including a majority of the independent directors or trustees, will find that the advisory fees charged under such contract are based on services provided that will be in addition to, rather than duplicative of, the services provided under the advisory contract(s) of any Fund in which the Investing Management Company may invest. These findings and their basis will be recorded fully in the minute books of the appropriate Investing Management Company.

11. Any sales charges and/or service fees charged with respect to shares of an Investing Fund will not exceed the limits applicable to a fund of funds as set forth in NASD Conduct Rule 2830.

12. No Fund relying on the section 12(d)(1) relief will acquire securities of any investment company or company relying on section 3(c)(1) or 3(c)(7) of the Act in excess of the limits contained in section 12(d)(1)(A) of the Act, except to the extent permitted by exemptive relief from the Commission permitting the Fund to purchase shares of other investment companies for short-term cash management purposes.

For the Commission, by the Division of Investment Management, under delegated authority.

Kevin M. O'Neill,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–71767; File No. SR–NYSEArca–2014–11]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change To List and Trade Shares of the SPDR SSgA Risk Aware ETF; SPDR SSgA Large Cap Risk Aware ETF; and SPDR SSgA Small Cap Risk Aware ETF Under NYSE Arca Equities Rule 8.600

March 21, 2014.

I. Introduction

On January 24, 2014, 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'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to list and trade shares (''Shares'') of SPDR SSgA Risk Aware ETF; SPDR SSgA Large Cap Risk Aware ETF; and SPDR SSgA Small Cap Risk Aware ETF (each, a ''Fund'' and, collectively, ''Funds'') under NYSE Arca Equities Rule 8.600. The proposed rule change was published for comment in the **Federal Register** on February 7, 2014.[3] The Commission received no comments on the proposed rule change. This order grants approval of the proposed rule change.

II. Description of Proposed Rule Change

The Exchange proposes to list and trade Shares of the Funds pursuant to NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares on the Exchange. The Shares will be offered by SSgA Active ETF Trust (''Trust''), which is organized as a Massachusetts business trust and is registered with the Securities and Exchange Commission (''Commission'') as an open-end management investment company.[4] SSgA Funds Management, Inc. (''Adviser'') will serve as the investment adviser to the Funds.[5] State Street Global Markets, LLC (''Distributor'' or ''Principal Underwriter'') will be the principal underwriter and distributor of the Funds' Shares. State Street Bank and Trust Company (''Administrator,'' ''Custodian'' or ''Transfer Agent'') will serve as administrator, custodian and transfer agent for the Funds.

The Exchange has made the following representations and statements in describing the Funds and their respective investment strategies, including other portfolio holdings and investment restrictions.[6]

General

The Funds are intended to be managed in a ''master-feeder'' structure, under which each Fund will invest substantially all of its assets in a corresponding portfolio (each, a ''Portfolio'') (*i.e.* a ''master fund''), which is a separate mutual fund registered under the 1940 Act that has an identical investment objective. As a result, each Fund (*i.e.,* a ''feeder fund'') will have an indirect interest in all of the securities and other assets owned by each corresponding Portfolio. Because of this indirect interest, each Fund's investment returns should be the same as those of the corresponding Portfolio, adjusted for the expenses of the Fund. In extraordinary instances, each Fund reserves the right to make direct investments in securities.

The Adviser will manage the investments of each respective Portfolio. Under the master-feeder arrangement, investment advisory fees charged at the master-fund level are deducted from the advisory fees charged at the feeder-fund level. This arrangement avoids a ''layering'' of fees, *e.g.,* a Fund's total annual operating expenses would be no higher as a result of investing in a master-feeder arrangement than they would be if the Fund pursued its investment objectives directly. Each Fund may discontinue investing through the master-feeder arrangement and pursue its investment objectives directly if the Fund's Board of Trustees determines that doing so would be in the best interests of shareholders.

The Funds will not be index Funds. The Funds will be actively managed and will not seek to replicate the performance of a specified index.

SPDR SSgA Risk Aware ETF

The SPDR SSgA Risk Aware ETF will seek to provide competitive returns compared to the broad U.S. equity market and capital appreciation.

Under normal circumstances,[7] the Fund will invest all of its assets in the SSgA Risk Aware Portfolio (''Risk

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 71468 (Feb. 3, 2014), 79 FR 7487 (''Notice'').

[4] The Trust is registered under the Investment Company Act of 1940 (''1940 Act''). The Exchange states that on December 14, 2012, 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 under the 1940 Act relating to the Funds (File Nos. 333–173276 and 811–22542) (''Registration Statement''). In addition, the Exchange states that the Commission has issued an order granting certain exemptive relief to the Trust under the1940 Act. *See* Investment Company Act Release No. 29524 (December 13, 2010) (File No. 812–13487) (''Exemptive Order'').

[5] The Exchange states that Adviser is not registered as a broker-dealer but is affiliated with a broker-dealer and has implemented a ''fire wall'' with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the Funds' portfolios. The Exchange states that in the event (a) the Adviser or any sub-adviser becomes, or becomes newly affiliated with, a broker-dealer, or (b) any new adviser or sub-adviser is, or becomes affiliated with, a broker-dealer, it will implement a fire wall with respect to its relevant personnel or broker-dealer affiliate regarding access to information concerning the composition and/or changes to a portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

[6] The Commission notes that additional information regarding the Trust, the Funds, and the Shares, including investment strategies, risks, net asset value (''NAV'') calculation, creation and redemption procedures, fees, portfolio holdings disclosure policies, distributions, and taxes, among other information, is included in the Notice and the Registration Statements, as applicable. *See* Notice and Registration Statement, *supra* notes 3 and 4, respectively.

[7] The term ''under normal circumstances'' includes, but is not limited to, the absence of extreme volatility or trading halts in the equity markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

Aware Portfolio''), a separate series of the SSgA Master Trust with an identical investment objective as the Fund. As a result, the Fund will invest indirectly through the Risk Aware Portfolio.

In seeking its objective, the Risk Aware Portfolio will invest in a diversified selection of equity securities included in the Russell 3000 Index that the Adviser believes are aligned with predicted investor risk preferences.[8] The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies, including business development companies, representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. As of September 30, 2013, the Russell 3000 Index was comprised of 2,965 stocks.

In selecting securities for the Risk Aware Portfolio, the Adviser will utilize a proprietary quantitative investment process to measure and predict investor risk preferences. This investment process recognizes that the attributes that render a particular security ''risky'' or ''safe'' from an investor's perspective will change over time. The process therefore will begin with a broad set of plausible dimensions of risk, or factors that may be viewed by investors as contributing to a security's risk level at any given time. This set will include, among many other items, market beta, liquidity, and exposure to certain commodities, leading economic indicators, currency, credit risk, and performance differences between cyclical and defensive sectors. The Adviser will then use a sequence of procedures to develop a subset of attributes representing those it believes to be relevant to investors at a given time. This subset will help form the Adviser's forecast for aggregate risk appetite and assist the Adviser in generating the groups of securities likely to benefit the most and least in light of that forecast. Different predictions of risk appetite may result in portfolios that are more defensive or risk-seeking, based on what the market considers safe and/or risky at a given time. For example, during periods of anticipated investor preference for low risk, the Adviser will adjust the Risk Aware Portfolio's composition to be defensive and may increase exposure to large cap companies. On the other hand, during periods of anticipated investor preference for high risk, the Adviser will adjust the Risk Aware Portfolio's composition to be risk-seeking and may increase exposure to small cap companies. Similarly, exposures to value, growth, quality and other themes will vary depending on how they align with investor risk appetite at a given time. In periods of anticipated investor preference for moderate risk, the Risk Aware Portfolio's composition will more closely reflect the weighted composition of the Russell 3000 Index. The Adviser believes the ebbing and flowing of risk preferences give this strategy the potential to provide competitive returns relative to the Russell 3000 Index over the long term. The Risk Aware Portfolio will be non-diversified for purposes of the 1940 Act, and as a result may invest a greater percentage of its assets in a particular issuer than a diversified fund. However, it is expected that the Risk Aware Portfolio will have exposure to a diversified mix of equity securities.

SPDR SSgA Large Cap Risk Aware ETF

The SPDR SSgA Large Cap Risk Aware ETF will seek to provide competitive returns compared to the large cap U.S. equity market and capital appreciation.

Under normal circumstances,[9] the Fund will invest all of its assets in the SSgA Large Cap Risk Aware Portfolio (''Large Cap Portfolio''), a separate series of the SSgA Master Trust with an identical investment objective as the Fund. As a result, the Fund will invest indirectly through the Large Cap Portfolio.

In seeking its objective, the Large Cap Portfolio will invest in a diversified selection of equity securities included in the Russell 1000 Index that the Adviser believes are aligned with predicted investor risk preferences.[10] The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1,000 of the largest securities, which may include business development companies, based on a combination of their market cap and current index membership. The Russell 1000 Index represents approximately 92% of the U.S. market. The Russell 1000 Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to ensure new and growing equities are reflected. As of September 30, 2013, the Russell 1000 Index was comprised of 1,003 stocks.

Under normal circumstances, the Large Cap Portfolio will invest at least 80% of its net assets (plus the amount of borrowings for investment purposes) in securities of large-cap companies. The Large Cap Portfolio considers large-cap companies to be companies with market capitalizations falling within the range of the Russell 1000 Index at the time of initial purchase. In selecting securities for the Large Cap Portfolio, the Adviser will utilize a proprietary quantitative investment process to measure and predict investor risk preferences. This investment process recognizes that the attributes that render a particular security ''risky'' or ''safe'' from an investor's perspective will change over time. The process therefore will begin with a broad set of plausible dimensions of risk, or factors that may be viewed by investors as contributing to a security's risk level at any given time. This set includes, among many other items, market beta, liquidity, and exposure to certain commodities, leading economic indicators, currency, credit risk, and performance differences between cyclical and defensive sectors. The Adviser then will use a sequence of procedures to develop a subset of attributes representing those it believes to be relevant to investors at a given time. This subset will help form the Adviser's forecast for aggregate risk appetite and assist the Adviser in generating the groups of securities likely to benefit the most and least in light of that forecast. Different predictions of risk appetite may result in portfolios that are more defensive or risk-seeking, based on what the market considers safe and/or risky at a given time. For example, during periods of anticipated investor preference for low risk, the Adviser will adjust the Large Cap Portfolio's composition to be defensive. On the other hand, during periods of anticipated investor preference for high risk, the Adviser will adjust the Large Cap Portfolio's composition to be risk-seeking. Similarly, exposures to value, growth, quality and other themes will vary depending on how they align with investor risk appetite at a given time. In periods of anticipated investor preference for moderate risk, the Large Cap Portfolio's composition will more closely reflect the weighted composition of the Russell 1000 Index. The Adviser believes the ebbing and flowing of risk preferences give this strategy the potential to provide competitive returns relative to the Russell 1000 Index over the long term. The Large Cap Portfolio

[8] The Portfolios will invest only in equity securities that trade in markets that are members of the Intermarket Surveillance Group (''ISG'') or are parties to a comprehensive surveillance sharing agreement with the Exchange.

[9] *See supra* note 7.

[10] *See supra* note 8.

will be non-diversified for purposes of the 1940 Act, and as a result may invest a greater percentage of its assets in a particular issuer than a diversified fund. However, it is expected that the Large Cap Portfolio will have exposure to a diversified mix of equity securities.

SPDR SSgA Small Cap Risk Aware ETF

The SPDR SSgA Small Cap Risk Aware ETF will seek to provide competitive returns compared to the small cap U.S. equity market and capital appreciation.

Under normal circumstances,[11] the Fund will invest all of its assets in the SSgA Small Cap Risk Aware Portfolio (''Small Cap Portfolio''), a separate series of the SSgA Master Trust with an identical investment objective as the Fund. As a result, the Fund will invest indirectly through the Small Cap Portfolio.

In seeking its objective, the Small Cap Portfolio will invest in a diversified selection of equity securities included in the Russell 2000 Index that the Adviser believes are aligned with predicted investor risk preferences.[12] The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity market. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of the Russell 3000® Index. The Russell 2000 Index includes approximately 2000 of the smallest securities, including business development companies, based on a combination of their market cap and current index membership. The Russell 2000 Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. As of September 30, 2013, the Russell 2000 Index was comprised of 1,962 securities.

Under normal circumstances, the Small Cap Portfolio will invest at least 80% of its net assets (plus the amount of borrowings for investment purposes) in securities of small-cap companies. The Small Cap Portfolio considers small-cap companies to be companies with market capitalizations falling within the range of the Russell 2000 Index at the time of initial purchase. In selecting securities for the Small Cap Portfolio, the Adviser will utilize a proprietary quantitative investment process to measure and predict investor risk preferences. This investment process recognizes that the attributes that render a particular security ''risky'' or ''safe'' from an investor's perspective will change over time. The process therefore will begin with a broad set of plausible dimensions of risk, or factors that may be viewed by investors as contributing to a security's risk level at any given time. This set will include, among many other items, market beta, liquidity, and exposure to certain commodities, leading economic indicators, currency, credit risk, and performance differences between cyclical and defensive sectors. The Adviser then will use a sequence of procedures to develop a subset of attributes representing those it believes to be relevant to investors at a given time. This subset will help form the Adviser's forecast for aggregate risk appetite and assist the Adviser in generating the groups of securities likely to benefit the most and least in light of that forecast. Different predictions of risk appetite may result in portfolios that are more defensive or risk-seeking, based on what the market considers safe and/or risky at a given time. For example, during periods of anticipated investor preference for low risk, the Adviser will adjust the Small Cap Portfolio's composition to be defensive. On the other hand, during periods of anticipated investor preference for high risk, the Adviser will adjust the Small Cap Portfolio's composition to be risk-seeking. Similarly, exposures to value, growth, quality and other themes will vary depending on how they align with investor risk appetite at a given time. In periods of anticipated investor preference for moderate risk, the Small Cap Portfolio's composition will more closely reflect the weighted composition of the Russell 2000 Index. The Adviser believes the ebbing and flowing of risk preferences give this strategy the potential to provide competitive returns relative to the Russell 2000 Index over the long term. The Small Cap Portfolio will be non-diversified for purposes of the 1940 Act, and as a result may invest a greater percentage of its assets in a particular issuer than a diversified fund. However, it is expected that the Small Cap Portfolio will have exposure to a diversified mix of equity securities.

Other Investments

While, under normal circumstances, the Adviser, with respect to each Portfolio, will invest at least 80% of such Portfolio's net assets in equity securities, as described above, the Adviser may invest up to 20% of a Portfolio's net assets in other securities and financial instruments, as described below.

Each Fund may (either indirectly through its investments in the corresponding Portfolio or, in the absence of normal circumstances,[13] directly) invest in the following types of investments. The investment practices of the Portfolios are the same in all material respects to those of the Funds.

In the absence of normal circumstances, a Fund may (either directly or through the corresponding Portfolio) temporarily depart from its normal investment policies and strategies provided that the alternative is consistent with the Fund's investment objective and is in the best interest of the Fund. For example, a Fund may hold a higher than normal proportion of its assets in cash in times of extreme market stress.

Each Portfolio may invest in short term instruments, including money market instruments (including money market funds advised by the Adviser), cash and cash equivalents on an ongoing basis to provide liquidity or for other reasons. Money market instruments are generally short-term investments that may include but are not limited to: (i) Shares of money market funds (including those advised by the Adviser); (ii) obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities (including government-sponsored enterprises); (iii) negotiable certificates of deposit (''CDs''), bankers' acceptances, fixed time deposits and other obligations of U.S. and foreign banks (including foreign branches) and similar institutions; (iv) commercial paper rated at the date of purchase ''Prime-1'' by Moody's Investor's Service or ''A–1'' by Standard & Poor's, or if unrated, of comparable quality as determined by the Adviser; (v) non-convertible corporate debt securities (*e.g.,* bonds and debentures) with remaining maturities at the date of purchase of not more than 397 days and that satisfy the rating requirements set forth in Rule 2a–7 under the 1940 Act; and (vi) short-term U.S. dollar-denominated obligations of foreign banks (including U.S. branches) that, in the opinion of the Adviser, are of comparable quality to obligations of U.S. banks which may be purchased by a Portfolio. Commercial paper consists of short-term, promissory notes issued by banks, corporations and other entities to finance short-term credit needs. Any of these instruments may be purchased on a current or a forward-settled basis.

Each Portfolio may invest in repurchase agreements with commercial

[11] *See supra* note 7.

[12] *See supra* note 8.

[13] *See supra* note 7.

banks, brokers or dealers to generate income from its excess cash balances and to invest securities lending cash collateral. The Exchange states that a repurchase agreement is an agreement under which a fund acquires a financial instrument (*e.g.,* a security issued by the U.S. Government or an agency thereof, a banker's acceptance or a certificate of deposit) from a seller, subject to resale to the seller at an agreed upon price and date (normally, the next business day).

Each Portfolio may invest in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted or exchanged (by the holder or by the issuer) into shares of the underlying common stock (or cash or securities of equivalent value) at a stated exchange ratio. A convertible security may also be called for redemption or conversion by the issuer after a particular date and under certain circumstances (including a specified price) established upon issue.

Each Portfolio may invest in U.S. Government obligations. U.S. Government obligations are a type of bond. U.S. Government obligations include securities issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities.

Each Portfolio may invest in U.S. agency mortgage pass-through securities. The Exchange states that the term ''U.S. agency mortgage pass-through security'' refers to a category of pass-through securities backed by pools of mortgages and issued by one of several U.S. Government-sponsored enterprises: The Government National Mortgage Association (''Ginnie Mae''), Federal National Mortgage Association (''Fannie Mae''), or Federal Home Loan Mortgage Corporation (''Freddie Mac'').

The Portfolios will seek to obtain exposure to U.S. agency mortgage pass-through securities primarily through the use of ''to-be-announced'' or ''TBA transactions.'' The Exchange states that ''TBA'' refers to a commonly used mechanism for the forward settlement of U.S. agency mortgage pass-through securities, and not to a separate type of mortgage-backed security, and that most transactions in mortgage pass-through securities occur through the use of TBA transactions.[14]

Each Portfolio may purchase U.S. exchange-listed common stocks and U.S. exchange-listed preferred securities of foreign corporations. Investments in common stock of foreign corporations may also be in the form of American Depositary Receipts (''ADRs''), Global Depositary Receipts (''GDRs'') and European Depositary Receipts (''EDRs'') (collectively ''Depositary Receipts''). A Portfolio may invest in unsponsored Depositary Receipts.

Each Portfolio may invest in bonds, including corporate bonds as well as U.S. registered, dollar-denominated bonds of foreign corporations, governments, agencies and supra-national entities. Each Portfolio may invest up to 10% of its net assets in high yield debt securities.

The Portfolios may invest in inflation-protected public obligations, commonly known as ''TIPS,'' of the U.S. Treasury, as well as TIPS of major governments and emerging market countries, excluding the United States. The Exchange states that TIPS are a type of security issued by a government that are designed to provide inflation protection to investors.

Each Portfolio may invest in variable and floating rate securities.[15] The Exchange states that variable rate securities are instruments issued or guaranteed by entities such as (1) the U.S. government or an agency or instrumentality thereof, (2) corporations, (3) financial institutions, (4) insurance companies, or (5) trusts that have a rate of interest subject to adjustment at regular intervals but less frequently than annually.

Each Portfolio may invest in Variable Rate Demand Obligations (''VRDOs''). The Exchange states that VRDOs are short-term tax exempt fixed income instruments whose yield is reset on a periodic basis and that VRDO securities tend to be issued with long maturities of up to 30 or 40 years; however, they are considered short-term instruments because they include a put feature which coincides with the periodic yield reset.

Each Portfolio may invest in restricted securities. The Exchange states that restricted securities are securities that are not registered under the Securities Act, but which can be offered and sold to ''qualified institutional buyers'' under Rule 144A under the Securities Act.[16]

Each Portfolio may conduct foreign currency transactions on a spot (*i.e.,* cash) or forward basis (*i.e.,* by entering into forward contracts to purchase or sell foreign currencies). At the discretion of the Adviser, the Portfolios may enter into forward currency exchange contracts for hedging purposes to help reduce the risks and volatility caused by changes in foreign currency exchange rates, or to gain exposure to certain currencies.

Each Portfolio may invest in the securities of other investment companies, including affiliated funds, money market funds and closed-end funds, subject to applicable limitations under Section 12(d)(1) of the 1940 Act. Each Portfolio may invest in exchange-traded products (''ETPs'').[17] ETPs include exchange-traded funds registered under the 1940 Act; exchange traded commodity trusts; and exchange traded notes (''ETNs'').[18]

The Adviser may invest up to 20% of its total assets in one or more ETPs that are qualified publicly traded partnerships (''QPTPs'') and whose principal activities are the buying and selling of commodities or options, futures, or forwards with respect to commodities.[19] The Exchange states that a QPTP is an entity that is treated as a partnership for federal income tax

[14] To minimize the risk of default by a counterparty, a Portfolio will enter into TBA transactions only with established counterparties (such as major broker-dealers) and the Adviser will monitor the creditworthiness of such counterparties.

[15] A variable rate security provides for the automatic establishment of a new interest rate on set dates. A floating rate security provides for the automatic adjustment of its interest rate whenever a specified interest rate changes. Interest rates on these securities are ordinarily tied to, and are a percentage of, a widely recognized interest rate, such as the yield on 90-day U.S. Treasury bills or the prime rate of a specified bank.

[16] When Rule 144A restricted securities present an attractive investment opportunity and meet other selection criteria, a Portfolio may make such investments whether or not such securities are ''illiquid'' depending on the market that exists for the particular security. The Board has delegated the responsibility for determining the liquidity of Rule 144A restricted securities that a Portfolio may invest in to the Adviser. *See infra* note 20.

[17] For each of the Portfolios, ETPs include Investment Company Units (as described in NYSE Arca Equities Rule 5.2(j)(3)); Index-Linked Securities (as described in NYSE Arca Equities Rule 5.2(j)(6)); Portfolio Depositary Receipts (as described in NYSE Arca Equities Rule 8.100); Trust Issued Receipts (as described in NYSE Arca Equities Rule 8.200); Commodity-Based Trust Shares (as described in NYSE Arca Equities Rule 8.201); Currency Trust Shares (as described in NYSE Arca Equities Rule 8.202); Commodity Index Trust Shares (as described in NYSE Arca Equities Rule 8.203); Trust Units (as described in NYSE Arca Equities Rule 8.500); Managed Fund Shares (as described in NYSE Arca Equities Rule 8.600), and closed-end funds. The ETPs all will be listed and traded in the U.S. on registered exchanges. While a Fund may invest in inverse ETPs, a Fund will not invest in leveraged or inverse leveraged ETPs (*e.g.,* 2X or 3X).

[18] ETNs are debt obligations of investment banks which are traded on exchanges and the returns of which are linked to the performance of market indexes. In addition to trading ETNs on exchanges, investors may redeem ETNs directly with the issuer on a weekly basis, typically in a minimum amount of 50,000 units, or hold the ETNs until maturity.

[19] The Exchange states that examples of such entities are the PowerShares DB Energy Fund, PowerShares DB Oil Fund, PowerShares DB Precious Metals Fund, PowerShares DB Gold Fund, PowerShares DB Silver Fund, PowerShares DB Base Metals Fund, and PowerShares DB Agriculture Fund, which are listed and traded on the Exchange pursuant to NYSE Arca Equities Rule 8.200.

purposes, subject to certain requirements, and that income from QPTPs is generally qualifying income for purposes of Subchapter M of the Internal Revenue Code.

The Portfolios may invest in real estate investment trusts (''REITs'').

Each Portfolio may enter into reverse repurchase agreements.

Neither the Funds nor the Portfolios will invest in options contracts, futures contracts, or swap agreements.

The Funds' investments will be consistent with the Funds' investment objectives and will not be used to enhance leverage.

Each Fund is classified as ''non-diversified.'' Each Fund will be ''non-diversified'' under the 1940 Act and may invest more of its assets in fewer issuers than ''diversified'' funds.

The Funds do not intend to concentrate their investments in any particular industry.

The Funds intend to qualify for and to elect treatment as a separate regulated investment company under Subchapter M of the Internal Revenue Code.

Each Portfolio may hold up to an aggregate amount of 15% of its net assets in illiquid securities (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser.[20] Each Portfolio will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of a Fund's net assets are held in illiquid securities. Illiquid securities include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.

III. Discussion and Commission's Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of Section 6 of the Act[21] and the rules and regulations thereunder applicable to a national securities exchange.[22] In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,[23] which requires, among other things, that the Exchange's rules be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Commission notes that the Funds and the Shares must comply with the initial and continued listing criteria in NYSE Arca Equities Rule 8.600 for the Shares to be listed and traded on the Exchange.

The Commission finds that the proposal to list and trade the Shares on the Exchange is consistent with Section 11A(a)(1)(C)(iii) of the Act,[24] which sets forth Congress' finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations for, and transactions in, securities. Quotation and last-sale information for the Shares of each Fund will be available via the Consolidated Tape Association (''CTA'') highspeed line. In addition, the IOPV,[25] which is the Portfolio Indicative Value as defined in NYSE Arca Equities Rule 8.600(c)(3), will be widely disseminated at least every 15 seconds during the Core Trading Session by one or more major market data vendors.[26] On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Funds will disclose on their Web site the Disclosed Portfolio, as defined in NYSE Arca Equities Rule 8.600(c)(2), that will form the basis for the Funds' calculation of NAV at the end of the business day.[27] In addition, a basket composition file, which includes the security names and share quantities required to be delivered in exchange for each Fund's Shares, together with estimates and actual cash components, will be publicly disseminated daily prior to the opening of the New York Stock Exchange, LLC (''NYSE'') via the National Securities Clearing Corporation. The basket will represent one creation unit of a Fund. The NAV of each Fund will be determined once each business day, normally as of the close of normal trading on the NYSE (normally, 4:00 p.m., Eastern Time).[28] Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. 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. The intra-day, closing, and settlement prices of the Portfolio securities and other assets held by the Funds and Portfolios are readily available from the national securities exchanges trading such securities, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Quotation and last sale information for the underlying U.S. exchange-traded equities, including exchange-traded ETPs, will be available via the CTA high-speed line and from the national securities exchange on which they are listed. Pricing information regarding each asset class in which the Funds or Portfolios will invest is generally available through nationally recognized data service providers through subscription arrangements. Quotation information from brokers and dealers or pricing services will be available for fixed income securities, including U.S. Government obligations, other money market instruments, repurchase and reverse repurchase agreements,

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

[21] 15 U.S.C. 78f.

[22] In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[23] 15 U.S.C. 78f(b)(5).

[24] 15 U.S.C. 78k–1(a)(1)(C)(iii).

[25] According to the Exchange, the IOPV calculations are estimates of the value of the Funds' NAV per Share using market data converted into U.S. dollars at the current currency rates. The IOPV price will be based on quotes and closing prices from the securities' local market and may not reflect events that occur subsequent to the local market's close. Premiums and discounts between the IOPV and the market price may occur. The IOPV should not be viewed as a ''real-time'' update of the NAV per Share of a Fund, which is calculated only once a day.

[26] According to the Exchange, several major market data vendors display and/or make widely available IOPVs taken from CTA or other data feeds.

[27] On a daily basis, the Adviser will disclose for each portfolio security and other financial instrument of the Funds and of the Portfolios the following information on the Funds' Web site: ticker symbol (if applicable), name of security and financial instrument, number of shares or dollar value of financial instruments held in the portfolio, and percentage weighting of the security and financial instrument in the portfolio. The Web site information will be publicly available at no charge.

[28] Each Fund will calculate NAV using the NAV of the respective Portfolio. The NAV of a Portfolio will be calculated by the Custodian and determined at the close of the regular trading session on the NYSE (ordinarily 4:00 p.m. Eastern time) on each day that the NYSE is open, provided that assets (and, accordingly, a Portfolio's NAV) may be valued as of the announced closing time for trading in instruments on any day that the applicable exchange or market on which a Portfolio's investments are traded announces an early closing time.

convertible securities, U.S. agency mortgage pass-through securities, unsponsored Depositary Receipts, corporate bonds, TIPS, variable floating rate securities (including VRDOs), and spot and forward currency transactions held by the Funds and Portfolios. The Funds' Web site will include a form of the prospectus for the Funds and additional data relating to NAV and other applicable quantitative information.

The Commission further believes that the proposal to list and trade the Shares is reasonably designed to promote fair disclosure of information that may be necessary to price the Shares appropriately and to prevent trading when a reasonable degree of transparency cannot be assured. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share of each Fund will be calculated daily, and that the NAV and the Disclosed Portfolio for each Fund will be made available to all market participants at the same time. Trading in Shares of a Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable,[29] and trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth additional circumstances under which trading in the Shares of a Fund may be halted. The Exchange states that it has a general policy prohibiting the distribution of material, non-public information by its employees. Consistent with NYSE Arca Equities Rule 8.600(d)(2)(B)(ii), the Reporting Authority must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material, non-public information regarding the actual components of the Funds' portfolios. In addition, the Exchange states that the Adviser has implemented a ''fire wall'' with respect to its affiliated broker-dealer regarding access to information concerning the composition or changes to the Funds' portfolios.[30] The Exchange represents that trading in the Shares will be subject to the existing trading 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.[31] The Exchange further 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. Moreover, prior to the commencement of trading, the Exchange states that it will inform its Equity Trading Permit Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares.

The Exchange represents that the Shares are deemed to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. In support of this proposal, the Exchange has made representations, including the following:

(1) The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600.

(2) The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions.

(3) FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares and underlying equity securities (including, without limitation, sponsored ADRs and ETPs) and other exchange-traded securities with other markets and other entities that are members of ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares and underlying equity securities (including, without limitation, sponsored ADRs and ETPs) and other exchange-traded securities from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and underlying equity securities (including, without limitation, sponsored ADRs and ETPs) and other exchange-traded securities from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

(4) The Portfolios will invest only in equity securities that trade in markets that are members of the ISG or are parties to a comprehensive surveillance sharing agreement with the Exchange.

(5) Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Specifically, the Information Bulletin will discuss the following: (a) The procedures for purchases and redemptions of Shares in creation units (and that Shares are not individually redeemable); (b) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its Equity Trading Permit Holders to learn the essential facts relating to every customer prior to trading the Shares; (c) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated IOPV will not be calculated or publicly disseminated; (d) how information regarding the IOPV is disseminated; (e) the requirement that Equity Trading Permit Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (f) trading information.

(6) For initial and continued listing, the Funds will be in compliance with Rule 10A–3 under the Act,[32] as provided by NYSE Arca Equities Rule 5.3.

(7) Each Portfolio may hold up to an aggregate amount of 15% of its net assets in illiquid securities (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser, consistent with Commission guidance.

(8) Under normal circumstances, each Fund will invest all of its assets in its corresponding Portfolio. Furthermore, under normal circumstances, the Adviser, with respect to each Portfolio,

[29] These reasons may include: (1) The extent to which trading is not occurring in the securities or the financial instruments composing the Disclosed Portfolio of a Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Funds.

[30] *See supra* note 5. The Exchange states that an investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (''Advisers Act''). As a result, the Adviser 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.

[31] The Exchange states that FINRA surveils trading on the Exchange pursuant to a regulatory services agreement and that the Exchange is responsible for FINRA's performance under this regulatory services agreement.

[32] 17 CFR 240.10A–3.

will invest at least 80% of such Portfolio's net assets in equity securities.

(9) Neither the Funds nor the Portfolios will invest in options contracts, futures contracts, or swap agreements.

(10) A Portfolio will enter into TBA transactions only with established counterparties (such as major broker-dealers) and the Adviser will monitor the creditworthiness of such counterparties.

(11) Each Fund's investments will be consistent with its investment objective and will not be used to enhance leverage. While the Funds may invest in inverse ETFs, the Funds will not invest in leveraged or inverse leveraged ETFs (*e.g.,* 2X or 3X).

(12) A minimum of 100,000 Shares for each Fund will be outstanding at the commencement of trading on the Exchange.

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

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act [33] and the rules and regulations thereunder applicable to a national securities exchange.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[34] that the proposed rule change (SR–NYSEArca–2014–11) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[35]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–06760 Filed 3–26–14; 8:45 am]

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[33] 15 U.S.C. 78f(b)(5).

[34] 15 U.S.C. 78s(b)(2).

[35] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–71764; File No. SR–CBOE–2014–003]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Granting Approval of Proposed Rule Change To List and Trade CBOE Short-Term Volatility Index Options

March 21, 2014.

I. Introduction

On January 27, 2014, the Chicago Board Options Exchange, Incorporated (''Exchange'' or ''CBOE'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to list options on the CBOE Short-Term Volatility Index (''VXST''). The proposed rule change was published for comment in the **Federal Register** on February 6, 2014.[3] The Commission received no comments on the proposed rule change. This order grants approval of the proposed rule change.

II. Description of the Proposed Rule Change

The Exchange proposes to list and trade A.M. cash-settled, European-style options on the VXST, which will expire every week. According to the Exchange, VXST is designed to measure investors' consensus view of future (nine day) expected stock market volatility, and VXST options will trade alongside the existing CBOE Volatility Index (''VIX'') options (which expire on a monthly basis and measure a 30 day period of implied volatility).[4] The Exchange states that the calculation of VXST is based on the VIX methodology as applied to option series on the S&P 500 index that expire on every Friday.[5] The constituent S&P 500 index options that expire on a Friday (*i.e.,* nine days from the VXST option expiration date, which is typically a Wednesday in the preceding week) may include the following types of options on the S&P 500 index: Standard monthly options, End-of-Week (''EOW'') expirations, and Quarterly Index (''QIX'') expirations. According to the Exchange, because some of the constituent options used to calculate VXST are A.M.-settled and some are P.M.-settled, the amount of time covered by a specific contract will vary slightly depending on the type of series used for any given A.M.-settled VXST option.[6]

Similar to VIX and VIX options, the cash (spot) VXST value will be calculated using premium quotations and the exercise settlement value for VXST options will be calculated using the actual opening premium prices of the constituent S&P 500 index options on the expiration day of the VXST option.[7] The Exchange will compute values for VXST on a real-time basis throughout each trading day, from approximately 8:30 a.m. (Chicago time) until approximately 3:15 p.m. (Chicago time).[8] VXST levels will be calculated by CBOE and generally disseminated at 15-second intervals to major market data vendors.[9] The trading hours for VXST options will be from 8:30 a.m. to 3:15 p.m. (Chicago time).[10]

The Exchange proposes to list up to 12 near-term VXST option expiration weeks, and that new series will be permitted to be added up to and including on the last day of trading for an expiring VXST option contract.[11]

As proposed, the exercise settlement value for a VXST option will be calculated on the specific date (usually a Wednesday) identified in the option symbol for the series.[12] If that

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 71458 (January 31, 2014), 79 FR 7239 (''Notice'').

[4] According to the Exchange, the VXST index was introduced by CBOE on October 1, 2013 and has been disseminated at least once a day on every trading day since that time. *See* Notice, *supra* note 3, at 7239–40.

[5] The Exchange states that VXST is calculated in the same manner as other volatility indexes (*e.g.,* VIX). A more detailed explanation of the method used to calculate the VIX may be found on the CBOE's Web site at *http://www.cboe.com/micro/vix/vixwhite.pdf. See* Notice, *supra* note 3, at 7240.

[6] For a VXST option contract calculated using A.M.-settled standard S&P 500 index options, the period of implied volatility covered by the contract will be exactly nine days. For a VXST option contract calculated using P.M.-settled EOW or QIX on the S&P 500 index, the period of implied volatility covered by the contract will be nine days, plus 390 minutes. *See* Notice, *supra* note 3, at 7240.

[7] *See id.*

[8] *See id.*

[9] According to the Exchange, when VIX options and VXST options expire on the same day, as the calculator of volatility indexes, CBOE would not begin disseminating the spot (cash) values for any volatility index that CBOE calculates until the S&P 500 index option series that CBOE will use to calculate the exercise settlement value for VIX options have opened. On all other VXST option expiration days, as the calculator of volatility indexes, CBOE would not begin disseminating the spot (cash) values for any volatility index that CBOE calculates until the S&P 500 index option series that CBOE will use to calculate the exercise settlement value for VXST options have opened. *See id.,* at n. 8.

[10] *See id.,* at 7241.

[11] *See* CBOE Rules 24.9(a)(2) and 24.9.01(c).

[12] *See* CBOE Rule 24.9(a)(6). According to the Exchange, option symbols are constructed as follows: Symbol + Expiration Date (Year, Month, Day) + Call or Put + Strike Price (in dollars to three decimal places). *See* Notice, *supra* note 3, at n. 14.