

Dated: May 21, 2019.

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85906; File No. S7-05-18]

### Notice Establishing the Commencement and Termination Dates of the Pre-Pilot Period of the Transaction Fee Pilot for National Market System Stocks

May 21, 2019.

The Securities and Exchange Commission is hereby designating, pursuant to Rule 610T(c)(2) of Regulation NMS, the commencement and termination dates of the pre-Pilot period of the Transaction Fee Pilot for National Market System stocks (“Pilot”).<sup>1</sup>

Rule 610T(c)(1) provides that the Pilot shall include, among other things, a six month pre-Pilot period.<sup>2</sup> Rule 610T(c)(2) further provides that the Commission shall designate by notice the commencement and termination dates of, among other things, the pre-Pilot period.<sup>3</sup>

Accordingly, the Commission is issuing this notice to designate:

1. July 1, 2019 as the pre-Pilot period’s commencement date, and
2. December 31, 2019 as the pre-Pilot period’s termination date.

During the pre-Pilot period, national securities exchanges subject to Rule

<sup>1</sup> 17 CFR 242.610T(c)(2). On December 19, 2018, the Commission adopted Rule 610T of Regulation NMS to conduct the Pilot. See Securities Exchange Act Release No. 84875 (December 19, 2018), 84 FR 5202 (February 20, 2019). On February 15, 2019, the New York Stock Exchange LLC, the NASDAQ Stock Market, LLC, Cboe BZX Exchange, Inc., and other affiliated entities (collectively, the “petitioners”) filed petitions in the United States Court of Appeals for the District of Columbia Circuit (“Court of Appeals”) to review the validity of Rule 610T. Petitioners also filed with the Commission motions to stay implementation of Rule 610T pending resolution of their petitions for review. On March 28, 2019, the Commission issued an order granting, in part, petitioners’ motions for a stay of Rule 610T pending a decision by the Court of Appeals and further order of the Commission. That order stayed the Pilot and post-Pilot periods identified in Rule 610T(c)(1)(ii) and (iii) in their entirety, stayed the pre-Pilot period’s data-reporting and public disclosure requirements, see Rule 610T(d), but provided that the remainder of Rule 610T—including the pre-Pilot period identified in Rule 610T(c)(1)—otherwise would become effective in the ordinary course and on further notice by the Commission. See *In the Matter of Rule 610T of Regulation NMS, Order Issuing Stay*, Securities Exchange Act Release No. 85447 (March 28, 2019) (“Partial Stay Order”).

<sup>2</sup> 17 CFR 242.610T(c)(1).

<sup>3</sup> 17 CFR 242.610T(c)(2).

610T are required to comply with the data compilation requirements of Rule 610T(d) and (e).<sup>4</sup> However, pursuant to the Commission’s Partial Stay Order of March 28, 2019, pending a decision by the Court of Appeals regarding the petitions to review Rule 610T’s validity and further order of the Commission, these exchanges will not be required to transmit order routing data to the Commission, or to publicly post Exchange Transaction Fee Summaries.<sup>5</sup>

Following a decision by the Court of Appeals regarding the petitions for review, the Commission may issue further notices in accordance with Rule 610T(b)(1) and (c)(2).<sup>6</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

**Jill M. Peterson,**

Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85899; File No. SR-NYSEArca-2019-36]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change To List and Trade Shares of JPMorgan Income Builder Blend ETF Under NYSE Arca Rule 8.600-E

May 21, 2019.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on May 10, 2019, NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) filed with the Securities and Exchange Commission (“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>4</sup> See Partial Stay Order, *supra* note 1, at 2.

<sup>5</sup> See Partial Stay Order at 2; Rule 610T(d), (e). As noted in the Partial Stay Order, however, exchanges subject to Rule 610T may transmit pre-Pilot data to Commission staff on a voluntary basis for quality control purposes during the pendency of the stay. See Partial Stay Order at 1.

<sup>6</sup> 17 CFR 242.610T(b)(1) (concerning the Initial List of Pilot Securities) and (c)(2) (concerning the commencement and termination dates of the Pilot and post-Pilot periods), respectively.

<sup>7</sup> 17 CFR 200.30-3(a)(84).

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</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 list and trade shares of the following under NYSE Arca Rule 8.600-E (“Managed Fund Shares”): JPMorgan Income Builder Blend ETF. The proposed change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.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 self-regulatory organization 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 those 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 the Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The Exchange proposes to list and trade shares (“Shares”) of the following under NYSE Arca Rule 8.600-E, which governs the listing and trading of Managed Fund Shares<sup>4</sup> on the Exchange: JPMorgan Income Builder Blend ETF (the “Fund”).<sup>5</sup>

<sup>4</sup> A Managed Fund Share is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Investment Company Units, listed and traded on the Exchange under NYSE Arca Rule 5.2-E(j)(3), seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

<sup>5</sup> The Trust is registered under the 1940 Act. On July 31, 2018, the Trust filed with the Commission an amendment to its registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) (“Securities Act”) and the 1940 Act relating to the Fund (File Nos. 333-191837 and 811-22903) (the “Registration Statement”). The description of the operation of the Trust and the Fund herein is based, in part, on the Registration Statement. The Trust will file an amendment to the Registration Statement as necessary to conform to representations in this filing. In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act.

The Fund is a series of J.P. Morgan Exchange-Traded Fund Trust (“Trust”), a Delaware statutory trust. J.P. Morgan Investment Management Inc. (“Adviser” or “Administrator”) will be the investment adviser to the Fund and also provide administrative services for and oversee the other service providers for the Fund. The Adviser is a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc., which is an indirect, wholly-owned subsidiary of JPMorgan Chase & Co. (“JPMorgan Chase”), a bank holding company. JPMorgan Distribution Services, Inc. (“Distributor”) will be the distributor of the Fund’s Shares.

Commentary .06 to Rule 8.600–E 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 and maintain 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>6</sup> In addition, Commentary .06 further requires that personnel who make decisions on the open-end fund’s portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the open-end fund’s portfolio. 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 such broker-dealer affiliate regarding

<sup>6</sup> See Investment Company Act Release No. 31990 (February 9, 2016) (“Exemptive Order”). Investments made by the Fund will comply with the conditions set forth in the Exemptive Order.

<sup>6</sup> An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (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 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.

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 one or more broker-dealers, 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.

#### JPMorgan Income Builder Blend ETF

According to the Registration Statement, the Fund seeks to maximize income on a risk-adjusted basis as the primary objective, while maintaining prospects for capital appreciation as a secondary objective. The Adviser will buy and sell securities and other investments for the Fund based on the Adviser’s view of strategies, sectors, and overall portfolio construction taking into account income generation, risk/return analyses, and relative value considerations.

Under normal market conditions,<sup>7</sup> the Fund may invest in the fixed income securities, equity securities, derivative instruments and other financial instruments described below.

The Fund may invest in the following “Fixed Income Securities”:

- U.S. Government obligations;<sup>8</sup>
- U.S. Government Agency Securities;<sup>9</sup>
- Treasury Receipts;<sup>10</sup>

<sup>7</sup> The term “normal market conditions” is defined in NYSE Arca Rule 8.600–E(c)(5).

<sup>8</sup> U.S. Government obligations may include direct obligations of the U.S. Treasury, including Treasury bills, notes and bonds, all of which are backed as to principal and interest payments by the full faith and credit of the United States, and separately traded principal and interest component parts of such obligations that are transferable through the Federal book-entry system known as Separate Trading of Registered Interest and Principal of Securities (“STRIPS”) and Coupons Under Book Entry Safekeeping (“CUBES”).

<sup>9</sup> U.S. Government Agency Securities include securities issued or guaranteed by agencies and instrumentalities of the U.S. government. These include all types of securities issued by the Government National Mortgage Association (“Ginnie Mae”), the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”), including funding notes, subordinated benchmark notes, collateralized mortgage obligations (“CMOs”) and Real Estate Mortgage Investment Conduits (“REMICs”).

<sup>10</sup> Treasury Receipts are interests in separately traded interest and principal component parts of U.S. Treasury obligations that are issued by banks or brokerage firms and that are created by

- Trust preferred securities;
- Zero-coupon, pay-in-kind and deferred payment securities;<sup>11</sup>
- Variable and floating rate instruments;
- Inverse floating rate securities;
- Synthetic variable rate instruments;<sup>12</sup>
- Municipal securities;
- Auction rate municipal securities and auction rate preferred securities;
- Brady bonds;
- Agency and non-agency asset-backed securities (“ABS”);<sup>13</sup>
- Agency and non-agency mortgage-backed securities (“MBS”);<sup>14</sup>
- Stripped MBS;<sup>15</sup>
- Custodial receipts;<sup>16</sup>
- Inflation-linked securities, including Treasury Inflation Protected Securities (“TIPS”);
- Loan assignments and participations, and commitments to purchase loan assignments;
- Adjustable rate mortgage loans (“ARMs”);
- Mortgage (directly held);<sup>17</sup>
- Sovereign obligations and obligations of supranational agencies;

depositing U.S. Treasury notes and U.S. Treasury bonds into a special account at a custodian bank. Receipts include Treasury Receipts (“TRs”), Treasury Investment Growth Receipts (“TIGRs”), and Certificates of Accrual on Treasury Securities (“CATS”).

<sup>11</sup> Zero-coupon securities are securities that are sold at a discount to par value and on which interest payments are not made during the life of the security. Pay-in-kind securities are securities that have interest payable by delivery of additional securities. Deferred payment securities are zero-coupon debt securities which convert on a specified date to interest bearing debt securities.

<sup>12</sup> Synthetic variable rate instruments are instruments that generally involve the deposit of a long-term tax exempt bond in a custody or trust arrangement and the creation of a mechanism to adjust the long-term interest rate on the bond to a variable short-term rate and a right (subject to certain conditions) on the part of the purchaser to tender it periodically to a third party at par.

<sup>13</sup> ABS may include collateralized bond obligations (“CBOs”), collateralized loan obligations (“CLOs”), and other collateralized debt obligations (“CDOs”).

<sup>14</sup> MBS may include agency and non-agency collateralized mortgage obligations (“CMOs”); collateralized mortgage-backed securities (“CMBS”); residential mortgage-backed securities (“RMBS”) and principal-only (PO) and interest-only (IO) stripped MBS. Non-agency ABS and non-agency MBS are referred to herein as “Private ABS/MBS.”

<sup>15</sup> Stripped MBS are derivative multi-class mortgage securities which are usually structured with two classes of shares that receive different proportions of the interest and principal from a pool of mortgage assets. These include IO and PO securities issued outside a Real Estate Mortgage Investment Conduit (“REMIC”) or CMO structure.

<sup>16</sup> The Fund may acquire securities in the form of custodial receipts that evidence ownership of future interest payments, principal payments or both on certain U.S. Treasury notes or bonds in connection with programs sponsored by banks and brokerage firms.

<sup>17</sup> Directly held mortgages are debt instruments secured by real property.

- Corporate debt securities of U.S. and foreign issuers; and
- Convertible securities.

The Fund may hold cash and cash equivalents.<sup>18</sup>

The Fund may purchase and sell securities on a when-issued, delayed delivery, or forward commitment basis.

The Fund may enter into short-term funding agreements, which are agreements issued by banks and highly rated U.S. insurance companies such as Guaranteed Investment Contracts (“GICs”) and Bank Investment Contracts (“BICs”).

The Fund may invest in private placements, restricted securities and Rule 144A securities.

The Fund may invest in the following exchange-listed equity securities: U.S. and foreign exchange-listed common stocks of U.S. and foreign corporations, U.S. and foreign exchange-listed preferred stocks of U.S. and foreign corporations, U.S. and foreign exchange-listed warrants of U.S. and foreign corporations, U.S. and foreign exchange-listed rights of U.S. and foreign corporations, U.S. and foreign exchange-listed master limited partnerships (“MLPs”), U.S. and foreign exchange-listed real estate investment trusts (“REITs”), U.S. and foreign exchange-listed convertible securities.

The Fund may invest in U.S. and foreign exchange-listed and non-exchange-traded Depository Receipts.<sup>19</sup>

The Fund may hold exchange-traded funds (“ETFs”),<sup>20</sup> and U.S. exchange-traded closed-end funds.

<sup>18</sup> For purposes of this filing, cash equivalents include the securities included in Commentary .01(c) to NYSE Arca Rule 8.600–E.

<sup>19</sup> Depository Receipts include American Depository Receipts (“ADRs”), Global Depository Receipts (“GDRs”) and European Depository Receipts (“EDRs”). ADRs are receipts typically issued by an American bank or trust company that evidence ownership of underlying securities issued by a foreign corporation. EDRs are receipts issued by a European bank or trust company evidencing ownership of securities issued by a foreign corporation. GDRs are receipts issued throughout the world that evidence a similar arrangement. ADRs, EDRs and GDRs may trade in foreign currencies that differ from the currency the underlying security for each ADR, EDR or GDR principally trades in. Generally, ADRs, in registered form, are designed for use in the U.S. securities markets. EDRs, in registered form, are used to access European markets. GDRs, in registered form, are tradable both in the United States and in Europe and are designed for use throughout the world. No more than 10% of the equity weight of the Fund’s portfolio will be invested in non-exchange-traded ADRs.

<sup>20</sup> For purposes of this filing, “ETFs” are 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. While the Fund may invest in inverse ETFs, the Fund will

The Fund may invest in securities of non-exchange-traded investment company securities, subject to applicable limitations under Section 12(d)(1) of the 1940 Act.

The Fund may hold structured investments.<sup>21</sup>

The Fund may hold the following U.S. and non-U.S. exchange-listed and over-the-counter (“OTC”) derivative instruments: OTC foreign currency forwards; U.S. and non-U.S. exchange-listed futures and options on stocks, Fixed Income Securities, interest rates, credit, currencies, commodities or related indices; and OTC options on stocks, Fixed Income Securities, interest rates, credit, currencies, commodities or related indices.

The Fund may invest in exchange-traded or OTC total return swaps on U.S. and foreign equities, U.S. and foreign equity indices, currencies, interest rates, inflation, commodities, Fixed Income Securities and Fixed Income Securities indexes.

The Fund may engage in foreign currency transactions which involve strategies used to hedge against currency risks, for other risk management purposes or to increase income or gain to the Fund. These strategies may consist of use of any of the following: options on currencies, currency futures, options on such futures, forward foreign currency transactions (including non-deliverable forwards (“NDFs”)), forward rate agreements, spot currency transactions, and currency swaps, caps and floors.

The Fund may invest in mortgage dollar rolls.

The Fund may hold exchange-traded or non-exchange-traded contingent value rights (“CVRs”).<sup>22</sup>

not invest in leveraged (e.g., 2X, –2X, 3X or –3X) ETFs.

<sup>21</sup> A structured investment is a security having a return tied to an underlying index or other security or asset class. Structured investments generally are individually negotiated agreements and may be traded OTC. Structured investments are organized and operated to restructure the investment characteristics of the underlying index, currency, commodity or financial instrument. Structured investments that are equities may include OTC rights, OTC warrants and OTC equity-linked notes.

<sup>22</sup> For purposes of this filing, CVRs are rights provided to shareholders of a company in connection with a corporate restructuring or acquisition. These rights relate to additional benefits to shareholders if a certain event occurs. CVRs frequently have an expiration date relating to the times that contingent events must occur. CVRs related to a company’s stock are generally related to the price performance of such stock. The Adviser represents that the Fund will not actively invest in such securities but may, at times, receive a distribution of such securities in connection with the Fund’s holdings in other securities. Therefore, the Fund’s holdings in non-exchange-traded CVRs, if any, would not be utilized to further the Fund’s investment objective and would not be acquired as

The Fund may engage in short sales of any financial instruments in which it may invest.

The Fund will not invest in securities or other financial instruments that have not been described in this proposed rule change.

#### Other Restrictions

The Fund may invest up to 20% of the Fund’s assets in non-exchange-traded investment company securities.

The Fund may invest up to 15% of the Fund’s assets in the aggregate in OTC equity-linked notes, OTC rights, OTC warrants and OTC CVRs.

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, while the Fund will be permitted to borrow as permitted under the 1940 Act, the Fund’s investments will not be used to seek performance that is the multiple or inverse multiple (e.g., 2Xs and 3Xs) of the Fund’s primary broad-based securities benchmark index (as defined in Form N–1A).<sup>23</sup>

#### The Fund’s Use of Derivatives

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 Trust’s Board of Trustees (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.

#### Creation and Redemption of Shares

The consideration for a purchase of Creation Units will generally be cash, but may consist of an in-kind deposit of a designated portfolio of equity securities and other investments (the “ Deposit Instruments ”) and an amount of cash computed as described below (the “ Cash Amount ”) under some

the result of the Fund’s voluntary investment decisions.

<sup>23</sup> The Fund’s broad-based securities benchmark index will be identified in a future amendment to the Registration Statement following the Fund’s first full calendar year of performance.

circumstances. The Cash Amount together with the Deposit Instruments, as applicable, are referred to as the "Portfolio Deposit," which represents the minimum initial and subsequent investment amount for a Creation Unit of the Fund. The size of a Creation Unit will be 50,000 Shares and will be subject to change.

In the event the Fund requires Deposit Instruments and a Cash Amount in consideration for purchasing a Creation Unit, the function of the Cash Amount is to compensate for any differences between the net asset value ("NAV") per Creation Unit and the Deposit Amount (as defined below). The Cash Amount would be an amount equal to the difference between the NAV of the Shares (per Creation Unit) and the "Deposit Amount," which is an amount equal to the aggregate market value of the Deposit Instruments. If the Cash Amount is a positive number (the NAV per Creation Unit exceeds the Deposit Amount), the Authorized Participant will deliver the Cash Amount. If the Cash Amount is a negative number (the NAV per Creation Unit is less than the Deposit Amount), the Authorized Participant will receive the Cash Amount. The Administrator, through the National Securities Clearing Corporation ("NSCC"), will make available on each business day, immediately prior to the opening of business on the Exchange (currently 9:30 a.m. Eastern time ("E.T.")), the list of the names and the required number of shares of each Deposit Instrument to be included in the current Portfolio Deposit (based on information at the end of the previous business day), as well as information regarding the Cash Amount for the Fund.

The identity and number of the Deposit Instruments and Cash Amount required for the Portfolio Deposit for the Fund changes as rebalancing adjustments and corporate action events are reflected from time to time by the Adviser with a view to the investment objective of the Fund. In addition, the Trust reserves the right to accept a basket of securities or cash that differs from Deposit Instruments or to permit the substitution of an amount of cash (*i.e.*, a "cash in lieu" amount) to be added to the Cash Amount to replace any Deposit Instrument which may, among other reasons, not be available in sufficient quantity for delivery, not be permitted to be re-registered in the name of the Trust as a result of an in-kind creation order pursuant to local law or market convention or for other reasons as described in the Registration Statement, or which may not be eligible

for trading by a Participating Party (defined below).

#### Procedures for Creation of Creation Units

To be eligible to place orders with the Distributor to create Creation Units of the Fund, an entity or person either must be (1) a "Participating Party," *i.e.*, a broker-dealer or other participant in the clearing process through the Continuous Net Settlement System of the NSCC; or (2) a Depositary Trust Company ("DTC") Participant, which, in either case, must have executed an agreement with the Distributor ("Participant Agreement"). Such Participating Party and DTC Participant are collectively referred to as an "Authorized Participant." All orders to create Creation Units must be received by the Distributor no later than the closing time of the regular trading session on the Exchange ("Closing Time") (ordinarily 4:00 p.m. E.T.), in each case on the date such order is placed in order for creation of Creation Units to be effected based on the NAV of the Fund as determined on such date.

#### Redemption of Creation Units

Shares may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Distributor, only on a business day and only through a Participating Party or DTC Participant who has executed a Participant Agreement. All orders to redeem Creation Units must be received by the Distributor no later than the Exchange Closing Time (ordinarily 4:00 p.m. E.T.).

Although the Fund will generally pay redemption proceeds in cash, there may be instances when it will make redemptions in-kind.<sup>24</sup> In these instances, the Administrator, through NSCC, makes available immediately prior to the opening of business on the Exchange (currently 9:30 a.m. E.T.) on each day that the Exchange is open for business, the identity of the Fund's assets and/or an amount of cash that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form on that day. With respect to redemptions in-kind, the redemption proceeds for a Creation Unit generally consist of "Redemption Instruments" (which are securities received on redemption) as announced by the Administrator on the business day of the request for redemption, plus cash in

an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after a receipt of a request in proper form, and the value of the Redemption Instruments.

#### Disclosed Portfolio

The Fund's disclosure of derivative positions in the applicable Disclosed Portfolio includes information that market participants can use to value these positions intraday. On a daily basis, the Fund will disclose the information regarding the Disclosed Portfolio required under NYSE Arca Rule 8.600-E (c)(2) to the extent applicable. The Fund's website information will be publicly available at no charge.

#### Impact on Arbitrage Mechanism

The Adviser believes there will be minimal impact to the arbitrage mechanism as a result of the use of derivatives. 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 trade will continue to be disciplined by arbitrage opportunities created by the ability to purchase or redeem Shares at their NAV, which should ensure that Shares 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. Because derivatives generally are not eligible for in-kind transfer, they will typically be substituted with a "cash in lieu" amount when the Fund processes purchases or redemptions of creation units in-kind.

#### Application of Generic Listing Requirements

The Exchange is submitting this proposed rule change because 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 Fund's portfolio would meet all such requirements except for those set forth in Commentary .01(a), Commentary

<sup>24</sup> The Adviser represents that, to the extent the Trust effects the creation or redemption of Shares in cash, such transactions will be effected in the same manner for all Authorized Participants.

.01(b)(4),<sup>25</sup> and Commentary .01(b)(5) to NYSE Arca Rule 8.600–E.<sup>26</sup>

With respect to Commentary .01(a) to NYSE Arca Rule 8.600–E, as noted above, the Fund may hold OTC equity-linked notes, rights, warrants and CVRs, which are deemed non-exchange-traded equity securities for purposes of this filing.<sup>27</sup> Because such securities are not listed on a national securities exchange or an exchange that has last-sale reporting, such securities would not meet the criteria of Commentary .01(a)(1)(E) and (a)(2)(E) to NYSE Arca Rule 8.600–E applicable to U.S. Component Stocks and Non-U.S. Component Stocks. As noted above, the Fund may invest up to 15% of the Fund's assets in the aggregate in OTC equity-linked notes, rights, warrants and CVRs. The Exchange believes that this limitation is appropriate in that OTC warrants, rights, equity-linked notes and CVRs are providing debt or equity-oriented exposures or are received in connection with the Fund's previous investment in fixed income securities or equities. All of the other equity securities held by the Fund will comply with the requirements of Commentary .01(a)(1)(E) and (a)(2)(E) to NYSE Arca Rule 8.600–E. With respect to OTC CVRs, the Adviser represents that the Fund will not actively invest in such securities but may, at times, receive a distribution of such securities in connection with the Fund's holdings in other securities. Therefore, the Fund's holdings in non-exchange-traded CVRs,

<sup>25</sup> Commentary .01(b)(4) provides that component securities that in the 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 Act; (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 Act; or (e) from issuers that are a government of a foreign country or a political subdivision of a foreign country.

<sup>26</sup> Commentary .01(b)(5) provides that non-agency, non-government-sponsored entity ("GSE") and privately-issued mortgage-related and other asset-backed securities components of a portfolio shall not account, in the aggregate, for more than 20% of the weight of the fixed income portion of the portfolio.

<sup>27</sup> Commentary .01(a) to NYSE Arca Rule 8.600–E provides criteria applicable to exchange-traded equity securities held by a series of Managed Fund Shares. Among such criteria, equity securities that are U.S. Component Stocks as described in NYSE Arca Rule 5–2–E(j)(3) shall be listed on a national securities exchange and shall be NMS Stocks as defined in Rule 600 of Regulation NMS under the Act (with a limited exception for certain ADRs). Equity securities that are Non-U.S. Component Stocks as described in NYSE Arca Rule 5–2–E(j)(3) shall be listed and traded on an exchange that has last-sale reporting.

if any, would not be utilized to further the Fund's investment objective and would not be acquired as the result of the Fund's voluntary investment decisions.

The Fund may invest in non-exchange-traded investment company securities, which are equity securities. Because such securities have a net asset value based on the value of securities and financial assets the investment company holds, the Exchange believes it is both unnecessary and inappropriate to apply to such investment company securities the criteria in Commentary .01(a)(1).<sup>28</sup> As noted above, the Fund may invest up to 20% of the Fund's assets in non-exchange-traded investment company securities.

The Exchange notes that Commentary .01(a)(1)(A) through (D) to Rule 8.600–E exclude application of those provisions to certain "Derivative Securities Products" that are exchange-traded investment company securities, including Investment Company Units (as described in NYSE Arca Rule 5.2–E(j)(3)), Portfolio Depositary Receipts (as described in NYSE Arca Rule 8.100–E) and Managed Fund Shares (as described in NYSE Arca Rule 8.600–E).<sup>29</sup> In its 2008 Approval Order approving

<sup>28</sup> The Commission has previously approved proposed rule changes under Section 19(b) of the Act for series of Managed Fund Shares that may invest in non-exchange traded investment company securities. *See, e.g.*, Securities Exchange Act Release No. 85244 (March 4, 2019), 84 FR 8553 (March 8, 2019) (SR–NYSEArca–2018–82) (Order Granting Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, Regarding Certain Changes Relating to Investments of the PGIM Active High Yield Bond ETF).

<sup>29</sup> The Commission initially approved the Exchange's proposed rule change to exclude "Derivative Securities Products" (*i.e.*, Investment Company Units and securities described in Section 2 of Rule 8) and "Index-Linked Securities (as described in Rule 5.2–E(j)(6)) from Commentary .01(a)(A)(1) through (4) to Rule 5.2–E(j)(3) in Securities Exchange Act Release No. 57751 (May 1, 2008), 73 FR 25818 (May 7, 2008) (SR–NYSEArca–2008–29) (Order Granting Approval of a Proposed Rule Change, as Modified by Amendment No. 1 Thereto, to Amend the Eligibility Criteria for Components of an Index Underlying Investment Company Units) ("2008 Approval Order"). *See also*, Securities Exchange Act Release No. 57561 (March 26, 2008), 73 FR 17390 (April 1, 2008) (Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto to Amend the Eligibility Criteria for Components of an Index Underlying Investment Company Units). The Commission subsequently approved generic criteria applicable to listing and trading of Managed Fund Shares, including exclusions for Derivative Securities Products and Index-Linked Securities in Commentary .01(a)(1)(A) through (D), in Securities Exchange Act Release No. 78397 (July 22, 2016), 81 FR 49320 (July 27, 2016) (Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 7 Thereto, Amending NYSE Arca Equities Rule 8.600 To Adopt Generic Listing Standards for Managed Fund Shares). *See also*, Amendment No. 7 to SR–NYSEArca–2015–110, available at <https://www.sec.gov/comments/sr-nysearca-2015-110/nysearca2015110-9.pdf>.

amendments to Commentary .01(a) to Rule 5.2(j)(3) that exclude Derivative Securities Products from certain provisions of Commentary .01(a) (which exclusions are similar to those in Commentary .01(a)(1) to Rule 8.600–E), the Commission stated that "based on the trading characteristics of Derivative Securities Products, it may be difficult for component Derivative Securities Products to satisfy certain quantitative index criteria, such as the minimum market value and trading volume limitations." The Exchange notes that it would be difficult or impossible to apply to non-exchange-traded investment company securities the generic quantitative criteria (*e.g.*, market capitalization, trading volume, or portfolio criteria) in Commentary .01 (a) through (d) applicable to U.S. Component Stocks. For example, the requirement for U.S. Component Stocks in Commentary .01(a)(1)(B) that there be minimum monthly trading volume of 250,000 shares, or minimum notional volume traded per month of \$25,000,000, averaged over the last six months is tailored to exchange-traded securities (*e.g.*, U.S. Component Stocks) and not to mutual fund shares, which do not trade in the secondary market. Moreover, application of such criteria would not serve the purpose served with respect to U.S. Component Stocks, namely, to establish minimum liquidity and diversification criteria for U.S. Component Stocks held by series of Managed Fund Shares.

The Exchange notes that the Commission has previously approved listing and trading of an issue of Managed Fund Shares that may invest in equity securities that are non-exchange-traded securities of other open-end investment company securities notwithstanding that the fund would not meet the requirements of Commentary .01(a)(1)(A) through (E) to Rule 8.600–E with respect to such fund's investments in such securities.<sup>30</sup> Thus, the Exchange believes that it is appropriate to permit the Fund to invest in non-exchange-traded open-end management investment company securities, as described above.

The Fund will not comply with the requirements in Commentary .01(b)(4) to Rule 8.600–E that component securities that in the aggregate account for at least 90% of the fixed income weight of the portfolio meet one of the criteria specified in Commentary

<sup>30</sup> *See* Securities Exchange Act Release No. 83319 (May 24, 2018) (SR–NYSEArca–2018–15) (Order Approving a Proposed Rule Change, as Modified by Amendment No. 1 Thereto, to Continue Listing and Trading Shares of the PGIM Ultra Short Bond ETF Under NYSE Arca Rule 8.600–E).

.01(b)(4), because certain Private ABS/MBS by their nature cannot satisfy the criteria in Commentary .01(b)(4).<sup>31</sup> Instead, the Exchange proposes that the Fund's investments in Fixed Income Securities other than Private ABS/MBS will be required to comply with the requirements of Commentary .01(b)(4), and Private ABS/MBS will be limited to 20% of the weight of the Fund's portfolio. The Exchange believes that excluding Private ABS/MBS from the 90% calculation in Commentary .01(b)(4) is consistent with the Act because the Fund's portfolio will minimize the risk to the overall Fund associated with any particular holding of the Fund as a result of the diversification provided by the investments and the Adviser's selection process, which closely monitors investments to ensure maintenance of credit and liquidity standards. Further, the Exchange believes that this alternative limitation is appropriate because Commentary .01(b)(4) to Rule 8.600-E is not designed for structured finance vehicles such as Private ABS/MBS.

The Exchange notes that the Commission has previously approved the listing of Managed Fund Shares with similar investment objectives and strategies without imposing requirements that a certain percentage of such funds' securities meet one of the criteria set forth in Commentary .01(b)(4).<sup>32</sup>

The Fund will not comply with the requirements in Commentary .01(b)(5) to Rule 8.600-E that non-agency, non-GSE and privately-issued mortgage-

related and other asset-backed securities components of a portfolio shall not account, in the aggregate, for more than 20% of the weight of the fixed income portion of the portfolio. The Exchange proposes that Private ABS/MBS will be limited to 20% of the weight of the Fund's entire portfolio rather than to only the fixed income portion of the portfolio.

The Exchange believes this exception from Commentary .01(b)(5) is appropriate because the Fund's investment in non-agency, non-GSE and privately-issued mortgage-related and other ABS may provide the Fund with benefits associated with increased diversification, as such investments may be less correlated to interest rates than other Fixed Income Securities. The Exchange notes that application of the 20% limitation only to the fixed income portion of the Fund's portfolio may impose a much more restrictive percentage limit on permitted holdings of non-agency ABS and non-agency MBS for the Fund, which has a more diversified investment portfolio compared to series of Managed Fund Shares that hold principally or exclusively fixed income securities. For example, a fund holding 100% of its assets in fixed income securities can hold 20% of its entire portfolio's weight in non-agency ABS. In contrast, a fund holding 25% of its assets in fixed income securities, 25% in U.S. Component Stocks, and 50% in cash and cash equivalents is limited to a 5% (25% \* 20% = 5%) allocation to non-agency ABS. The Exchange, therefore, believes application of the 20% limitation to the Fund's entire portfolio would be more equitable for the Fund compared to series of Managed Fund Shares with different investment objectives and holdings.

The Exchange notes that the Commission has previously approved the listing of actively managed exchange-traded funds that can invest 20% of their total assets in non-agency, non-GSE and other privately issued ABS and MBS.<sup>33</sup> In addition, the

Commission has previously approved listing and trading of shares of an issue of Managed Fund Shares where such fund's investments in non-agency, non-GSE and other privately issued ABS and MBS (*i.e.*, Private ABS/MBS) will, in the aggregate, not exceed 20% of the total assets of the fund, rather than the weight of the fixed income portion of the fund's portfolio.<sup>34</sup> Therefore, the Exchange believes it is appropriate to apply the 20% limitation to the Fund's investment in non-agency, non-GSE and privately-issued mortgage-related and other ABS components of the Fund's portfolio to the Fund's total assets.

Deviations from the generic requirements are necessary for the Fund to achieve its investment objective in a manner that is cost-effective and that maximizes investors' returns. Further, the proposed alternative requirements are narrowly tailored to allow the Fund to achieve its investment objective in manner that is consistent with the principles of Section 6(b)(5) of the Act. As a result, it is in the public interest to approve listing and trading of Shares of the Fund on the Exchange pursuant to the requirements set forth herein.

The Exchange notes that, other than Commentary .01(a), (b)(4) and (b)(5) to Rule 8.600-E, as described above, the Fund's portfolio will meet all other requirements of Rule 8.600-E.

#### Availability of Information

The Fund's website ([www.jpmorganfunds.com](http://www.jpmorganfunds.com)), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Fund that may be downloaded. The Fund's website will include additional quantitative information updated on a daily basis, including, for the Fund, (1) daily trading volume, the prior business day's reported closing price, NAV and mid-point of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask Price"),<sup>35</sup> 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

(permitting the IQ Wilshire Alternative Strategies ETF to invest up to 20% of its total assets in MBS and other ABS, without any limit on the type of such MBS and ABS).

<sup>34</sup> See Securities Exchange Act Release No. 83319 (May 24, 2018), 83 FR 25097 (May 31, 2018) (SR-NYSEArca-2018-15) (Order Approving a Proposed Rule Change, as Modified by Amendment No. 1 Thereto, to Continue Listing and Trading Shares of the PGIM Ultra Short Bond ETF Under NYSE Arca Rule 8.600-E).

<sup>35</sup> The Bid/Ask Price of the Fund's Shares will be determined using the mid-point of the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund's NAV. The records relating to Bid/Ask Prices will be retained by the Fund and its service providers.

<sup>31</sup> Private ABS/MBS are generally issued by special purpose vehicles, so the criteria in Commentary .01(b)(4) to Rule 8.600-E regarding an issuer's market capitalization and the remaining principal amount of an issuer's securities are typically unavailable with respect to Private ABS/MBS, even though such Private ABS/MBS may own significant assets.

<sup>32</sup> See, e.g., Exchange Act Release Nos. 67894 (September 20, 2012) 77 FR 59227 (September 26, 2012) (SR-BATS-2012-033) (order approving the listing and trading of shares of the iShares Short Maturity Bond Fund); 70342 (September 6, 2013), 78 FR 56256 (September 12, 2013) (SR-NYSEArca-2013-71) (order approving the listing and trading of shares of the SPDR SSGA Ultra Short Term Bond ETF, SPDR SSGA Conservative Ultra Short Term Bond ETF and SPDR SSGA Aggressive Ultra Short Term Bond ETF). See also, Securities Exchange Act Release Nos. 84047 (September 6, 2018), 83 FR 46200 (September 12, 2018) (SR-NASDAQ-2017-128) (Notice of Filing of Amendment No. 3 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 3, To List and Trade Shares of the Western Asset Total Return ETF); 85022 (January 31, 2019), 25 FR 2265 (February 6, 2019) (SR-NASDAQ-2018-080) (Notice of Filing of Amendment No. 3 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1, 2 and 3, To List and Trade Shares of the BrandywineGLOBAL-Global Total Return ETF).

<sup>33</sup> See, e.g., Securities Exchange Act Release Nos. 80946 (June 15, 2017) 82 FR 28126 (June 20, 2017) (SR-NASDAQ-2017-039) (permitting the Guggenheim Limited Duration ETF to invest up to 20% of its total assets in privately-issued, non-agency and non-GSE ABS and MBS); 76412 (November 10, 2015), 80 FR 71880 (November 17, 2015) (SR-NYSEArca-2015-111) (permitting the RiverFront Strategic Income Fund to invest up to 20% of its assets in privately-issued, non-agency and non-GSE ABS and MBS); 74814 (April 27, 2015), 80 FR 24986 (May 1, 2015) (SR-NYSEArca-2014-107) (permitting the Guggenheim Enhanced Short Duration ETF to invest up to 20% of its assets in privately-issued, non-agency and non-GSE ABS and MBS); 74109 (January 21, 2015), 80 FR 4327 (January 27, 2015) (SR-NYSEArca-2014-134)

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. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Adviser will disclose on the Fund's website the Disclosed Portfolio for the Fund as defined in NYSE Arca Rule 8.600-E(c)(2) that will form the basis for the Fund's calculation of NAV at the end of the business day.<sup>36</sup>

Investors can also obtain the Trust's Statement of Additional Information ("SAI"), the Fund's Shareholder Reports, and its Form N-CSR and Form N-SAR, filed twice a year. The Trust's SAI and Shareholder Reports are available free upon request from the Trust, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's website at [www.sec.gov](http://www.sec.gov).

Quotation and last sale information for the Shares and for portfolio holdings of the Fund that are U.S. exchange-listed, including common stocks, preferred stocks, warrants, rights, MLPs, REITs, convertible securities, ETFs, closed-end funds, and Depository Receipts will be available via the CTA high speed line. Price information for U.S. and foreign exchange-traded futures and options on futures will be available from the exchange on which they are listed. Quotation and last sale information for exchange-listed options cleared via the Options Clearing Corporation will be available via the Options Price Reporting Authority. Quotation and last sale information for foreign exchange-listed equity securities will be available from the exchanges on which they trade and from major market data vendors, as applicable. Information regarding market price and trading volume for the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers.

Quotation information for OTC options, cash equivalents, swaps, and Fixed Income Securities may be obtained from brokers and dealers who

<sup>36</sup> Under accounting procedures to be followed by the Fund, trades made on the prior business day ("T") will be booked and reflected in NAV on the current business day ("T+1"). Accordingly, the Fund will be able to disclose at the beginning of the business day the portfolio that will form the basis for the NAV calculation at the end of the business day.

make markets in such securities or through nationally recognized pricing services through subscription agreements. Forwards and spot currency price information will be available from major market data vendors. Price information for OTC equity-linked notes, OTC warrants, non-exchange-traded CVRs, OTC Depository Receipts, 144A securities, private placement securities and restricted securities is available from major market data vendors.

In addition, the PIV, as defined in NYSE Arca Rule 8.600-E(c)(3), will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session.<sup>37</sup> The dissemination of the PIV, together with the Disclosed Portfolio, will allow investors to determine the approximate value of the underlying portfolio of the Fund on a daily basis and will provide a close estimate of that value throughout the trading day.

#### Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund.<sup>38</sup> Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Rule 7.12-E have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares of the Fund inadvisable.

Trading in the Shares will be subject to NYSE Arca Rule 8.600-E(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted.

#### Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m. E.T. in accordance with NYSE Arca Rule 7.34-E (Early, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Rule 7.6-E, the minimum price variation ("MPV") for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities

<sup>37</sup> Currently, it is the Exchange's understanding that several major market data vendors display and/or make widely available PIVs taken from the CTA or other data feeds.

<sup>38</sup> See NYSE Arca Rule 7.12-E.

that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

Except as described herein, the Shares of the Fund will conform to the initial and continued listing criteria under NYSE Arca Rule 8.600-E. The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A-3<sup>39</sup> under the Act, as provided by NYSE Arca Rule 5.3-E. A minimum of 100,000 Shares of the Fund will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares of the Fund that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.

#### Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances administered by the Exchange, as well as cross-market surveillances administered by the Financial Industry Regulatory Authority ("FINRA") on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.<sup>40</sup> The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares, certain exchange-listed equity securities, certain futures, and certain exchange-traded options with other markets and other entities that are members of the Intermarket Surveillance Group ("ISG"), and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading such securities and financial instruments from such markets and other entities. In

<sup>39</sup> 17 CFR 240 10A-3.

<sup>40</sup> FINRA conducts cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA's performance under this regulatory services agreement.

addition, the Exchange may obtain information regarding trading in such securities and financial instruments from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.<sup>41</sup> FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by the Fund reported to FINRA's Trade Reporting and Compliance Engine ("TRACE").

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

All statements and representations made in this filing regarding (a) the description of the portfolio holdings or reference asset, (b) limitations on portfolio holdings or reference assets, or (c) the applicability of Exchange listing rules specified in this rule filing shall constitute continued listing requirements for listing the Shares on the Exchange.

The issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under NYSE Arca Rule 5.5–E(m).

#### Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit ("ETP") Holders in an Information Bulletin ("Bulletin") of the special characteristics and risks associated with trading the Shares of the Fund. Specifically, the Bulletin will discuss the following: (1) The procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) NYSE Arca 9.2–E(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) the risks involved in trading the Shares during the Early and Late Trading Sessions when an updated PIV will not be calculated or publicly disseminated; (4) how information regarding the PIV and the

Disclosed Portfolio is disseminated; (5) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Bulletin will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Bulletin will discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act. The Bulletin will also disclose that the NAV for the Shares of the Fund will be calculated after 4:00 p.m. E.T. each trading day.

#### 2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>42</sup> that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Rule 8.600–E. 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 such broker-dealer affiliate regarding access to information concerning the composition and/or changes to the portfolio. The Exchange represents that trading in the Shares will be subject to the existing trading surveillances administered by the Exchange, as well as cross-market surveillances administered by FINRA on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares, certain exchange-listed equity securities, certain futures, and certain exchange-traded options with other

markets and other entities that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading such securities and financial instruments from such markets and other entities. In addition, the Exchange may obtain information regarding trading in such securities and financial instruments from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by the Fund reported to FINRA's TRACE.

The PIV, as defined in NYSE Arca Rule 8.600–E (c)(3), will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session. The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), deemed illiquid by the Adviser, consistent with Commission guidance.

Except as described herein, the Shares of the Fund will conform to the initial and continued listing criteria under NYSE Arca Rule 8.600–E. The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A–3 under the Act, as provided by NYSE Arca Rule 5.3–E. A minimum of 100,000 Shares of the Fund will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares of the Fund that the NAV per Share 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 Fund and the Shares, thereby promoting market transparency. The Fund's portfolio holdings will be disclosed on its website daily after the close of trading on the Exchange and prior to the opening of trading on the Exchange the following day. On a daily basis, the Fund will disclose the information regarding the Disclosed Portfolio required under NYSE Arca Rule 8.600–E (c)(2) to the extent applicable. The Fund's website information will be publicly available at no charge.

Investors can also obtain the Trust's SAI, the Fund's Shareholder Reports, and its Form N–CSR and Form N–SAR, filed twice a year. The Trust's SAI and Shareholder Reports are available free upon request from the Trust, and those documents and the Form N–CSR and

<sup>41</sup> For a list of the current members of ISG, see [www.isgportal.org](http://www.isgportal.org). The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

<sup>42</sup> 15 U.S.C. 78f(b)(5).

Form N-SAR may be viewed on-screen or downloaded from the Commission's website at [www.sec.gov](http://www.sec.gov).

The website for the Fund will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Moreover, prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares of the Fund. Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Rule 7.12-E have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable, and trading in the Shares will be subject to NYSE Arca Rule 8.600-E(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the PIV, the Disclosed Portfolio, and quotation and last sale information for the Shares. 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, while the Fund will be permitted to borrow as permitted under the 1940 Act, the Fund's investments will not be used to seek performance that is the multiple or inverse multiple (e.g., 2Xs and 3Xs) of the Fund's primary broad-based securities benchmark index (as defined in Form N-1A).

With respect to the Fund's investment in Private ABS/MBS, the proposed non-compliance with the requirements in Commentary .01(b)(4) to Rule 8.600-E that component securities that in the aggregate account for at least 90% of the fixed income weight of the portfolio meet one of the criteria specified in Commentary .01(b)(4) is appropriate because certain Private ABS/MBS by their nature cannot satisfy the criteria in Commentary .01(b)(4). Instead, the Exchange proposes that the Fund's investments in Fixed Income Securities other than Private ABS/MBS will be required to comply with the requirements of Commentary .01(b)(4), and Private ABS/MBS will be limited to 20% of the weight of the Fund's portfolio. The Exchange believes that excluding Private ABS/MBS from the 90% calculation in Commentary .01(b)(4) is consistent with the Act because the Fund's portfolio will minimize the risk to the overall Fund

associated with any particular holding of the Fund as a result of the diversification provided by the investments and the Adviser's selection process, which closely monitors investments to ensure maintenance of credit and liquidity standards. Further, the Exchange believes that this alternative limitation is appropriate because Commentary .01(b)(4) to Rule 8.600-E is not designed for structured finance vehicles such as Private ABS/MBS.

The Exchange notes that the Commission has previously approved the listing of Managed Fund Shares with similar investment objectives and strategies without imposing requirements that a certain percentage of such funds' securities meet one of the criteria set forth in Commentary .01(b)(4).<sup>43</sup>

The Exchange believes the proposed exception from Commentary .01(b)(5) is appropriate because the Fund's investment in non-agency, non-GSE and privately-issued mortgage-related and other ABS may provide the Fund with benefits associated with increased diversification, as such investments may be less correlated to interest rates than other Fixed Income Securities. The Exchange notes that application of the 20% limitation only to the fixed income portion of the Fund's portfolio may impose a much more restrictive percentage limit on permitted holdings of non-agency ABS and non-agency MBS for the Fund, which has a more diversified investment portfolio compared to series of Managed Fund Shares that hold principally or exclusively fixed income securities. The Exchange believes application of the 20% limitation to the Fund's entire portfolio would be more equitable for the Fund compared to series of Managed Fund Shares with different investment objectives and holdings.

The Fund may invest in shares of non-exchange-traded open-end management investment company securities, which are equity securities. Therefore, the Fund will not comply with the requirements of Commentary .01(a)(1) to NYSE Arca Rule 8.600-E (U.S. Component Stocks) with respect to its equity securities holdings. It is appropriate and in the public interest to approve listing and trading of Shares of the Fund notwithstanding that the Fund's holdings in such securities would not meet the requirements of Commentary .01(a)(1)(A) through (E) to Rule 8.600-E. The Fund's investment in non-exchange-traded open-end management investment company

securities will not exceed 20% of the Fund's assets. The Fund's investment in shares of non-exchange-traded open-end management investment company securities will be utilized in order to obtain income on short-term cash balances while awaiting attractive investment opportunities, to provide liquidity in preparation for anticipated redemptions or for defensive purposes, which will allow the Fund to obtain the benefits of a more diversified portfolio available in the shares of non-exchange-traded open-end management investment company securities than might otherwise be available. Moreover, such investments, which may include mutual funds that invest, for example, principally in fixed income securities, would be utilized to help the Fund meet its investment objective and to equitize cash in the short term. The Fund will invest in such securities only to the extent that those investments would be consistent with the requirements of Section 12(d)(1) of the 1940 Act and the rules thereunder. Because such securities must satisfy applicable 1940 Act diversification requirements, and have a net asset value based on the value of securities and financial assets the investment company holds, it is both unnecessary and inappropriate to apply to such investment company securities the criteria in Commentary .01(a)(1).

The Exchange notes that it would be difficult or impossible to apply to mutual fund shares certain of the generic quantitative criteria (e.g., market capitalization, trading volume, or portfolio criteria) in Commentary .01 (A) through (D) applicable to U.S. Component Stocks. For example, the requirements for U.S. Component Stocks in Commentary .01(a)(1)(B) that there be minimum monthly trading volume of 250,000 shares, or minimum notional volume traded per month of \$25,000,000, averaged over the last six months are tailored to exchange-traded securities (i.e., U.S. Component Stocks) and not to mutual fund shares, which do not trade in the secondary market and for which no such volume information is reported. In addition, Commentary .01(a)(1)(A) relating to minimum market value of portfolio component stocks, Commentary .01(a)(1)(C) relating to weighting of portfolio component stocks, and Commentary .01(a)(1)(D) relating to minimum number of portfolio components are not appropriately applied to open-end management investment company securities; open-end investment companies hold multiple individual securities as

<sup>43</sup> See note 32, *supra*.

disclosed publicly in accordance with the 1940 Act, and application of Commentary .01(a)(1)(A) through (D) would not serve the purposes served with respect to U.S. Component Stocks, namely, to establish minimum liquidity and diversification criteria for U.S. Component Stocks held by series of Managed Fund Shares.

To the extent the Fund invests in OTC equity-linked notes, OTC rights, OTC warrants and non-exchange traded CVRs, the Fund will not comply with the requirements of Commentary .01(a)(1) to NYSE Arca Rule 8.600–E (U.S. Component Stocks) and/or Commentary .01(a)(2) to NYSE Arca Rule 8.600–E (Non-U.S. Component Stocks) with respect to its equity securities holdings. As noted above, the Fund may invest up to 15% of the Fund's assets in the aggregate in OTC equity-linked notes, rights, warrants and CVRs. The Exchange believes that this limitation is appropriate in that OTC warrants, rights, equity-linked notes and CVRs are providing debt or equity-oriented exposures or are received in connection with the Fund's previous investment in fixed income securities or equities. All of the other equity securities held by the Fund will comply with the requirements of Commentary .01(a)(1)(E) and (a)(2)(E) to NYSE Arca Rule 8.600–E. With respect to OTC CVRs, the Adviser represents that the Fund will not actively invest in such securities but may, at times, receive a distribution of such securities in connection with the Fund's holdings in other securities. Therefore, the Fund's holdings in non-exchange-traded CVRs, if any, would not be utilized to further the Fund's investment objective and would not be acquired as the result of the Fund's voluntary investment decisions.

The Exchange accordingly believes that it is appropriate and in the public interest to approve listing and trading of Shares of the Fund on the Exchange notwithstanding that the Fund would not meet the requirements of Commentary .01(a), (b)(4) and (b)(5) to Rule 8.600–E. The Exchange notes that, other than Commentary .01(a)(1), (a)(2), (b)(4) and (b)(5) to Rule 8.600–E, the Fund's portfolio will meet all other requirements of Rule 8.600–E.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that holds fixed income securities, equity securities and derivatives and 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 of the Fund and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the PIV, the Disclosed Portfolio for the Fund, and quotation and last sale information for the Shares of the Fund.

#### *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 will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that holds fixed income securities, equity securities and derivatives and that will enhance competition among market participants, 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*

No written comments were solicited or received with respect to 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 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–NYSEArca–2019–36 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–2019–36. 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–2019–36 and should be submitted on or before June 18, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>44</sup>

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

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<sup>44</sup> 17 CFR 200.30–3(a)(12).