

made the necessary showing to justify granting a temporary exemption.

Accordingly, *It is hereby ordered*, pursuant to section 9(c) of the Act, that the Applicants and any other Covered Persons are granted a temporary exemption from the provisions of section 9(a), effective as of the date of the Injunction, solely with respect to the Injunction, subject to the representations and conditions in the application, until the Commission takes final action on their application for a permanent order.

By the Commission.

**Eduardo A. Aleman,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85375; File No. SR-NYSEArca-2018-98]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Amendment No. 2 and Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 2, To List and Trade Shares of the iShares Commodity Multi-Strategy ETF Under NYSE Arca Rule 8.600-E

March 20, 2019.

#### I. Introduction

On December 21, 2018, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) 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 shares (“Shares”) of the iShares Commodity Multi-Strategy ETF (“Fund”) under NYSE Arca Rule 8.600-E. On February 1, 2019, pursuant to Section 19(b)(1) of the Act,<sup>3</sup> the Commission noticed the proposed rule change and, pursuant to Section 19(b)(2) of the Act,<sup>4</sup> designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change.<sup>5</sup> On March 6, 2019, the

Exchange filed Amendment No. 1 to the proposed rule change, which replaced and superseded the proposed rule change as originally filed.<sup>6</sup> On March 14, 2019, the Exchange filed Amendment No. 2 to the proposed rule change, which replaced and superseded the proposed rule change, as modified by Amendment No. 1.<sup>7</sup> The Commission has received no comment letters on the proposal. The Commission is publishing this notice and order to solicit comments on the proposed rule change, as modified by Amendment No. 2, from interested persons and to institute proceedings pursuant to Section 19(b)(2)(B) of the Act <sup>8</sup> to determine whether to approve or disapprove the proposed rule change, as modified by Amendment No. 2.

#### II. Summary of the Exchange’s Description of the Proposal, as Modified by Amendment No. 2 <sup>9</sup>

The Exchange proposes to list and trade Shares of the Fund under NYSE Arca Rule 8.600-E, which governs the listing and trading of Managed Fund Shares on the Exchange. The Shares will be offered by iShares U.S. ETF Trust

designated March 21, 2019, as the date by which the Commission shall approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change.

<sup>6</sup> Amendment No. 1 is available at: <https://www.sec.gov/comments/sr-nysearca-2018-98/srnysearca201898-5031693-183046.pdf>.

<sup>7</sup> In Amendment No. 2, the Exchange: (1) Identified the Reference Benchmark (as defined below); (2) clarified that the Fund is not obligated to invest in any futures contracts included in, and does not seek to replicate the performance of, the Reference Benchmark; (3) modified the types of derivative instruments and reference assets for such derivative instruments that the Fund may invest in; (4) clarified that commodity-linked notes are among the Fixed Income Instruments (as defined below) that the Fund may invest in; (5) specified that the Fund may invest in ETNs and ETFs (each as defined below); (6) added a representation that to the extent the Trust (as defined below) effects the redemption of Shares in cash, such transactions will be effected in the same manner or in an equitable manner for all Authorized Participants (as defined below), subject to the best interests of the Fund; (7) added a representation that the Fund’s holdings in OTC Derivatives (as defined below) will satisfy the criteria applicable to holdings in listed derivatives in Commentary .01(d)(2) to NYSE Arca Rule 8.600-E on an initial and continued listing basis; (8) added a representation that the Adviser (as defined below) and its affiliates actively monitor counterparty credit risk exposure (including for OTC derivatives) and evaluate counterparty credit quality on a continuous basis; (8) stated that the Reference Benchmark price is available via Bloomberg and that the Reference Benchmark methodology and constituent list is available via ICE Data Services; and (9) made technical and conforming changes. Amendment No. 2 is available at: <https://www.sec.gov/comments/sr-nysearca-2018-98/srnysearca201898-5123714-183326.pdf>.

<sup>8</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>9</sup> For a complete description of the Exchange’s proposal, see Amendment No. 2, *supra* note 7.

(“Trust”), which is registered with the Commission as an open-end management investment company.<sup>10</sup> The Fund is a series of the Trust.

BlackRock Fund Advisors (“Adviser”) will be the investment adviser for the Fund.<sup>11</sup> BlackRock Investments, LLC will be the distributor for the Fund’s Shares. State Street Bank and Trust Company will serve as the administrator, custodian and transfer agent for the Fund.

#### A. Fund Investments

According to the Exchange, the investment objective of the Fund will be to seek to provide exposure, on a total return basis, to a group of commodities with characteristics of carry, momentum, and value. The Fund is actively managed and seeks to achieve its investment objective in part <sup>12</sup> by, under normal market conditions,<sup>13</sup> investing in listed and over-the-counter (“OTC”) total return swaps referencing the ICE BofAML Commodity Multi-Factor Total Return Index (“Reference Benchmark”).<sup>14</sup> In connection with

<sup>10</sup> According to the Exchange, on December 3, 2018, the Trust filed with the Commission its registration statement on Form N-1A under the Securities Act of 1933 and under the Investment Company Act of 1940 (“1940 Act”) relating to the Fund (File Nos. 333-179904 and 811-22649) (“Registration Statement”). In addition, the Exchange states that the Commission has issued an order upon which the Trust may rely, granting certain exemptive relief under the 1940 Act. See Investment Company Act Release No. 29571 (January 24, 2011) (File No. 812-13601).

<sup>11</sup> According to the Exchange, the Adviser is not registered as a broker-dealer but is affiliated with a broker-dealer, and 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 the portfolio. In the event (a) the Adviser becomes registered as a broker-dealer or newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, it will implement and maintain a fire wall with respect to its relevant personnel or its broker-dealer affiliate 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. The Exchange also represents that the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Investment Advisers Act of 1940 relating to codes of ethics.

<sup>12</sup> The Fund’s investment objective is also achieved by investing in cash, cash equivalents, Commodity Investments, Fixed Income Securities and Short-Term Fixed Income Securities (each as defined or described below).

<sup>13</sup> The term “normal market conditions” is defined in NYSE Arca Rule 8.600-E(c)(5).

<sup>14</sup> Although the Fund may hold swaps on the Reference Benchmark, or direct investments in, the same futures contracts as those included in the Reference Benchmark, the Fund is not obligated to invest in any futures contracts included in, and does not seek to replicate the performance of, the Reference Benchmark.

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

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

<sup>3</sup> 15 U.S.C. 78s(b)(1).

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> See Securities Exchange Act Release No. 85033, 84 FR 2618 (February 7, 2019). The Commission

investments in swaps on the Reference Benchmark, the Fund is expected to establish new swaps contracts on an ongoing basis and replace expiring contracts.<sup>15</sup> Swaps subsequently entered into by the Fund may have terms that differ from the swaps the Fund previously held. The Fund expects generally to pay a fixed payment rate and certain swap related fees to the swap counterparty and receive the total return of the Reference Benchmark, including in the event of negative performance by the Reference Benchmark, negative return (*i.e.*, a payment from the Fund to the swap counterparty). In seeking total return, the Fund additionally aims to generate interest income and capital appreciation through a cash management strategy consisting primarily of cash, cash equivalents,<sup>16</sup> and fixed income securities other than cash equivalents, as described below.

The Fund intends to follow a multifactor strategy reflected by the Reference Benchmark, which Reference Benchmark equally weights three sub-indices designed to provide exposure to carry, momentum, and value factors. The Fund will invest in financial instruments described below that provide exposure to commodities and not in the physical commodities themselves. The “carry” sub-index emphasizes commodities and contract months with the greatest degree of backwardation or lowest degree of contango.<sup>17</sup> Second, the “momentum” sub-index underweights or overweights commodities based on the strength of performance patterns over multiple time periods. Third, the “value” sub-index measures value for each commodity by the ratio of its 3-month average spot price to its 5-year average. Sector weights are held constant versus a broad

non-factor weighted commodity index, but within each sector, weights of individual commodities are tilted to favor those with the lowest valuation ratio. Within each sub-index, contract months are selected to maximize backwardation and minimize contango.

The Fund expects to obtain a substantial amount of its exposure to the carry, momentum, and value strategies by entering into total return swaps that pay the returns of the commodity futures contracts referenced in the Reference Benchmark. The Reference Benchmark includes 20 futures contracts on physical agricultural, energy, livestock, precious metals, and industrial metals listed on U.S. regulated futures exchanges.

The Fund (through its Subsidiary (as defined below)) may hold the following listed derivative instruments: Futures, options, and swaps on commodities (which commodities are from the same sectors as those included in the Reference Benchmark); currencies; U.S. and non-U.S. equity securities; fixed income securities (as defined in Commentary .01(b) to NYSE Arca Rule 8.600–E, but excluding Short-Term Fixed Income Securities (as defined below)); interest rates; and financial rates; or a basket or index of any of the foregoing (collectively, “Listed Derivatives”).<sup>18</sup> Listed Derivatives will comply with the criteria in Commentary .01(d) of NYSE Arca Rule 8.600–E.

The Fund (through its Subsidiary (as defined below)) may hold the following OTC derivative instruments: Forwards, options, and swaps on commodities (which commodities are from the same sectors as those included in the Reference Benchmark); currencies; U.S. and non-U.S. equity securities; fixed income securities (as defined in Commentary .01(b) to NYSE Arca Rule 8.600–E, but excluding Short-Term Fixed Income Securities); interest rates; and financial rates; or a basket or index of any of the foregoing (collectively, “OTC Derivatives,”<sup>19</sup> and together with Listed Derivatives, “Commodity Investments”).<sup>20</sup>

<sup>18</sup> Examples of Listed Derivatives the Fund may invest in include: Exchange traded futures contracts similar to those found in the Reference Benchmark, exchange traded futures contracts on the Reference Benchmark, swaps on commodity futures contracts similar to those found in the Reference Benchmark, and futures and options that correlate to the investment returns of commodities without investing directly in physical commodities.

<sup>19</sup> As discussed below under “Application of Generic Listing Requirements,” the Fund’s and the Subsidiary’s holdings in OTC Derivatives will not comply with the criteria in Commentary .01(e) of NYSE Arca Rule 8.600–E.

<sup>20</sup> Examples of OTC Derivatives the Fund may invest in include swaps on commodity futures contracts similar to those found in the Reference

The Fund may hold cash, cash equivalents, and fixed income securities other than cash equivalents, as described further below.

Specifically, the Fund may invest in Short-Term Fixed Income Securities (as defined below) other than cash equivalents on an ongoing basis to provide liquidity or for other reasons.<sup>21</sup> Short-Term Fixed Income Securities will have a maturity of no longer than 397 days and include only the following: (i) Money market instruments; (ii) obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities (including government-sponsored enterprises); (iii) negotiable certificates of deposit, bankers’ acceptances, fixed-time deposits and other obligations of U.S. and non-U.S. banks (including non-U.S. branches) and similar institutions; (iv) commercial paper; (v) non-convertible corporate debt securities (*e.g.*, bonds and debentures); (vi) repurchase agreements; (vii) short-term U.S. dollar-denominated obligations of non-U.S. banks (including U.S. branches) that, in the opinion of the Adviser, are of comparable quality to obligations of U.S. banks that may be purchased by the Fund; and (viii) sovereign obligations (collectively, “Short-Term Fixed Income Securities”). Any of these securities may be purchased on a current or forward-settled basis.<sup>22</sup>

The Fund also may invest in fixed income securities as defined in Commentary .01(b) to NYSE Arca Rule 8.600–E,<sup>23</sup> other than cash equivalents and Short-Term Fixed Income Securities, with remaining maturities longer than 397 days (“Fixed Income

Benchmark and options that correlate to the investment returns of commodities without investing directly in physical commodities.

<sup>21</sup> As discussed under “Application of Generic Listing Requirements” below, investments in Short-Term Fixed Income Securities will not comply with the requirements of Commentary .01(b)(1)–(4) to NYSE Arca Rule 8.600–E.

<sup>22</sup> To the extent that the Fund and the Subsidiary invest in cash and Short-Term Fixed Income Securities that are cash equivalents (*i.e.*, that have maturities of less than 3 months) as specified in Commentary .01(c) to NYSE Arca Rule 8.600–E, such investments will comply with Commentary .01(c) and may be held without limitation. Non-convertible corporate debt securities and sovereign obligations are not included as cash equivalents in Commentary .01(c).

<sup>23</sup> Commentary .01(b) to NYSE Arca Rule 8.600–E defines fixed income securities as debt securities that are notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities (“Treasury Securities”), government-sponsored entity securities (“GSEs”), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or a subdivision thereof, investment grade and high yield corporate debt, bank loans, mortgage and asset backed securities, and commercial paper.

<sup>15</sup> Swaps on the Reference Benchmark are included in “Commodity Investments” as defined below.

<sup>16</sup> Cash equivalents are the short-term instruments enumerated in Commentary .01(c) to NYSE Arca Rule 8.600–E.

<sup>17</sup> According to the Exchange, in order to maintain exposure to a futures contract on a particular commodity, an investor must sell the position in the expiring contract and buy a new position in a contract with a later delivery month, which is referred to as “rolling.” If the price for the new futures contract is less than the price of the expiring contract, then the market for the commodity is said to be in “backwardation.” In these markets, roll returns are positive, which is referred to as “positive carry.” The term “contango” is used to describe a market in which the price for a new futures contract is more than the price of the expiring contract. In these markets, roll returns are negative, which is referred to as “negative carry.” The “carry” sub-index seeks to employ a positive carry strategy that emphasizes commodities and futures contract months with the greatest degree of backwardation and lowest degree of contango, resulting in net gains through positive roll returns.

Securities"). Such Fixed Income Securities will comply with requirements of Commentary .01(b) to NYSE Arca Rule 8.600–E.<sup>24</sup>

The Fund may also hold exchange-traded notes ("ETNs")<sup>25</sup> and exchange-traded funds ("ETFs").<sup>26</sup>

The Fund's exposure to Commodity Investments is obtained by investing through a wholly-owned subsidiary organized in the Cayman Islands ("Subsidiary").<sup>27</sup> The Fund controls the Subsidiary, and the Subsidiary is advised by the Adviser and has the same investment objective as the Fund. In compliance with the requirements of Sub-Chapter M of the Internal Revenue Code of 1986, the Fund may invest up to 25% of its total assets in the Subsidiary. The Subsidiary is not an investment company registered under the 1940 Act and is a company organized under the laws of the Cayman Islands. The Trust's Board of Trustees ("Board") has oversight responsibility for the investment activities of the Fund, including its investment in the Subsidiary, and the Fund's role as sole shareholder of the Subsidiary.

The Fund's Commodity Investments held in the Subsidiary are intended to provide the Fund with exposure to broad commodities. The Subsidiary may hold cash and cash equivalents.

#### B. Investment Restrictions

The Fund and the Subsidiary will not invest in securities or other financial instruments that have not been described in the proposed rule change. The Fund's investments, including derivatives, 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). That is, the Fund's investments will not be used to seek performance that is the multiple or inverse multiple (e.g., 2X or –3X) of the Fund's Reference Benchmark.

<sup>24</sup> Among the Fixed Income Securities in which the Fund may invest are commodity-linked notes.

<sup>25</sup> ETNs are securities as described in NYSE Arca Rule 5.2–E(j)(6) (Equity Index-Linked Securities, Commodity-Linked Securities, Currency-Linked Securities, Fixed Income Index-Linked Securities, Futures-Linked Securities and Multifactor Index-Linked Securities).

<sup>26</sup> For purposes of the filing, the term "ETFs" includes Investment Company Units (as described in NYSE Arca Rule 5.2–E(j)(3)); Portfolio Depository Receipts (as described in NYSE Arca Rule 8.100–E); and Managed Fund Shares (as described in NYSE Arca Rule 8.600–E). All ETFs will be listed and traded in the U.S. on a national securities exchange. The Fund will not invest in inverse or leveraged (e.g., 2X, –2X, 3X or –3X) ETFs.

<sup>27</sup> The Exchange represents that all statements related to the Fund's investments and restrictions are applicable to the Fund and Subsidiary collectively.

#### C. Use of Derivatives by the Fund

Investments in derivative instruments will be made in accordance with the Fund's investment objective and policies. To limit the potential risk associated with such transactions, the Fund will enter into offsetting transactions or segregate or "earmark" assets determined to be liquid by the Adviser in accordance with procedures established by the Board. In addition, the Fund has included appropriate risk disclosure in its offering documents, including leveraging risk. Leveraging risk is the risk that certain transactions of the Fund, including the Fund's use of derivatives, may give rise to leverage, causing the Fund to be more volatile than if it had not been leveraged.

The Adviser believes there will be minimal, if any, impact to the arbitrage mechanism as a result of the Fund's use of derivatives. The Adviser understands that market makers and participants should be able to value derivatives as long as the positions are disclosed with relevant information. The Adviser believes that the price at which Shares of the Fund trade will continue to be disciplined by arbitrage opportunities created by the ability to purchase or redeem Shares of the Fund at their net asset value ("NAV"), which should ensure that Shares of the Fund will not trade at a material discount or premium in relation to their NAV.

The Adviser does not believe there will be any significant impacts to the settlement or operational aspects of the Fund's arbitrage mechanism due to the use of derivatives.

#### D. Application of Generic Listing Requirements

The Exchange represents that the portfolio for the Fund will not meet all of the "generic" listing requirements of Commentary .01 to NYSE Arca Rule 8.600–E applicable to the listing of Managed Fund Shares. The Exchange represents that, other than Commentary .01(b)(1)–(4) (with respect to Short-Term Fixed Income Securities) and .01(e) (with respect to OTC Derivatives) to NYSE Arca Rule 8.600–E, as described below, the Fund's portfolio will meet all other requirements of NYSE Arca Rule 8.600–E.

According to the Exchange, the Fund's investments in Short-Term Fixed Income Securities will not comply with the requirements set forth in Commentary .01(b)(1)–(4) to NYSE Arca Rule 8.600–E.<sup>28</sup> The Exchange states

<sup>28</sup> Commentary .01(b)(1)–(4) to NYSE Arca Rule 8.600–E requires that the components of the fixed income portion of a portfolio meet the following criteria initially and on a continuing basis: (1)

that while the requirements set forth in Commentary .01(b)(1)–(4) include rules intended to ensure that the fixed income securities included in a fund's portfolio are sufficiently large and diverse, and have sufficient publicly available information regarding the issuances, the Exchange believes that any concerns, regarding non-compliance are mitigated by the types of instruments that the Fund would hold. The Exchange represents that the Fund's Short-Term Fixed Income Securities primarily would include those instruments that are included in the definition of cash and cash equivalents,<sup>29</sup> but are not considered cash and cash equivalents because they have maturities of three months or longer. The Exchange believes, however, that, because all Short-Term Fixed Income Securities, including non-convertible corporate debt securities and sovereign obligations (which are not cash equivalents as enumerated in Commentary .01(c) to NYSE Arca Rule 8.600–E), are highly liquid they are less susceptible than other types of fixed income instruments both to price manipulation and volatility and that the holdings as proposed are generally consistent with the policy concerns which Commentary .01(b)(1)–(4) is intended to address. Because the Short-Term Fixed Income Securities will consist of high-quality fixed income securities described above, the Exchange believes that the policy concerns that Commentary .01(b)(1)–(4)

Components that in the aggregate account for at least 75% of the fixed income weight of the portfolio each shall have a minimum original principal amount outstanding of \$100 million or more; (2) no component fixed-income security (excluding Treasury Securities and GSE Securities) shall represent more than 30% of the fixed income weight of the portfolio, and the five most heavily weighted component fixed income securities in the portfolio (excluding Treasury Securities and GSE Securities) shall not in the aggregate account for more than 65% of the fixed income weight of the portfolio; (3) an underlying portfolio (excluding exempted securities) that includes fixed income securities shall include a minimum of 13 non-affiliated issuers, provided, however, that there shall be no minimum number of non-affiliated issuers required for fixed income securities if at least 70% of the weight of the portfolio consists of equity securities as described in Commentary .01(a); and (4) component securities that in aggregate account for at least 90% of the fixed income weight of the portfolio must be either (a) from issuers that are required to file reports pursuant to Sections 13 and 15(d) of the Securities Exchange Act of 1934; (b) from issuers that have a worldwide market value of its outstanding common equity held by non-affiliates of \$700 million or more; (c) from issuers that have outstanding securities that are notes, bonds debentures, or evidence of indebtedness having a total remaining principal amount of at least \$1 billion; (d) exempted securities as defined in Section 3(a)(12) of the Securities Exchange Act of 1934; or (e) from issuers that are a government of a foreign country or a political subdivision of a foreign country.

<sup>29</sup> See *supra* note 16.

is intended to address are otherwise mitigated and that the Fund should be permitted to hold these securities in a manner that may not comply with Commentary .01(b)(1)–(4).

The Exchange represents that the Fund's portfolio with respect to OTC Derivatives will not comply with the requirements set forth in Commentary .01(e) to NYSE Arca Rule 8.600–E.<sup>30</sup> Specifically, the Exchange states that up to 60% of the Fund's assets (calculated as the aggregate gross notional value) may be invested in OTC Derivatives. The Exchange states that the Adviser believes that it is important to provide the Fund with additional flexibility to manage risk associated with its investments and, depending on market conditions, it may be critical that the Fund be able to utilize available OTC Derivatives to efficiently gain exposure to the multiple commodities that underlie the Reference Benchmark, as well as commodity futures contracts similar to those found in the Reference Benchmark. The Exchange states that OTC Derivatives can be tailored to provide specific exposure to the Fund's Reference Benchmark, as well as commodity futures contracts similar to those found in the Reference Benchmark, allowing the Fund to more efficiently meet its investment objective.<sup>31</sup> The Exchange further states that if the Fund were to gain commodity exposure exclusively through the use of listed futures, the Fund's holdings in Listed Derivatives would be subject to position limits and accountability levels established by an exchange, and such limitations would restrict the Fund's ability to gain efficient exposure to the commodities in the Reference Benchmark, or futures contracts similar to those found in the Reference Benchmark, thereby impeding the Fund's ability to satisfy its investment objective.

The Exchange states that the Adviser represents that the Fund's holdings in

<sup>30</sup> Commentary .01(e) to NYSE Arca Rule 8.600–E provides that, on an initial and continuing basis, no more than 20% of the assets in the portfolio may be invested in OTC derivatives (calculated as the aggregate gross notional value of the OTC derivatives).

<sup>31</sup> As an example, the Exchange states that the Reference Benchmark is composed of 20 futures contracts across 20 physical commodities, which may not be sufficiently liquid and would not provide the commodity exposure the Fund requires to meet its investment objective if the Fund were to invest in the futures directly. The Exchange states that a total return swap can be structured to provide exposure to the same futures contracts as exist in the Reference Benchmark, as well as commodity futures contracts similar to those found in the Reference Benchmark, while providing sufficient efficiency to allow the Fund to more easily meet its investment objective.

OTC Derivatives will satisfy the criteria applicable to holdings in Listed Derivatives in Commentary .01(d)(2) to NYSE Arca Rule 8.600–E on an initial and continued listing basis.<sup>32</sup> Thus, with respect to the Fund's holdings in OTC Derivatives, the aggregate gross notional value of OTC Derivatives based on any five or fewer underlying reference assets will not exceed 65% of the weight of the portfolio (including gross notional exposures), and the aggregate gross notional value of OTC Derivatives based on any single underlying reference asset will not exceed 30% of the weight of the portfolio (including gross notional exposures). The Exchange also represents that the Adviser and its affiliates actively monitor counterparty credit risk exposure (including for OTC derivatives) and evaluate counterparty credit quality on a continuous basis. Finally, the Exchange states that the Adviser represents that futures contracts on all commodities in the Reference Benchmark are traded on futures exchanges that are members of the Intermarket Surveillance Group.

### III. Proceedings To Determine Whether To Approve or Disapprove SR–NYSEArca–2018–98, as Modified by Amendment No. 2, and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act<sup>33</sup> to determine whether the proposed rule change should be approved or disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide comments on the proposed rule change.

Pursuant to Section 19(b)(2)(B) of the Act,<sup>34</sup> the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for

<sup>32</sup> Commentary .01(d)(2) to NYSE Arca Rule 8.600–E provides that, with respect to a fund's portfolio, 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 of the portfolio (including gross notional exposures).

<sup>33</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>34</sup> *Id.*

additional analysis of the proposed rule change's consistency with Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be “designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade,” and “to protect investors and the public interest.”<sup>35</sup>

### IV. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues identified above, as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposed rule change, as modified by Amendment No. 2, is consistent with Section 6(b)(5) or any other provision of the Act, or the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b–4 under the Act,<sup>36</sup> any request for an opportunity to make an oral presentation.<sup>37</sup>

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change, as modified by Amendment No. 2, should be approved or disapproved by April 16, 2019. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by April 30, 2019. The Commission asks that commenters address the sufficiency of the Exchange's statements in support of the proposal, which are set forth in Amendment No. 2,<sup>38</sup> in addition to any other comments they may wish to submit about the proposed rule change.

In this regard, the Commission seeks comment on the Exchange's statements that the Fund will not comply with the requirement in Commentary .01(e) to NYSE Arca Rule 8.600–E that

<sup>35</sup> 15 U.S.C. 78f(b)(5).

<sup>36</sup> 17 CFR 240.19b–4.

<sup>37</sup> Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Public Law 94–29 (June 4, 1975), grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

<sup>38</sup> See *supra* note 7.

investments in OTC Derivatives be limited to 20% of the assets of the Fund's portfolio. Instead, the Fund's investments in OTC Derivatives would be limited to 60% of the Fund's assets. Such OTC Derivatives may be forwards, options, and swaps on commodities (which commodities are from the same sectors as those included in the Reference Benchmark); currencies; U.S. and non-U.S. equity securities; fixed income securities (as defined in Commentary .01(b) to NYSE Arca Rule 8.600–E, but excluding Short-Term Fixed Income Securities); interest rates; and financial rates; or a basket or index of any of the foregoing. The Commission specifically seeks comment on whether the Fund's proposed investments in OTC Derivatives are consistent with the requirement that the rules of a national securities exchange be "designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade," and "to protect investors and the public interest."<sup>39</sup> Has the Exchange has provided sufficient information relating to OTC Derivatives, including the underlying reference assets of such OTC Derivatives, for the Commission to determine that trading of the Fund's Shares would be 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–NYSEArca–2018–98 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–NYSEArca–2018–98. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the

Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–NYSEArca–2018–98 and should be submitted by April 16, 2019. Rebuttal comments should be submitted by April 30, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>40</sup>

**Eduardo A. Aleman,**

*Deputy Secretary.*

[FR Doc. 2019–05704 Filed 3–25–19; 8:45 am]

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## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34–85373; File No. SR–NASDAQ–2019–015]**

### **Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Equity 7, Section 118(a)(3)**

March 20, 2019

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> notice is hereby given that on March 12, 2019, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>40</sup> 17 CFR 200.30–3(a)(12); 17 CFR 200.30–3(a)(57).

<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 proposes to amend the Exchange's transaction fees at Equity 7, Section 118(a)(3) to adopt a \$0.00005 per share executed credit provided to members for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) in securities listed on exchanges other than Nasdaq and NYSE ("Tape B Securities") that provide liquidity, as described further below.

The text of the proposed rule change is available on the Exchange's website at <http://nasdaq.cchwallstreet.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 aspects of such statements.

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

##### 1. Purpose

The purpose of the proposed rule change is to amend the Exchange's transaction fees at Equity 7, Section 118(a)(3) to adopt a \$0.00005 per share executed credit provided to members for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) in Tape B Securities that provide liquidity. The proposed credit would be provided to a member in addition to any other credit it qualifies for under Section 118(a)(3), including the \$0.0001 per share executed credit for displayed quotes/orders in Tape B securities provided in addition to other credits under Section 118(a)(3).<sup>3</sup> To

<sup>3</sup> The Exchange provides the credit to members with shares of liquidity provided in Tape B securities during the month representing at least 0.10% of Consolidated Volume during the month through one or more of its Nasdaq Market Center MPIDs. Thus, a member that qualifies for the proposed credit would also qualify for the existing \$0.0001 per share executed credit, resulting in a combined credit of \$0.00015 per share executed

<sup>39</sup> 15 U.S.C. 78f(b)(5).