; there may be inside information relating to the supply of the physical commodity such as the discovery of new sources of supply or significant disruptions at mining facilities that supply the commodity that simply are inapplicable as it relates to bitcoin. Further, the Exchange believes that the fragmentation across bitcoin exchanges, the relatively slow speed of transactions, and the capital necessary to maintain a significant presence on each exchange make manipulation of bitcoin prices through continuous trading activity unlikely. Moreover, the linkage between the bitcoin markets and the presence of arbitrageurs in those markets means that the manipulation of the price of bitcoin price on any single venue would require manipulation of the global bitcoin price in order to be effective. Arbitrageurs must have funds distributed across multiple bitcoin exchanges in order to take advantage of temporary price dislocations, thereby

<sup>46</sup> See note 14, supra.

<sup>47</sup> See note 15, supra.

making it unlikely that there will be strong concentration of funds on any particular bitcoin exchange. As a result, the potential for manipulation on a particular bitcoin exchange would require overcoming the liquidity supply of such arbitrageurs who are effectively eliminating any cross-market pricing differences. For all of these reasons, bitcoin is not particularly susceptible to manipulation, especially as compared to other approved ETP reference assets.

Second, the Exchange believes that the concerns on which Rule 14.11(i)(4)(C)(iv)(b) are based related to ensuring that no single listed derivative and underlying reference asset that is susceptible to manipulation constitutes greater than 35% of the weight of the portfolio are further mitigated by the liquidity that the Exchange expects to exist in the market for Listed Bitcoin Derivatives. This belief is based on numerous conversations with market participants, issuers, and discussions with personnel of CFE. This expected liquidity in the market for Bitcoin Futures Contracts, the surveillance programs of the futures exchanges listing such Bitcoin Futures Contracts, Exchange surveillance procedures related to trading in the Shares, and CFTC oversight of the Bitcoin Futures Contracts, all combined with the difficulty in manipulating the bitcoin market described above will mitigate the concerns that Rule 14.11(i)(4)(C)(iv)(b) was designed to protect against and further prevent trading in the Shares from being susceptible to manipulation.

Third, the Exchange believes that the market cap and liquidity of the Non-U.S. Component Stocks held by the Funds along with a cap at 25% of each Fund's total assets that can be allocated to Non-U.S. Component Stocks would mitigate the concerns which Rules 14.11(i)(4)(C)(i)(b)(3) and (4) are intended to address. Any Non-U.S. Component Stock held by the Funds will have at least \$100 million in market cap and will have a minimum global monthly trading volume of 250,000 shares, or a minimum global notional volume traded per month of \$25 million, averaged over the last six months. This combination of large market cap with significant trading volume reduces the likelihood of manipulation of any particular security and the cap of 25% of the Fund's total assets assures that, while the Non-U.S. Component Stock holdings may not meet the concentration and diversity requirements of Rules 14.11(i)(4)(C)(i)(b)(3) and (4), respectively, such diversity and concentration requirements will not be

met only for a limited portion of the portfolio.

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. Additionally, the Listed Bitcoin Derivatives will be subject to the rules and surveillance programs of their respective listing venue and the CFTC.<sup>48</sup> Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Managed Fund Shares. The Exchange or FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares and the underlying Listed Bitcoin Derivatives with the ISG, other exchanges who are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement.<sup>49</sup> The Exchange may also obtain information regarding trading in the spot bitcoin market via exchanges with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to TRACE. The Exchange prohibits the distribution of material non-public information by its employees. If the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser to the investment company shall erect a "fire wall" between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio. The Adviser is not a registered broker-dealer, but is affiliated with a broker-dealer and has implemented a "fire wall" with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the Fund's portfolio. The Exchange may obtain information regarding trading in the Shares and the underlying futures contracts held by the Funds via the ISG from other exchanges who are members or affiliates of the ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement.<sup>50</sup> In addition, the Exchange is able to access, as needed, trade information for certain fixed

income instruments reported to FINRA's TRACE.

The Exchange further believes that the proposal is designed to prevent fraudulent and manipulative acts and practices in that the Exchange expects that the market for Bitcoin Futures Contracts will be sufficiently liquid to support numerous ETPs shortly after launch. This belief is based on numerous conversations with market participants, issuers, and discussions with personnel of CFE. As such, the Exchange believes that the expected liquidity in the market for Listed Bitcoin Derivatives combined with the Exchange surveillance procedures related to the Shares and the broader regulatory structure will prevent trading in the Shares from being susceptible to manipulation.

Because of its innovative features as a cryptoasset, bitcoin has gained wide acceptance as a secure means of exchange in the commercial marketplace and has generated significant interest among investors. In less than a decade since its creation in 2008, bitcoin has achieved significant market penetration, with payments giant PayPal and thousands of merchants and businesses accepting it as a form of commercial payment, as well as receiving official recognition from several governments, including Japan and Australia. Accordingly, investor interest in gaining exposure to bitcoin is increasing exponentially as well. As expected, the total volume of bitcoin transactions in the market continues to grow exponentially.

Despite the growing investor interest in bitcoin, the primary means for investors to gain access to bitcoin exposure remains either through the Listed Bitcoin Derivatives or direct investment through bitcoin exchanges or over-the-counter trading. For regular investors simply wishing to express an investment viewpoint in bitcoin, investment through the Listed Bitcoin Derivatives is complex and requires active management and direct investment in bitcoin brings with it significant inconvenience, complexity, expense and risk. The Shares would therefore represent a significant innovation in the bitcoin market by providing an inexpensive and simple vehicle for investors to gain long or short exposure to bitcoin in a secure and easily accessible product that is familiar and transparent to investors. Such an innovation would help to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest by improving investor access to bitcoin exposure

<sup>48</sup> See note 41, supra.

<sup>49</sup> See note 42, supra.

<sup>50</sup> See note 42, supra.

through efficient and transparent exchange-traded derivative products.

In addition to improved convenience, efficiency and transparency, the Funds will also help to prevent fraudulent and manipulative acts and practices by enhancing the security afforded to investors as compared to a direct investment in bitcoin. Despite the extensive security mechanisms built into the Bitcoin Network, a remaining risk to owning bitcoin directly is the need for the holder to retain and protect the "private key" required to spend or sell bitcoin after purchase. If a holder's private key is compromised or simply lost, their bitcoin can be rendered unavailable—*i.e.*, effectively lost to the investor. This risk will be eliminated by the Long Bitcoin Fund because the exposure to bitcoin is gained through cash-settled Listed Bitcoin Derivatives that do not present any of the security issues that exist with direct investment in bitcoin.

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

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

business day. Pricing information will be available on each Fund's website including: (1) The prior business day's reported NAV, the Bid/Ask Price of the Fund, and a calculation of the premium and discount of the Bid/Ask Price against the NAV; and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. Additionally, information regarding market price and trading of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information for the Shares will be available on the facilities of the CTA. The website for the Funds will include a form of the prospectus for the Funds 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 BZX 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 BZX Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which the Shares of each Fund may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

Information regarding market price and trading volume 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 will be available via the CTA high-speed line. Quotation, intra-day, closing and settlement prices of Listed Bitcoin Derivatives will be readily available from their respective exchange or swap execution facility, as applicable, as well as through automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Quotation, intra-day, closing and settlement prices of U.S. exchange-listed ETPs will be readily available from the listing exchange, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Quotation information for OTC Bitcoin Derivatives may be obtained from brokers and dealers who make markets in such instruments. Quotation, intra-

day, closing and settlement prices of Non-U.S. Component Stocks will be readily available from automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Price information on Cash Equivalents and GSE Securities is available from major broker-dealer firms or market data vendors, as well as from automated quotation systems, published or other public sources, or online information services.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of additional types of actively-managed exchange-traded product [sic] 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 affiliated with a member of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement as well as trade information for certain fixed income instruments as reported to FINRA's TRACE. At least 90% of the weight of the Listed Bitcoin Derivatives held by each Fund will consist of instruments that 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. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

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

*(B) Self-Regulatory Organization's Statement on Burden on Competition*

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act. The Exchange notes that the proposed rule change, rather will facilitate the listing and trading of additional actively-managed exchange-traded products that will enhance competition among both market participants and listing venues, to the benefit of investors and the marketplace.

*(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

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

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

A. By order approve or disapprove the proposed rule change, or

B. institute proceedings to determine whether the proposed rule change should be disapproved.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the 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-2017-021 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-2017-021. 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 will also 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-2017-021 and should be submitted on or before January 29, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>51</sup>

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

[FR Doc. 2018-00077 Filed 1-5-18; 8:45 am]

**BILLING CODE 8011-01-P**

**SURFACE TRANSPORTATION BOARD**

[Docket No. AB 55 (Sub-No. 775X)]

**CSX Transportation, Inc.—  
Abandonment Exemption—in Clark,  
Floyd, Lawrence, Orange, &  
Washington Counties, Ind.**

CSX Transportation, Inc. (CSXT), has filed a verified notice of exemption under 49 CFR pt. 1152 subpart F—*Exempt Abandonments* to abandon an approximately 62.3-mile rail line on its Northern Region, Louisville Division, Hoosier Subdivision between milepost 00Q 251.7, near Bedford, and milepost 00Q 314.0, near New Albany, in Clark, Floyd, Lawrence, Orange, and Washington Counties, Ind. (the Line). The Line traverses United States Postal Service Zip Codes 47150, 47172, 47106, 47143, 47165, 47167, 47108, 47452, 47446, and 47421 and serves the stations of Orleans (milepost 00Q 262), Leipsic (milepost 00Q 267), Campbellsburg (milepost 00Q 273), Salem (milepost 00Q 284), Pekin (milepost 00Q 295), and Borden (milepost 00Q 300). CSXT was previously granted authority to discontinue service over the Line.<sup>1</sup>

CSXT has certified that: (1) No local freight traffic has moved over the Line

<sup>51</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> *CSX Transp., Inc.—Discontinuance of Serv. Exemption—in Clark, Floyd, Lawrence, Orange, & Wash. Cty., Ind.*, AB 55 (Sub-No. 698X) (STB served Apr. 7, 2010).

for at least two years; (2) any overhead traffic on the Line can be rerouted over other lines; (3) no formal complaint filed by a user of rail service on the Line (or by a state or local government entity acting on behalf of such user) regarding cessation of service over the Line either is pending with the Surface Transportation Board (Board) or with any U.S. District Court or has been decided in favor of a complainant within the two-year period; and (4) the requirements at 49 CFR 1105.7(c) (environmental report), 49 CFR 1105.12 (newspaper publication), and 49 CFR 1152.50(d)(1) (notice to governmental agencies) have been met.

As a condition to this exemption, any employee adversely affected by the abandonment shall be protected under *Oregon Short Line Railroad—Abandonment Portion Goshen Branch Between Firth & Ammon, in Bingham & Bonneville Counties, Idaho*, 360 I.C.C. 91 (1979). To address whether this condition adequately protects affected employees, a petition for partial revocation under 49 U.S.C. 10502(d) must be filed.

Provided no formal expression of intent to file an offer of financial assistance (OFA) has been received, this exemption will be effective on February 7, 2018, unless stayed pending reconsideration. Petitions to stay that do not involve environmental issues,<sup>2</sup> formal expressions of intent to file an OFA under 49 CFR 1152.27(c)(2),<sup>3</sup> and interim trail use/rail banking requests under 49 CFR 1152.29 must be filed by January 18, 2018. Petitions to reopen or requests for public use conditions under 49 CFR 1152.28 must be filed by January 29, 2018, with the Surface Transportation Board, 395 E Street SW, Washington, DC 20423-0001.

A copy of any petition filed with the Board should be sent to Louis E. Gitomer, Law Offices of Louis E. Gitomer, LLC, 600 Baltimore Avenue, Suite 301, Towson, MD 21204.

If the verified notice contains false or misleading information, the exemption is void ab initio.

<sup>2</sup> The Board will grant a stay if an informed decision on environmental issues (whether raised by a party or by the Board's Office of Environmental Analysis (OEA) in its independent investigation) cannot be made before the exemption's effective date. See *Exemption of Out-of-Serv. Rail Lines*, 5 I.C.C.2d 377 (1989). Any request for a stay should be filed as soon as possible so that the Board may take appropriate action before the exemption's effective date.

<sup>3</sup> Each OFA must be accompanied by the filing fee, which is currently set at \$1,800. See *Regulations Governing Fees for Servs. Performed in Connection with Licensing & Related Servs.—2017 Update*, EP 542 (Sub-No. 25), slip op. App. C at 20 (STB served July 28, 2017).