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**Laurence Brewer,**

*Chief Records Officer for the U.S. Government.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85948; File No. SR-CboeBZX-2019-044]

### Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change To Allow the JPMorgan Core Plus Bond ETF of the J.P. Morgan Exchange-Traded Fund Trust To Hold Certain Instruments in a Manner That May Not Comply With Rule 14.11(i), Managed Fund Shares

May 28, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 15, 2019, Cboe BZX Exchange, Inc. (“Exchange” or “BZX”) 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.

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

The Exchange proposes a rule change to allow the JPMorgan Core Plus Bond ETF (the “Fund”) of the J.P. Morgan Exchange-Traded Fund Trust (the “Trust” or the “Issuer”) to hold certain instruments in a manner that may not comply with Rule 14.11(i) (“Managed Fund Shares”). The shares of the Fund are referred to herein as the “Shares.”

The text of the proposed rule change is also available on the Exchange’s website ([http://markets.cboe.com/us/equities/regulation/rule\\_filings/bzx/](http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/)), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

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

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

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

###### 1. Purpose

The Shares began trading on the Exchange on January 30, 2019, pursuant to the to the generic listing standards applicable to Managed Fund Shares under Rule 14.11(i)<sup>3</sup> (the “Generic Listing Standards”) and are currently listed on the Exchange pursuant to a rule filing that was approved by the Commission on April 22, 2019 granting certain exceptions to the Generic Listing Standards.<sup>4</sup> The Original Approval Order allows the Fund to hold instruments in a manner that may not comply with Rule 14.11(i)(4)(C)(ii)(d),<sup>5</sup> Rule 14.11(i)(4)(C)(iv)(b),<sup>6</sup> and/or Rule

<sup>3</sup> The Commission approved Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018).

<sup>4</sup> See Securities Exchange Act Release No. 85701 (April 22, 2019) (SR-CboeBZX-2019-016) (the “Original Approval Order”).

<sup>5</sup> Rule 14.11(i)(4)(C)(ii)(d) provides that “component securities that in aggregate account for at least 90% of the fixed income weight of the portfolio must be either: (a) From issuers that are required to file reports pursuant to Sections 13 and 15(d) of the 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.” The Original Approval Order allows the fixed income portion of the portfolio excluding ABS and Private MBS, as defined below, to satisfy this 90% requirement.

<sup>6</sup> Rule 14.11(i)(4)(C)(iv)(b) provides that “the aggregate gross notional value of listed derivatives based on any five or fewer underlying reference assets shall not exceed 65% of the weight of the portfolio (including gross notional exposures), and the aggregate gross notional value of listed derivatives based on any single underlying reference asset shall not exceed 30% of the weight of the portfolio (including gross notional exposures).” The Exchange is proposing that the Fund would meet neither the 65% nor the 30%

14.11(i)(4)(C)(i).<sup>7</sup> Otherwise, the Fund complies with all other listing requirements on an initial and continued listing basis under Rule 14.11(i).

While the Fund currently meets all of the continued listing requirements applicable under the Original Approval Order, the Adviser would like to increase the flexibility of the Fund’s holdings in a way that might not meet such requirements. As such, the Exchange submits this proposal in order to allow the Shares to continue listing and trading on the Exchange while holding certain instruments in a manner that, in addition to the exceptions to the Generic Listing Standards provided under the Original Approval Order, also may not comply with three [sic] of the quantitative requirements under the Generic Listing Standards. Specifically, the Exchange submits this proposal in order to allow the Fund to hold instruments in a manner that may not comply with Rule 14.11(i)(4)(C)(ii)(a)<sup>8</sup>

requirements of Rule 14.11(i)(4)(C)(iv)(b). Specifically, the Original Approval Order allows the Fund be exempt from this requirement as it relates to the Fund’s holdings in futures and options (including options on futures) referencing Eurodollars and sovereign debt issued by the United States (*i.e.*, U.S. Department of Treasury Securities (“Treasury Securities”)) and other “Group of Seven” countries (Group of Seven or G-7 countries include the United States, Canada, France, Germany, Italy, Japan and the United Kingdom), where such futures and options contracts are listed on an exchange that is an Intermarket Surveillance Group (“ISG”) member or an exchange with which the Exchange has a comprehensive surveillance sharing agreement (“Eurodollar and G-7 Sovereign Futures and Options”). The Fund may also hold other listed derivatives, which will include only the following: Debt futures, interest rate futures, index futures, foreign exchange futures, equity options, equity futures, Treasury options, options on Treasury futures, interest rate swaps, foreign exchange options, foreign exchange swaps, credit default swaps (including single-name and index reference pools), loan credit default swap indices, and inflation-linked swaps, however such holdings will, when calculated independently of the Fund’s holdings in Eurodollar and G-7 Sovereign Futures and Options, meet the requirements of Rule 14.11(i)(4)(C)(iv)(b).

<sup>7</sup> The Original Approval Order also allows the Fund to be issued certain equity instruments (“Equity Holdings”) that may not meet the requirements of Rule 14.11(i)(4)(C)(i). The Fund will not purchase such instruments and will dispose of such holdings as the Adviser determines is in the best interest of the Fund’s shareholders. Such holdings will not constitute more than 10% of the Fund’s net assets. The Adviser expects that the Fund will generally acquire such instruments through issuances that it receives by virtue of its other holdings, such as corporate actions or convertible securities.

<sup>8</sup> Rule 14.11(i)(4)(C)(ii)(a) provides that “components that in the aggregate account for at least 75% of the fixed income weight of the portfolio must each have a minimum original principal amount outstanding of \$100 million or more.” The Exchange instead is proposing that the components that in the aggregate account for at

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

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

and Rule 14.11(i)(4)(C)(ii)(e).<sup>9</sup> Otherwise, the Fund will continue to comply with all other listing requirements applicable under the Original Approval Order on an initial and continued listing basis under Rule 14.11(i). As noted above, the Fund currently complies with the continued listing obligations applicable under the Original Approval Order and will continue to meet such obligations until and unless this proposal is approved.

The Fund is an actively managed exchange-traded fund that seeks a high level of current income by investing primarily in a diversified portfolio of high-, medium, and low-grade debt securities.<sup>10</sup> The Shares are offered by the Trust, which was established as a Delaware statutory trust. The Trust is registered with the Commission as an open-end investment company and has filed an effective registration statement on behalf of the Fund on Form N-1A ("Registration Statement") with the Commission.<sup>11</sup>

#### Description of the Shares and the Fund

J.P. Morgan Investment Management, Inc. is the investment adviser (the "Adviser") to the Fund. JPMorgan Chase Bank, N.A. is the administrator, custodian, and transfer agent for the Trust. JPMorgan Distribution Services, Inc. serves as the distributor ("Distributor") for the Trust.

Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect 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>12</sup> In addition, Rule 14.11(i)(7) further requires that personnel who make decisions on the investment company's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable investment company portfolio. Rule 14.11(i)(7) is similar to Rule 14.11(b)(5)(A)(i), however, Rule 14.11(i)(7) in connection with the establishment of a "fire wall" between the investment adviser and the broker-dealer reflects the applicable open-end fund's portfolio, not an underlying benchmark index, as is the case with index-based funds. The Adviser is not a registered broker-dealer, but is affiliated with multiple broker-dealers and has implemented and will maintain "fire walls" with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Fund's portfolio. In addition, Adviser personnel who make decisions regarding the Fund's portfolio are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Fund's portfolio. In the event that (a) the Adviser becomes registered as a broker-dealer or newly affiliated with another broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, it will implement and maintain a fire wall with respect to its relevant personnel or such broker-dealer affiliate, as applicable, regarding access to information concerning the composition and/or

changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended.

#### JPMorgan Core Plus Bond ETF

According to the Registration Statement, the Fund is an actively managed exchange-traded fund that will seek a high level of current income by investing primarily in a diversified portfolio of high-, medium-, and low-grade debt securities. The Fund seeks to achieve its investment objective by investing, under Normal Market Conditions,<sup>13</sup> at least 80% of its net assets in Bonds.<sup>14</sup> The Adviser will invest across the credit spectrum to provide the Fund exposure to various credit ratings. Under Normal Market Conditions, at least 65% of the Fund's assets will be invested in securities that, at the time of purchase, are rated investment grade by a nationally recognized statistical rating organization or in securities that are unrated but are deemed by the Adviser to be of comparable quality. Among others, such securities include U.S. or foreign mortgage-backed securities ("MBS"), which are securities that represent direct or indirect participations in, or are collateralized and by and payable from, mortgage loans secured by real property and which may be issued or guaranteed by government-sponsored

least 60% of the fixed income weight of the portfolio will each have a minimum original principal outstanding of \$100 million or more.

<sup>9</sup> Rule 14.11(i)(4)(C)(ii)(e) provides 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 "20% Restriction") The Exchange is proposing that the Fund be permitted to hold up to 40% of the weight of the fixed income portion of the portfolio in non-agency, non-GSE and privately-issued mortgage-related and other asset-backed securities.

<sup>10</sup> The Fund plans to employ a strategy very similar to that currently employed by JPMorgan Core Plus Bond Fund, a mutual fund operated by the Adviser since March 5th, 1993.

<sup>11</sup> See Registration Statement on Form N-1A for the Trust, dated January 23, 2019 (File Nos. 333-191837 and 811-22903). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order granting certain exemptive relief to the Trust under the Investment Company Act of 1940 (15 U.S.C. 80a-1) ("1940 Act") (the "Exemptive Order"). Investment Company Act Release No. 31990 (February 9, 2016) (File No. 812-13761).

<sup>12</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.

<sup>13</sup> As defined in Rule 14.11(i)(3)(E), the term "Normal Market Conditions" includes, but is not limited to, the absence of trading halts in the applicable financial markets generally; operational issues causing dissemination of inaccurate market information or system failures; or force majeure type events such as natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption, or any similar intervening circumstance. In response to adverse market, economic, or political conditions, the Fund reserves the right to invest in cash and Cash Equivalents, as defined below, without limitation, as determined by the Adviser.

<sup>14</sup> For purposes of this proposal, the term "Bond" includes only the following: Corporate bonds, U.S. government and agency debt securities, asset-backed securities, municipal securities, credit linked notes, participation notes, collateralized debt obligations, agency, non-agency and stripped mortgage-related and mortgage-backed securities (including adjustable rate mortgage loans), convertible securities (including contingent convertible securities), preferred stock, loan participations and assignments, commitments to loan assignments, variable and floating rate instruments, commercial paper, and foreign and emerging market debt securities. The Adviser intends to hold asset-backed securities, mortgage-related and mortgage-backed securities as part of a strategy designed to manage portfolio risk by diversifying away from corporate debt and to take advantage of certain market environments.

entities (“GSEs”)<sup>15</sup> such as Fannie Mae (formally known as the Federal National Mortgage Association) or Freddie Mac (formally known as the Federal Home Loan Mortgage Corporation) or issued or guaranteed by agencies of the U.S. government, such as the Government National Mortgage Association (“Ginnie Mae”);<sup>16</sup> and U.S. or foreign asset-backed securities (“ABS”).<sup>17</sup> Under Normal Market Conditions, the Fund will not invest more than 35% of its assets in securities rated below investment grade. The Fund’s average weighted maturity will ordinarily range between five and twenty years.

Under Normal Market Conditions, the Fund may also invest up to 20% of its net assets in the following: Cash and certain Cash Equivalents<sup>18</sup> that are not

otherwise captured under the definition of Bond, listed derivative instruments,<sup>19</sup> as described above, and OTC derivative instruments.<sup>20</sup> The Fund’s holdings in Cash Equivalents and OTC derivative instruments will be in compliance with the limitations provided in Rules 14.11(i)(4)(C)(iii), 14.11(i)(4)(C)(v), respectively, and both listed and OTC derivative instruments will be in compliance with the limitations of Rule 14.11(i)(4)(C)(vi).<sup>21</sup>

The Fund’s investments, including derivatives, will be consistent with the 1940 Act and the Fund’s investment objective and policies and will not be used to enhance leverage (although certain derivatives and other investments may result in leverage).<sup>22</sup> 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 (*i.e.*, 2Xs and 3Xs) of the Fund’s primary broad-based securities benchmark index (as defined in Form N-1A). The Fund will only use those derivatives described above. The Fund’s use of derivative instruments will be collateralized.

<sup>19</sup> See *supra* note 7 [sic].

<sup>20</sup> For purposes of this filing, OTC derivative instruments will include only the following: Index options, foreign exchange options, swaptions, credit default swaps (including single-name and index reference pools), foreign exchange swaps, loan credit default swap indices, inflation-linked swaps, interest rate swaps, non-dollar swaps, non-deliverable forward contracts and foreign exchange forward contracts.

<sup>21</sup> As noted above and allowed under the Original Approval Order, the Fund may by virtue of its Bond holdings be issued certain Equity Holdings that may not meet the requirements of Rule 14.11(i)(4)(C)(i). The Fund will not purchase Equity Holdings and, as such, they are excluded from both the 80% and the 20% buckets described above. The Fund will dispose of such holdings as the Adviser determines is in the best interest of the Fund’s shareholders and such holdings will not constitute more than 10% of the Fund’s net assets.

<sup>22</sup> The Fund will include appropriate risk disclosure in its offering documents, including leveraging risk. Leveraging risk is the risk that certain transactions of a fund, including a fund’s use of derivatives, may give rise to leverage, causing a fund to be more volatile than if it had not been leveraged. To mitigate leveraging risk, the Fund will segregate or earmark liquid assets determined to be liquid by the Adviser in accordance with procedures established by the Trust’s Board and in accordance with the 1940 Act (or, as permitted by applicable regulations, enter into certain offsetting positions) to cover its obligations under derivative instruments. These procedures have been adopted consistent with Section 18 of the 1940 Act and related Commission guidance. See 15 U.S.C. 80a-18; Investment Company Act Release No. 10666 (April 18, 1979), 44 FR 25128 (April 27, 1979); Dreyfus Strategic Investing, Commission No-Action Letter (June 22, 1987); Merrill Lynch Asset Management, L.P., Commission No-Action Letter (July 2, 1996).

## Discussion

The Exchange submits this proposal because the Adviser does not expect that the Fund’s fixed income securities holdings will meet all of the listing requirements applicable to the Shares under the Original Approval Order and Rule 14.11(i)(4)(C)(ii). The Fund will meet all requirements under Rule 14.11(i) except for those provided in the Original Approval Order<sup>23</sup> and those exceptions sought under this proposal, as described above, including Rule 14.11(i)(4)(C)(ii)(a)<sup>24</sup> and Rule 14.11(i)(4)(C)(ii)(e).

As it relates to Rule 14.11(i)(4)(C)(ii)(a), the Exchange is proposing only to reduce the weight of the fixed income portion of the portfolio that would need to have a minimum original principal amount outstanding of \$100 million or more from 75% to 60%, which, based on the types of securities held by the Fund, it believes is not such a significant change in the composition of the fixed income portion of the portfolio as to meaningfully undercut the policy rationale underlying the rule, as outlined below. Rule 14.11(i)(4)(C)(ii)(a) is intended to ensure that the fixed income holdings of a series of Managed Fund Shares are sufficiently large as to prevent manipulation in the underlying holdings. The types of fixed income securities held by the Fund will often be in tranches of less than \$100 million dollars, meaning that the securities would not be included for purposes of the calculation, however, many of such securities would be part of a deal with an underlying collateral pool well over a \$100 million dollars, often greater than \$500 million, making them less susceptible to manipulation than many other securities with a minimum original principal greater than \$100 million. As such, the total deal size of many of the securities held by the Fund are significantly larger than the tranches on which the testing for the rule is based and would mitigate the concerns that rule 14.11(i)(4)(C)(ii)(a) is intended to address. Finally, the proposed change only represents a slight reduction to the applicable standard, which, combined

<sup>23</sup> The Original Approval Order provides exceptions to Rule 14.11(i)(4)(C)(ii)(d), Rule 14.11(i)(4)(C)(iv)(b), and/or Rule 14.11(i)(4)(C)(i) for the Fund.

<sup>24</sup> Rule 14.11(i)(4)(C)(ii)(a) provides that “components that in the aggregate account for at least 75% of the fixed income weight of the portfolio must each have a minimum original principal amount outstanding of \$100 million or more.” The Exchange instead is proposing that the components that in the aggregate account for at least 60% of the fixed income weight of the portfolio will each have a minimum original principal outstanding of \$100 million or more.

<sup>15</sup> A “GSE” is a type of financial services corporation created by the United States Congress. GSEs include Fannie Mae and Freddie Mac, but not Sallie Mae, which is no longer a government entity.

<sup>16</sup> For purposes of this proposal, MBS include only collateralized mortgage obligations (“CMOs”), which are debt obligations collateralized by mortgage loans or mortgage pass-through securities. Typically, CMOs are collateralized by Ginnie Mae, Fannie Mae or Freddie Mac certificates, but they may also be collateralized by whole loans or pass-through securities issued by private issuers (*i.e.*, issuers other than U.S. government agencies or GSEs) (“Private MBS”). Payments of principal and of interest on the mortgage-related instruments collateralizing the MBS, and any reinvestment income thereon, provide the funds to pay debt service on the CMOs. In a CMO, a series of bonds or certificates is issued in multiple classes. Each class of CMOs, often referred to as a “tranche” of securities, is issued at a specified fixed or floating coupon rate and has a stated maturity or final distribution date.

<sup>17</sup> ABS are securitized products in connection with which the securities issued, which may be issued by either a U.S. or a foreign entity, are collateralized by any type of financial asset, such as a consumer or student loan, a lease, or a secured or unsecured receivable. For purposes of this filing, ABS exclude: (i) MBS; (ii) a small business administration backed ABS traded “To Be Announced” or in a specified pool transaction as defined in FINRA Rule 6710(x); and (iii) U.S. or foreign collateralized debt obligations. As described above, the holdings of the Fund may not meet the 20% Restriction from Rule 14.11(i)(4)(C)(ii)(e), specifically in that the Fund’s holdings in ABS and Private MBS (together, “ABS and Private MBS”) may reach up to 40% of the weight of the fixed income portion of the Fund’s portfolio.

<sup>18</sup> As defined in Exchange Rule 14.11(i)(4)(C)(iii)(b), Cash Equivalents are short-term instruments with maturities of less than three months, which includes only the following: (i) U.S. Government securities, including bills, notes, and bonds differing as to maturity and rates of interest, which are either issued or guaranteed by the U.S. Treasury or by U.S. Government agencies or instrumentalities; (ii) certificates of deposit issued against funds deposited in a bank or savings and loan association; (iii) bankers acceptances, which are short-term credit instruments used to finance commercial transactions; (iv) repurchase agreements and reverse repurchase agreements; (v) bank time deposits, which are monies kept on deposit with banks or savings and loan associations for a stated period of time at a fixed rate of interest; (vi) commercial paper, which are short-term unsecured promissory notes; and (vii) money market funds.

with the other reasons described above, the Exchange believes will continue to mitigate the policy concerns that Rule 14.11(i)(4)(C)(ii)(a) is intended to address.

The Fund will also hold certain ABS and Private MBS in a manner that may not comply with Rule 14.11(i)(4)(C)(ii)(e). Such holdings are part of a strategy designed to manage the Fund's portfolio risk by diversifying away from corporate debt and to take advantage of certain market environments. This strategy will be actively managed by the Adviser and will adapt to both changing market environments and shifts in the underlying holdings of the Fund, but would be overly limited by the 20% Restriction under Rule 14.11(i)(4)(C)(ii)(e) that prevents the Fund from holding more than 20% of the fixed income portion of its portfolio in ABS and Private MBS. As such, the Exchange is proposing to allow the Fund to hold up to 40% of the weight of the fixed income portion of its portfolio in ABS and Private MBS. The Fund will utilize ABS and Private MBS as a means to diversify its portfolio of Bonds, which is intended to lower the volatility of the portfolio through a market cycle (typically three to five years). Greater exposure to the ABS and Private MBS would allow the Fund the flexibility to fully implement its risk mitigation strategy, while still limiting the Fund's holdings in ABS and Private MBS to 40% of the fixed income portion of the portfolio.

Further, because the Exchange is proposing to allow the Fund's holdings in ABS and Private MBS to increase (from 20% to 40% of the fixed income portion of the portfolio, as described above), the circumstances under which the exception to Rule 14.11(i)(4)(C)(ii)(d) was approved in the Original Approval Order are changing. The Original Approval Order provides that, instead of 90% of the weight of the Fund's holdings in fixed income securities meeting at least one of subparagraphs (a)–(e) in Rule 14.11(i)(4)(C)(ii)(d), Rule 14.11(i)(4)(C)(ii)(d) would apply only to the Fund's holdings in fixed income securities that are not ABS and Private MBS, which are currently limited to 20% of the fixed income portion of the portfolio by the 20% Restriction.

The Exchange believes that keeping this continued listing requirement from the Original Approval Order is consistent with the Act because the risk of manipulation of the Fund's investments in ABS and Private MBS are mitigated because the Adviser expects that all of its fixed income

holdings will issue Statements to Noteholders on a no less frequent than quarterly basis.<sup>25</sup> Further, the Adviser represents that permitting limited investments in ABS and Private MBS, as described above, would be in the best interest of the Fund's shareholders because such investments have the potential to reduce the overall risk profile of the Fund's portfolio through diversification while ensuring that the policy concerns that Rule 14.11(i)(4)(C)(ii)(d) is intended to address are mitigated. As such, while the Fund will not technically meet the requirements of Rule 14.11(i)(4)(C)(ii)(d)(a), the policy concerns related to the transparency and availability of information regarding the fixed income securities held by a fund that the rule is intended to address are otherwise mitigated both by the availability of Statements to Noteholders.

In addition, the Exchange represents that: (1) Except as described above, the

<sup>25</sup> While the Adviser expects that all of its fixed income holdings will issue Statements to Noteholders, it cannot guarantee that the holdings will issue Statements to Noteholders. While Rule 14.11(i)(4)(C)(ii)(d) subparagraph (a) includes in the 90% calculation all fixed income securities that are required to file reports pursuant to Sections 13 or 15(d) of the Act, many fixed income securities include in the bond indenture a requirement that the issuer make a public disclosure of a Statement to Noteholders even where they are not required to file such reports. Rule 14.11(i)(4)(C)(ii)(d) is intended to ensure that there is sufficient public information about the issuances and/or issuers of the fixed income securities held by a series of Managed Fund Shares. A Statement to Noteholders generally includes the same pieces of information about an issuer and issuance that would be included in Form 10D. Statements to Noteholders also typically include the following types of information: (1) The amount of the distribution(s) allocable to interest on the notes; (2) the amount of the distribution(s) allocable to principal of the notes; (3) the note balance, after taking into account all payments to be made on such distribution date; (4) the servicing fee paid and/or due but unpaid as of such distribution date; (5) the pool balance and required overcollateralization amount as of the close of business on the last day of the related collection period; (6) the reserve fund amount, the reserve fund required amount and the reserve fund draw amount; (7) the amount of the aggregate realized losses on the loans, if any, for the preceding collection period and the cumulative default ratio; (8) whether an amortization event will exist as of such distribution date; (9) the aggregate repurchase prices for loans, if any, that were repurchased by the seller during the related collection period; (10) the amount of fees payable to all parties pursuant to the indenture; (11) any and all other fees, expenses, indemnities or taxes payable by the issuer or the grantor trust (including reserved amounts for payments required to be made before the next distribution date); (12) the payments to the certificate holders; and (13) during a pre-funding period, the amount on deposit in the pre-funding account as of the close of business on the last day of the related collection period, and the pool balance of subsequent loans purchased during the related collection period, and following the pre-funding period, the amount of principal payments made on each class of notes from amounts on deposit in the pre-funding account.

Fund will continue to satisfy all of the continued listing obligations applicable under the Original Approval Order; (2) the continued listing standards under Rule 14.11(i) will apply to the Shares of the Fund; (3) the Fund will adhere to its stated investment objective under Normal Market Conditions; and (4) the issuer of the Fund is required to comply with Rule 10A–3<sup>26</sup> under the Act for the initial and continued listing of the Shares. In addition, the Exchange represents that the Fund will meet and be subject to all other requirements of the Generic Listing Standards and other applicable continued listing requirements for Managed Fund Shares under Exchange Rule 14.11(i), including those requirements regarding the Disclosed Portfolio (as defined in the Exchange rules) and the requirement that the Disclosed Portfolio and the net asset value ("NAV") will be made available to all market participants at the same time,<sup>27</sup> intraday indicative value,<sup>28</sup> suspension of trading or removal,<sup>29</sup> trading halts,<sup>30</sup> disclosure,<sup>31</sup> and firewalls.<sup>32</sup>

#### The Shares

The Fund will issue and redeem Shares on a continuous basis at the NAV per Share only in large blocks of a specified number of Shares or multiples thereof ("Creation Units") in transactions with authorized participants who have entered into agreements with the Distributor. A Creation Unit currently consists of 50,000 Shares, though this number may change from time to time. The exact number of Shares that will constitute a Creation Unit will be disclosed in the Registration Statement of the Fund. Once created, Shares of the Fund trade on the secondary market in amounts less than a Creation Unit.

Additional information regarding the Shares and the Fund, including investment strategies, risks, creation and redemption procedures, fees and expenses, portfolio holdings disclosure policies, distributions, taxes and reports to be distributed to beneficial owners of the Shares can be found in the Registration Statement or on the website for the Fund ([www.JPMorgan.com/etfs](http://www.JPMorgan.com/etfs)), as applicable.

<sup>26</sup> 17 CFR 240.10A–3.

<sup>27</sup> See Exchange Rules 14.11(i)(4)(A)(ii) and 14.11(i)(4)(B)(ii).

<sup>28</sup> See Exchange Rule 14.11(i)(4)(B)(i).

<sup>29</sup> See Exchange Rule 14.11(i)(4)(B)(iii).

<sup>30</sup> See Exchange Rule 14.11(i)(4)(B)(iv).

<sup>31</sup> See Exchange Rule 14.11(i)(6).

<sup>32</sup> See Exchange Rule 14.11(i)(7).

### Availability of Information

As noted above, the Fund will comply with the requirements for Managed Fund Shares related to Disclosed Portfolio, NAV, and the Intraday Indicative Value, as defined in Rule 14.11(i)(3)(C). Additionally, the intraday, closing and settlement prices of exchange-traded portfolio assets, including futures, listed swaps, listed options, and certain Equity Holdings, will be readily available from the exchanges on which such products are listed, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Quotation and last sale information for U.S. exchange-listed options contracts cleared by The Options Clearing Corporation will be available via the Options Price Reporting Authority. Intraday price quotations on Bonds, OTC derivative instruments, and OTC Equity Holdings are available from major broker-dealer firms and from third-parties, which may provide prices free with a time delay or in real-time for a paid fee. Price information for Cash Equivalents will be available from major market data vendors.

The Disclosed Portfolio will be available on the Fund's website ([www.jpmorgan.com/etfs](http://www.jpmorgan.com/etfs)) free of charge. The Fund's website includes a form of the prospectus for the Fund and additional information related to NAV and other applicable quantitative information. Information regarding market price and trading volume of the Shares will be continuously available throughout the day on brokers' computer screens and other electronic services. Quotation and last sale information on the Shares will be available through the Consolidated Tape Association. Information regarding the previous day's closing price and trading volume for the Shares will be published daily in the financial section of newspapers. Trading in the Shares may be halted for market conditions or for reasons that, in the view of the Exchange, make trading inadvisable. 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. The Exchange has appropriate rules to facilitate trading in the shares during all trading sessions.

### Surveillance

Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Managed Fund Shares. All of the futures contracts

and listed options contracts, as well as certain Equity Holdings held by the Fund will trade on markets that are a member of ISG or affiliated with a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.<sup>33</sup> The Exchange, FINRA, on behalf of the Exchange, or both will communicate regarding trading in the Shares and the underlying listed instruments, including listed derivatives and certain Equity Holdings, held by the Fund with the ISG, other markets or entities who are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, the Exchange or FINRA may obtain information regarding trading in the Shares and the underlying listed instruments, including listed derivatives and certain Equity Holdings, held by the Fund from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. Additionally, the Exchange or FINRA, on behalf of the Exchange, are able to access, as needed, trade information for certain fixed income instruments reported to FINRA's Trade Reporting and Compliance Engine ("TRACE"). Trade price and other information relating to municipal securities is available through the Municipal Securities Rulemaking Board's (the "MSRB") Electronic Municipal Market Access ("EMMA") system. All statements and representations made in this filing regarding the description of the portfolio or reference assets, limitations on portfolio holdings or reference assets, dissemination and availability of reference asset, and intraday indicative values, and the applicability of Exchange rules specified in this filing shall constitute continued listing requirements for the Fund. The issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund or the Shares to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will surveil for compliance with the continued listing requirements. If the Fund or the Shares are not in compliance with the applicable listing requirements, the

Exchange will commence delisting procedures under Exchange Rule 14.12.

### 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. The Exchange will halt trading in the Shares under the conditions specified in Rule 11.18. Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) The extent to which trading is not occurring in the securities and/or the financial instruments composing the Disclosed Portfolio of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares also will be subject to Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which trading in the Shares of a 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. The Exchange allows trading in the Shares from 8:00 a.m. until 8:00 p.m. Eastern Time. The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in Rule 11.11(a), the minimum price variation for quoting and entry of orders in Managed Fund Shares traded on the Exchange is \$0.01, with the exception of securities that are priced less than \$1.00, for which the minimum price variation for order entry is \$0.0001.

### 2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act<sup>34</sup> in general and Section 6(b)(5) of the Act<sup>35</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange is proposing that the Fund will not meet Rule 14.11(i)(4)(C)(ii)(a), which requires that

<sup>33</sup> For a list of the current members and affiliate members of ISG, see [www.isgportal.com](http://www.isgportal.com). The Exchange notes that not all components of the Disclosed Portfolio for 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>34</sup> 15 U.S.C. 78f.

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

the at least 75% of the weight of the fixed income portion of a fund's portfolio has a minimum original principal amount outstanding of \$100 million or more. Instead, the Exchange is proposing to reduce the weight of the fixed income portion of the portfolio from 75% to 60%, which, based on the types of securities held by the Fund, the Exchange believes is not such a significant change in the composition of the fixed income portion of the portfolio as to meaningfully undercut the policy rationale underlying the rule. Rule 14.11(i)(4)(C)(ii)(a) is intended to ensure that the fixed income holdings of a series of Managed Fund Shares are sufficiently large as to prevent manipulation in the underlying holdings. The types of fixed income securities held by the Fund will often be in tranches of less than \$100 million dollars, meaning that the securities would not be included for purposes of the calculation, however, many of such securities would be part of a deal with an underlying collateral pool well over a \$100 million dollars, often greater than \$500 million, making them less susceptible to manipulation than many other securities with a minimum original principal greater than \$100 million. As such, the total deal size of many of the securities held by the Fund are significantly larger than the tranches on which the testing for the rule is based and would mitigate the concerns that rule 14.11(i)(4)(C)(ii)(a) is intended to address. Finally, the proposed change only represents a slight reduction to the applicable standard, which, combined with the other reasons described above, the Exchange believes will continue to mitigate the policy concerns that Rule 14.11(i)(4)(C)(ii)(a) is intended to address.

The Fund will also hold certain ABS and Private MBS in a manner that may not comply with Rule 14.11(i)(4)(C)(ii)(e). Such holdings are part of a strategy designed to manage the Fund's portfolio risk by diversifying away from corporate debt and to take advantage of certain market environments. This strategy will be actively managed by the Adviser and will adapt to both changing market environments and shifts in the underlying holdings of the Fund, but would be overly limited by the 20% Restriction under Rule 14.11(i)(4)(C)(ii)(e) that prevents the Fund from holding more than 20% of the fixed income portion of its portfolio in ABS and Private MBS. As such, the Exchange is proposing to allow the Fund to hold up to 40% of the weight of the fixed income portion of its

portfolio in ABS and Private MBS. The Fund will utilize ABS and Private MBS as a means to diversify its portfolio of Bonds, which is intended to lower the volatility of the portfolio through a market cycle (typically three to five years). Greater exposure to the ABS and Private MBS would allow the Fund the flexibility to fully implement its risk mitigation strategy, while still limiting the Fund's holdings in ABS and Private MBS to 40% of the fixed income portion of the portfolio.

Further, because the Exchange is proposing to allow the Fund's holdings in ABS and Private MBS to increase (from 20% to 40% of the fixed income portion of the portfolio, as described above), the circumstances under which the exception to Rule

14.11(i)(4)(C)(ii)(d) was approved in the Original Approval Order are changing. The Original Approval Order provides that, instead of 90% of the weight of the Fund's holdings in fixed income securities meeting at least one of subparagraphs (a)–(e) in Rule 14.11(i)(4)(C)(ii)(d), Rule 14.11(i)(4)(C)(ii)(d) would apply only to the Fund's holdings in fixed income securities that are not ABS and Private MBS, which are currently limited to 20% of the fixed income portion of the portfolio by the 20% Restriction.

The Exchange believes that keeping this continued listing requirement from the Original Approval Order is consistent with the Act because the risk of manipulation of the Fund's investments in ABS and Private MBS are mitigated because the Adviser expects that all of its fixed income holdings will issue Statements to Noteholders on a no less frequent than quarterly basis.<sup>36</sup> Further, the Adviser

<sup>36</sup> While the Adviser expects that all of its fixed income holdings will issue Statements to Noteholders, it cannot guarantee that the holdings will issue Statements to Noteholders. While Rule 14.11(i)(4)(C)(ii)(d) subparagraph (a) includes in the 90% calculation all fixed income securities that are required to file reports pursuant to Sections 13 or 15(d) of the Act, many fixed income securities include in the bond indenture a requirement that the issuer make a public disclosure of a Statement to Noteholders even where they are not required to file such reports. Rule 14.11(i)(4)(C)(ii)(d) is intended to ensure that there is sufficient public information about the issuances and/or issuers of the fixed income securities held by a series of Managed Fund Shares. A Statement to Noteholders generally includes the same pieces of information about an issuer and issuance that would be included in Form 10D. Statements to Noteholders also typically include the following types of information: (1) The amount of the distribution(s) allocable to interest on the notes; (2) the amount of the distribution(s) allocable to principal of the notes; (3) the note balance, after taking into account all payments to be made on such distribution date; (4) the servicing fee paid and/or due but unpaid as of such distribution date; (5) the pool balance and required overcollateralization amount as of the

represents that permitting limited investments in ABS and Private MBS, as described above, would be in the best interest of the Fund's shareholders because such investments have the potential to reduce the overall risk profile of the Fund's portfolio through diversification while ensuring that the policy concerns that Rule

14.11(i)(4)(C)(ii)(d) is intended to address are mitigated. As such, while the Fund will not technically meet the requirements of Rule

14.11(i)(4)(C)(ii)(d)(a), the policy concerns related to the transparency and availability of information regarding the fixed income securities held by a fund that the rule is intended to address are otherwise mitigated both by the availability of Statements to Noteholders.

In addition, the Exchange represents that: (1) Except as described above, the Fund will continue to satisfy all of the continued listing obligations applicable under the Original Approval Order; (2) the continued listing standards under Rule 14.11(i) will apply to the Shares of the Fund; (3) the Fund will adhere to its stated investment objective under Normal Market Conditions; and (4) the issuer of the Fund is required to comply with Rule 10A–3<sup>37</sup> under the Act for the initial and continued listing of the Shares. In addition, the Exchange represents that the Fund will meet and be subject to all other requirements of the Generic Listing Standards and other applicable continued listing requirements for Managed Fund Shares under Exchange Rule 14.11(i), including those requirements regarding the Disclosed Portfolio (as defined in the Exchange rules) and the requirement that the Disclosed Portfolio and the net asset value ("NAV") will be made available to all market participants at

close of business on the last day of the related collection period; (6) the reserve fund amount, the reserve fund required amount and the reserve fund draw amount; (7) the amount of the aggregate realized losses on the loans, if any, for the preceding collection period and the cumulative default ratio; (8) whether an amortization event will exist as of such distribution date; (9) the aggregate repurchase prices for loans, if any, that were repurchased by the seller during the related collection period; (10) the amount of fees payable to all parties pursuant to the indenture; (11) any and all other fees, expenses, indemnities or taxes payable by the issuer or the grantor trust (including reserved amounts for payments required to be made before the next distribution date); (12) the payments to the certificate holders; and (13) during a pre-funding period, the amount on deposit in the pre-funding account as of the close of business on the last day of the related collection period, and the pool balance of subsequent loans purchased during the related collection period, and following the pre-funding period, the amount of principal payments made on each class of notes from amounts on deposit in the pre-funding account.

<sup>37</sup> 17 CFR 240.10A–3.



the same time,<sup>38</sup> intraday indicative value,<sup>39</sup> suspension of trading or removal,<sup>40</sup> trading halts,<sup>41</sup> disclosure,<sup>42</sup> and firewalls.<sup>43</sup>

The Exchange further believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will continue to be listed and traded on the Exchange pursuant to the continued listing criteria in Rule 14.11(i). The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio. The Adviser is not a registered broker-dealer, but is affiliated with multiple broker-dealers and has implemented and will maintain “fire walls” with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Fund’s portfolio. In addition, Adviser personnel who make decisions regarding the Fund’s portfolio are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Fund’s portfolio. All of the futures contracts and listed options contracts, as well as certain Equity Holdings held by the Fund will trade on markets that are a member of ISG or affiliated with a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.<sup>44</sup> The Exchange, FINRA, on behalf of the Exchange, or both may obtain information and will communicate regarding trading in the Shares and the underlying listed instruments, including listed derivatives and certain Equity Holdings, held by the Fund with the ISG, other markets or

entities who are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement.

Additionally, the Exchange or FINRA, on behalf of the Exchange, are able to access, as needed, trade information for certain fixed income instruments reported to FINRA’s TRACE. Trade price and other information relating to municipal securities is available through the MSRB EMMA system.

According to the Registration Statement, the Fund will invest, under Normal Market Conditions, at least 80% of its net assets in Bonds. Additionally, the Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), as deemed illiquid by the Adviser under the 1940 Act.<sup>45</sup> The Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of the Fund’s net assets are held in illiquid assets. Illiquid assets include 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.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of the Shares that the NAV 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. Moreover, the Intraday Indicative Value will be disseminated by one or more major market data vendors at least every 15 seconds during Regular Trading Hours. On each business day, before commencement of trading in Shares during Regular Trading Hours, the Fund will disclose on its website the Disclosed Portfolio that will form the basis for the Fund’s calculation of NAV at the end of the business day. The Fund’s website will include additional quantitative information updated on a daily basis, including, for the Fund: (1) The prior business day’s NAV and the market closing price or mid-point of the Bid/Ask Price,<sup>46</sup> and a calculation of the premium or discount of the market closing price or Bid/Ask Price against the NAV; and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily market closing price or Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. Additionally, information regarding market price and trading of the Shares will be continually available on a real-time basis throughout the day on brokers’ computer screens and other electronic services, and quotation and last sale information for the Shares will be available on the facilities of the Consolidated Tape Association. 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. Trading in Shares of a Fund will be halted under the conditions specified in Rule 11.18. Trading may also be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Finally, trading in the Shares will be subject to Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which Shares may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund’s holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

Additionally, the intra-day, closing and settlement prices of exchange-traded portfolio assets, including futures, swaps, listed options, and certain Equity Holdings, will be readily available from the exchanges on which such products are listed, automated quotation systems, published or other

<sup>38</sup> See Exchange Rules 14.11(i)(4)(A)(ii) and 14.11(i)(4)(B)(ii).

<sup>39</sup> See Exchange Rule 14.11(i)(4)(B)(i).

<sup>40</sup> See Exchange Rule 14.11(i)(4)(B)(iii).

<sup>41</sup> See Exchange Rule 14.11(i)(4)(B)(iv).

<sup>42</sup> See Exchange Rule 14.11(i)(6).

<sup>43</sup> See Exchange Rule 14.11(i)(7).

<sup>44</sup> For a list of the current members and affiliate members of ISG, see [www.isgportal.com](http://www.isgportal.com). The Exchange notes that not all components of the Disclosed Portfolio for 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>45</sup> The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. See also, Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding “Restricted Securities”); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund’s portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act of 1933).

<sup>46</sup> The Bid/Ask Price of a Fund will be determined using 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 or its service providers.

public sources, or online information services such as Bloomberg or Reuters. Quotation and last sale information for U.S. exchange-listed options contracts cleared by The Options Clearing Corporation will be available via the Options Price Reporting Authority. Intraday price quotations on Bonds, OTC derivative instruments, and OTC Equity Holdings are available from major broker-dealer firms and from third-parties, which may provide prices free with a time delay or in real-time for a paid fee. Price information for Cash Equivalents will be available from major market data vendors.

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 will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG, from other exchanges that are members of ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, the Exchange, or FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income instruments reported to TRACE and the MSRB EMMA system. As noted above, investors will also have ready access to information regarding the Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

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

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act. The Exchange notes that the proposed rule change will allow the Adviser to fully implement its investment strategy, which 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*

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

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

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

- A. By order approve or disapprove such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be disapproved.

#### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### *Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeBZX-2019-044 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090. All submissions should refer to File Number SR-CboeBZX-2019-044. 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-CboeBZX-2019-044, and should be submitted on or before June 24, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>47</sup>

**Eduardo A. Aleman,**

*Deputy Secretary.*

[FR Doc. 2019-11447 Filed 5-31-19; 8:45 am]

**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

### **Proposed Collection; Comment Request**

*Upon Written Request, Copies Available From:* Securities and Exchange Commission Office of FOIA Services  
100 F Street NE, Washington, DC 20549-2736

#### *Extension:*

Rule 19b-5 and Form PILOT, SEC File No. 270-448, OMB Control No. 3235-0507

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 ("PRA") (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission ("SEC") is soliciting comments on the existing collection of information provided for in Rule 19b-5 (17 CFR 240.19b-5) and Form PILOT (17 CFR 249.821) under the Securities Exchange Act of 1934 ("Exchange Act") (15 U.S.C. 78a *et seq.*). The SEC plans to submit this existing collection of information to the Office of Management and Budget ("OMB") for extension and approval.

Rule 19b-5 provides a temporary exemption from the rule-filing requirements of Section 19(b) of the Exchange Act (15 U.S.C. 78s(b)) to self-regulatory organizations ("SROs") wishing to establish and operate pilot trading systems. Rule 19b-5 permits an SRO to develop a pilot trading system and to begin operation of such system

<sup>47</sup> 17 CFR 200.30-3(a)(12).