Commentary .01(b)(1), the Fund’s portfolio will meet all other requirements of NYSE Arca Rule 8.600–E. The Commission notes that Commentary .01(a)(1)(E) to NYSE Arca Rule 8.600–E requires that, on both an initial and continuing basis, the component stocks of the equity portion of a portfolio that are U.S. Component Stocks (as described in NYSE Arca Rule 5.2–E][3]) be listed on a national securities exchange and be NMS Stocks as defined in Rule 600 of Regulation NMS under the Act.23 Commentary .01(a)(2)(E) to NYSE Arca Rule 8.600–E requires that, on both an initial and continuing basis, the component stocks of the equity portion of a portfolio that are Non-U.S. Component Stocks (as described in NYSE Arca Rule 5.2–E][3]) be listed and traded on an exchange that has last-sale reporting. In the proposal, the Exchange states that the Fund may invest in non-exchange-traded securities of other registered investment companies (i.e., mutual funds) and OTC convertible and nonconvertible preferred stocks, but does not explain the application of Commentary .01(a)(1)(E) or Commentary .01(a)(2)(E) (or both) to these investments, and why these investments are consistent with the Act. The Commission seeks commenters’ views on these aspects of the proposal, and whether the Exchange’s statements and representations support a determination that the listing and trading of the Shares would be consistent with Section 6(b)(5) of the Act.

IV. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues identified above, as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposed rule change, as modified by Amendment No. 2, is consistent with Section 6(b)(5) or any other provision of the Act, or the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b–4 under the Act,24 any request for an opportunity to make an oral presentation.25 Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change, as modified by Amendment No. 2, should be approved or disapproved by February 22, 2018. Any person who wishes to file a rebuttal to any other person’s submission must file that rebuttal by March 8, 2018.

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. Please include File Number SR–NYSEA Arca–2017–99 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–NYSEA Arca–2017–99. 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–NYSEA Arca–2017–99 and should be submitted by February 22, 2018. Rebuttal comments should be submitted by March 8, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.26 Robert W. Errett, Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–82591; File No. SR–BatsBZX–2017–54]

Self-Regulatory Organizations; Bats BZX Exchange, Inc.; Notice of Filing of Amendment No. 4 and Order Approving on an Accelerated Basis a Proposed Rule Change, as Modified by Amendment No. 4 Thereto, To List and Trade Shares of the iShares Inflation Hedged Corporate Bond ETF Under Rule 14.11(i), Managed Fund Shares

January 26, 2018.

I. Introduction

On September 7, 2017, Bats BZX Exchange, Inc. ("BZX" or "Exchange") 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 the iShares Inflation Hedged Corporate Bond ETF ("Fund") under Exchange Rule 14.11(i) ("Managed Fund Shares"). The Commission published notice of the proposed rule change in the Federal Register on September 27, 2017.3 On November 7, 2017, pursuant to Section 19(b)(2) of the Act,4 the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.
rule change. On December 8, 2017, the Exchange submitted Amendment No. 1 to the proposed rule change. On December 15, 2017, the Exchange withdrew Amendment No. 1 and submitted Amendment No. 2 to the proposed rule change, which amended and replaced in its entirety the proposed rule change, as modified by Amendment No. 2. On January, 11, 2018, the Exchange submitted Amendment No. 3 to the proposed rule change, which amended and replaced in its entirety the proposed rule change, as modified by Amendment No. 2. On January, 11, 2018, the Exchange submitted Amendment No. 4 to the proposed rule change, which amended and replaced in its entirety the proposed rule change, as modified by Amendment No. 3. The Commission has received no comments on the proposed rule change. The Commission is publishing this notice to solicit comments on Amendment No. 4 from interested persons, and is approving the proposed rule change, as modified by Amendment No. 4, on an accelerated basis.

II. Description of the Proposed Rule Change, as Modified by Amendment No. 4

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

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

1. Purpose

This Amendment No. 4 to SR–BatsBZX–2017–54 amends and replaces in its entirety Amendment No. 3 to SR–BatsBZX–2017–54, which was submitted on January 9, 2017, which amended and replaced in its entirety Amendment No. 2 to SR–BatsBZX–2017–54, which was submitted on December 15, 2017, which amended and replaced in entirety the proposal as originally submitted on September 7, 2017. The Exchange submits this Amendment No. 3 [sic] in order to clarify certain points and add additional details about the Fund.

The Exchange proposes to list and trade the Shares under Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange. The Fund will be an actively managed exchange-traded fund that seeks to mitigate the inflation risk of a portfolio composed of U.S. dollar-denominated investment-grade corporate bonds either through holding such bonds or through holding exchange-traded funds (“ETFs”) that hold such bonds, as further described below. The Exchange submits this proposal in order to allow the Fund to hold Inflation Hedging Instruments, as defined below, in a manner that may not comply with Rule 14.11(i)(4)(C)(iv)(a) and Rule 14.11(i)(4)(C)(iv)(b), as further described below.

On December 8, 2017, the Commission instituted proceedings under Section 19(b)(2)(B) of the Act to determine whether to approve or disapprove the proposed rule change. On January 9, 2018, the Exchange submitted Amendment No. 3 to the proposed rule change, which amended and replaced in its entirety the proposed rule change, as modified by Amendment No. 2. On January 11, 2018, the Exchange submitted Amendment No. 4 to the proposed rule change, which amended and replaced in its entirety the proposed rule change, as modified by Amendment No. 3.
below. Otherwise, the Fund will comply with all other listing requirements on an initial and continued listing basis under Rule 14.11(i).

The Shares will be offered by the Trust, which was established as a Delaware statutory trust on June 21, 2011. BlackRock Fund Advisors (the “Adviser”) is the investment adviser to the Fund. The Trust is registered with the Commission as an open-end investment company and has filed a registration statement on behalf of the Fund on Form N–1A (“Registration Statement”) with the Commission.

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.14 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 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.

iShares Inflation Hedged Corporate Bond ETF

According to the Registration Statement, the Fund will be an actively managed exchange-traded fund that will seek to mitigate the inflation risk of a portfolio with exposure to U.S. dollar-denominated investment-grade corporate bonds. The Fund seeks to achieve its investment objective by investing, under Normal Market Conditions, at least 80% of its net assets in the iShares iBoxx $ Investment Grade Corporate Bond ETF (the “Underlying Fund”), U.S. dollar-denominated investment-grade corporate bonds, in one or more other ETFs16 that principally invest in U.S. dollar-denominated investment-grade corporate bonds, and in Inflation Hedging Instruments, as defined below. The Fund will gain exposure to U.S. dollar-denominated investment-grade corporate bonds primarily through investing in the Underlying Fund. As an alternative, the Fund may gain such exposure by investing in U.S. dollar-denominated investment-grade corporate bonds or through other ETFs that are listed on a U.S. national securities exchange that principally invest in U.S. dollar-denominated investment-grade corporate bonds. The Fund will attempt to mitigate the inflation risk of the Fund’s exposure to U.S. dollar-denominated investment-grade corporate bonds primarily through the use of either OTC or listed inflation swaps (i.e., contracts in which the Fund will make fixed-rate payments based on notional amount while receiving floating-rate payments determined from an inflation index) (“Inflation Swaps”),17 which are managed on an active basis. As an alternative, the Fund may also attempt to mitigate the inflation risk of the underlying securities or the Underlying Fund through investing in other products designed to transfer inflation risk from one party to another, including only the following: Treasury Inflation-Protected Securities (“TIPS”), total return swaps,18 credit default swaps,19 interest rate swaps,20 and U.S. Treasury...
futures \(^{21}\) (collectively with Inflation Swaps, “Inflation Hedging Instruments”). The Exchange is proposing to allow the Fund to hold up to 50% of the weight of its portfolio (including gross notional exposure) in Inflation Hedging Instruments, collectively, in a manner that may not comply with Rules 14.11(ii)(4)(C)(iv)(a), \(^{22}\) 14.11(ii)(4)(C)(iv)(b), \(^{23}\) and/or 14.11(ii)(4)(C)(v), \(^{24}\) as discussed above.

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). \(^{25}\) 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 \((i.e., \times 2Xs \text{ and } \times 3Xs)\) of the Fund’s primary broad-based securities benchmark index (as defined in Form N–1A). The Fund will only use derivatives included in the defined term Inflation Hedging Instruments. The Fund’s use of derivative instruments will be collateralized. As noted above, the Fund will only use derivative instruments in order to attempt to mitigate the inflation risk of the U.S. dollar-denominated investment-grade corporate bonds.

The Exchange notes that the Fund may also hold certain fixed income securities and cash and cash equivalents in compliance with Rule 14.11(ii)(4)(C)(iii) in order to collateralize its derivatives positions. The Exchange represents that, except for the exceptions to BZX Rule 14.11(ii)(4)(C) described above, the Fund’s proposed investments will satisfy, on an initial and continued listing basis, all of the generic listing standards under BZX Rule 14.11(ii)(4)(C) and all other applicable requirements for Managed Fund Shares under Rule 14.11(i). The Trust is required to comply with Rule 10A–3 under the Act for the initial and continued listing of the Shares of the Fund. In addition, the Exchange represents that the Shares of the Fund will comply with all other requirements applicable to Managed Fund Shares including, but not limited to, requirements relating to the dissemination of key information such as the Disclosed Portfolio, Net Asset Value, and the Intraday Indicative Value, rules governing the trading of equity securities, trading hours, trading halts, surveillance, firewalls, and the information circular, as set forth in Exchange rules applicable to Managed Fund Shares and the orders approving such rules. At least 100,000 Shares will be outstanding upon the commencement of trading.

Moreover, all of the equity securities and futures contracts held by the Fund will trade on markets that are a member of Intermarket Surveillance Group (“ISG”) or affiliated with a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. \(^{26}\) 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 (“TRACEx”). 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 index, 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 of the Shares 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.

Availability of Information

As noted above, the Fund will comply with the requirements for Managed Fund Shares related to Disclosed Portfolio, Net Asset Value, and the Intraday Indicative Value. Additionally, the intra-day, closing and settlement prices of exchange-traded portfolio assets, including ETFs and futures, will be readily available from the securities exchanges and futures exchanges trading such securities and futures, as the case may be, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Intraday price quotations on both listed and OTC swaps, TIPS, and fixed income instruments 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 issuer’s website 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 special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (1) The procedures for purchases and

\(^{21}\) For a list of the current members and affiliate members of ISG, see 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.
redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) BZX Rule 3.7, which imposes suitability obligations on Exchange members with respect to recommending transactions in the Shares to customers; (3) how information regarding the Intraday Indicative Value and the Disclosed Portfolio is disseminated; (4) the risks involved in trading the Shares during the Pre-Opening 27 and After Hours Trading Sessions 28 when an updated Intraday Indicative Value and Underlying Index value will not be calculated or publicly disseminated; (5) the requirement that members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Information Circular will advise members, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Fund. Members purchasing Shares from the Fund for resale to investors will deliver a prospectus to such investors. The Information Circular will also discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the Act.

In addition, the Information Circular will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Information Circular will also disclose the trading hours of the Shares of the Fund and the applicable NAV calculation time for the Shares. The Information Circular will disclose that information about the Shares of the Fund will be publicly available on the Fund’s website.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act 29 in general and Section 6(b)(5) of the Act 30. In particular, it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices, 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.

...
rate swaps 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. The Exchange, FINRA, on behalf of the Exchange, or both will communicate regarding trading in the Shares and the underlying futures contracts, equity securities, and certain of the listed Inflation Swaps, listed credit default swaps, and listed interest rate swaps 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.39 The Exchange, FINRA, on behalf of the Exchange, or both may obtain information regarding trading in the Shares and the underlying futures contracts, equity securities, and certain of the listed Inflation Swaps, listed credit default swaps, and listed interest rate swaps held by the Fund via the ISG from 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.40 Additionally, the Exchange or FINRA, on behalf of the Exchange, may access, as needed, trade information for certain fixed income instruments reported to FINRA’s Trade Reporting and Compliance Engine (“TRACE”). The Exchange has a policy prohibiting the distribution of material non-public information by its employees.

The Exchange notes that the Fund will meet and be subject to all other requirements of the Generic Listing Rules and other applicable continued listing requirements for Managed Fund Shares under Rule 14.11(i), including those requirements regarding the Disclosed Portfolio and the requirement that the Disclosed Portfolio and the NAV will be made available to all market participants at the same time,41 Intraday Indicative Value,42 suspension of trading or removal,43 trading halts,44 disclosure,45 and firewalls.46 Further, at least 100,000 Shares will be outstanding for the purpose of the Act. The Exchange notes that the proposed rule change, rather will facilitate the listing and trading of an additional actively-managed exchange-traded product that will enhance competition among both market participants and listing venues, to the benefit of investors and the marketplace.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

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

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 4, is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.48 In particular, the Commission finds that the proposed rule change, as modified by Amendment No. 4, is consistent with Section 6(b)(5) of the Act,49 which requires, among other things, that the Exchange’s rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

As noted above, the Fund may hold up to 50% of the weight of its portfolio (including gross notional exposure) in Inflation Hedging Instruments, including certain derivatives, in a manner that may not comply with the generic listing requirements in Rules 14.11(i)(4)(C)(iv)(a), 14.11(i)(4)(C)(iv)(b), and 14.11(i)(4)(C)(v).50 The Exchange states that the Fund will only use those derivatives included in the defined term Inflation Hedging Instruments and that the Fund will only use derivative instruments in order to attempt to mitigate the inflation risk of the U.S. dollar-denominated investment-grade corporate bonds to which the Fund will have exposure. The Exchange states that the Fund’s use of derivative instruments will be collateralized. In addition, the Exchange represents that the Shares of the Fund will comply with all other requirements applicable to Managed Fund Shares including, but not limited to, requirements relating to the dissemination of key information such as the Disclosed Portfolio (as defined in BZX Rule 14.11(i)(3)(B)).51 The Exchange states that the Fund’s investments in certain listed credit default swaps, certain listed interest rate swaps, and certain listed Inflation Swaps will not meet the generic listing requirement that at least 90% of the weight of the listed derivatives holdings in the portfolio be in listed derivatives for which the Exchange may obtain information via the ISG from other members or affiliates of the ISG or for which the principal market is a market with which the Exchange has a comprehensive surveillance sharing agreement.52 The Exchange represents that all of the listed credit default swaps, listed interest rate swaps, and listed Inflation Swaps that would not meet this requirement would nevertheless be listed on a U.S. SEF and, therefore, have as a primary market a SEF registered with, and under the regulatory oversight of, the CFTC.53

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The Exchange states that the Fund’s investments in listed derivatives, including U.S. Treasury futures, listed credit default swaps, listed Inflation Swaps, and listed interest rate swaps, will not meet the generic listing requirement that the aggregate gross notional value of listed derivatives based on any single underlying reference asset not exceed 30% of the weight of the portfolio.\textsuperscript{34} The Exchange states that it believes the liquidity in the Treasury futures markets mitigates manipulation concerns. In addition, as discussed above, all listed credit default swaps, listed interest rate swaps and listed Inflation Swaps that the Fund will invest in will be traded on U.S. SEFs registered with the CFTC. The Exchange states that the price transparency and surveillance performed by the applicable SEF on which the credit default swaps, interest rate swaps, or Inflation Swaps are listed would act to mitigate the risk of manipulation of the Shares. The Exchange also states that it believes that the size of the inflation swaps market,\textsuperscript{55} which would include all of the listed swaps that the Fund intends to invest in, mitigates manipulation concerns relating to both the listed and OTC swaps held by the Fund.\textsuperscript{56}

The Exchange states that the Fund’s holdings in OTC derivatives, which include OTC total return swaps, OTC interest rate swaps, and OTC Inflation Swaps, will exceed 20% of the weight of the portfolio and, therefore, not meet the generic listing requirements.\textsuperscript{57} The Exchange states that the Fund will attempt to limit counterparty risk in non-cleared OTC total return swaps by entering into such contracts only with counterparties the Adviser believes are creditworthy and by limiting the Fund’s exposure to each counterparty, and that the Adviser will monitor the creditworthiness of each counterparty and the Fund’s exposure to each counterparty on an ongoing basis. In addition, the Exchange represents that all OTC Inflation Swaps and OTC interest rate swaps held by the Fund will be cleared. The Exchange also represents that the Adviser generally expects the mark-to-market value of the OTC swaps to remain at around 5% of the Fund’s net assets.\textsuperscript{58} Finally, the Exchange states that the inflation swap market,\textsuperscript{59} which would include all of the listed and OTC swaps that the Fund intends to invest in, is large and liquid, which mitigates the concerns the 20% limitation on OTC derivatives is intended to address.\textsuperscript{60} The Commission also finds that the proposal is consistent with Section 11A(a)(1)(C)(iii) of the Act,\textsuperscript{61} which sets forth Congress’s 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 will be available via the Consolidated Tape Association (“CTA”). Further, as required by Rule 14.11(i)(4B)(i), the Intraday Indicative Value will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange’s Regular Trading Hours (as defined in Rule 1.5(w)). 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 exchange-traded portfolio assets, including ETFs and futures, will be readily available from the securities exchanges and futures exchanges trading such securities and futures, as the case may be, automated quotation systems, published or other public sources, or online information services, such as Bloomberg or Reuters. Intraday price quotations on both listed and OTC swaps, TIPS, and fixed income instruments will be 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. In addition, the

\textsuperscript{34} See Rule 14.11(i)(4)(C)(iv)(b).

\textsuperscript{35} See supra note 34.

\textsuperscript{36} The Exchange states that, as of November 28, 2017, publicly available data from LCH.Clearnet Limited, there was approximately $2.3 billion in average daily volume in inflation swaps (which would include the listed and OTC credit default swaps, interest rate swaps, and Inflation Swaps that the Fund intends to invest in) cleared through LCH.Clearnet Limited and over $241 billion in notional interest outstanding in such inflation swaps. See supra note 35.

\textsuperscript{37} See Rule 14.11(i)(4)(C)(iv).

\textsuperscript{55} See supra note 34.

\textsuperscript{56} See supra note 56.

\textsuperscript{57} See supra note 57.

\textsuperscript{58} See supra note 36.

\textsuperscript{59} See supra note 36.

\textsuperscript{60} See supra note 36.

\textsuperscript{61} See supra note 60.

\textsuperscript{62} See supra note 61.

\textsuperscript{63} See supra note 62.

\textsuperscript{64} See supra note 63.

\textsuperscript{65} See supra note 64.

\textsuperscript{66} See supra note 65.

\textsuperscript{67} See supra note 36.
portfolio’s exposure to U.S. dollar-denominated investment-grade corporate bonds.

(3) At least 100,000 Shares will be outstanding upon the commencement of trading.

(4) Trading of the Shares on the Exchange will be subject to the Exchange’s surveillance procedures for derivative products, and these 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.

(5) The Exchange, the Financial Industry Regulatory Authority (“FINRA”) on behalf of the Exchange, or both, will communicate regarding trading in the Shares and the underlying futures contracts, equity securities, and certain of the listed swaps 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, FINRA on behalf of the Exchange, or both may obtain information regarding trading in the Shares and the underlying futures contracts, equity securities, and certain of the listed swaps held by the Fund via the ISG from 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. The Exchange or FINRA, on behalf of the Exchange, may access, as needed, trade information for certain fixed income instruments reported to FINRA’s Trade Reporting and Compliance Engine.

(6) Prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (a) The procedures for purchases and redemptions of Shares in creation units (and that Shares are not individually redeemable); (b) Rule 3.7, which imposes suitability obligations on Exchange members with respect to recommending transactions in the Shares to customers; (c) how information regarding the Intraday Indicative Value and Disclosed Portfolio is disseminated; (d) the risks involved in trading the Shares during the Pre-Opening and After Hours Trading Sessions when an updated Intraday Indicative Value will not be calculated or publicly disseminated; (e) the requirement that members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (f) trading information.

(7) All of the equity securities and futures contracts, and certain of the listed Inflation Swaps, listed credit default swaps, and listed interest rate swaps 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.

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

(9) For initial and continued listing of the Shares, the Trust must be in compliance with Rule 10A–3 under the Act.

The Exchange represents that all statements and representations made in the filing regarding (1) the description of the portfolio or reference assets; (2) limitations on portfolio holdings or reference assets; (3) dissemination and availability of index, reference asset, and Intraday Indicative Values; and (4) the applicability of Exchange rules specified in the rule filing constitute continued listing requirements for the Fund. In addition, 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 is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under Exchange Rule 14.12. This approval order is based on all of the Exchange’s statements and representations made in the filing regarding (1) the description of the portfolio or reference assets; (2) limitations on portfolio holdings or reference assets; (3) dissemination and availability of index, reference asset, and Intraday Indicative Values; and (4) the applicability of Exchange rules specified in the rule filing constitute continued listing requirements for the Fund.

IV. Solicitation of Comments on Amendment No. 4 to the Proposed Rule Change

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 4 to the proposed rule change.

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64 See 17 CFR 240.10A–3.

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. Please include File No. SR–BatsBZX–2017–54 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 No. SR–BatsBZX–2017–54. 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 communications relating 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 such 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 No. SR–BatsBZX–2017–54 and should be submitted on or before February 22, 2018.

V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 4

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 4, prior to the 30th day after the date of publication of notice of Amendment No. 4 in the Federal Register. Amendment No. 4 supplements the proposal by, among other things: (1) Providing...
additional information regarding the Fund’s holdings in Inflation Hedging Instruments; (2) making additional representations regarding the Fund and Shares, including representations relating to the Fund’s investments in derivatives and the ability of the Exchange to surveil trading in the Shares and certain of the underlying investments; and (3) providing additional justification for why the Fund’s proposed investments are consistent with the Act. These changes assist the Commission in evaluating the Exchange’s proposal and in determining that the listing and trading of the Shares is consistent with the Act. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act, to approve the proposed rule change, as modified by Amendment No. 4, on an accelerated basis.

VI. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR–BatsBZX–2017–54), as modified by Amendment No. 4 thereto, be, and it hereby is, approved on an accelerated basis.

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

Robert W. Errett, Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations: The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Make a Technical Adjustment to Its Rules To Allow Sub-Penny Quoting and Order Entry in Managed Fund Shares Priced Less Than $1.00

January 26, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") and Rule 19b–4 thereunder, notice is hereby given that on January 23, 2018, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Nasdaq Rule 5735 to make a technical adjustment to its rules to allow sub-penny quoting and order entry in Managed Fund Shares. This filing is substantively identical to the relevant portion of NYSE Arca, Inc. filing (SR–NYSEArca–2010–36).3

The text of the proposed rule change is available on the Exchange’s website at http://nasdaq.cchwallstreet.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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

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

1. Purpose

The Exchange proposes to make a technical adjustment [sic] its rules to allow sub-penny quoting of Managed Fund Shares. Currently, Nasdaq Rule 5735 restricts the minimum price variation for quoting and order entry to $0.01. Consistent with Regulation NMS Rule 612, the Exchange proposes to remove this provision to allow such securities to be quoted in a minimum pricing increment of $0.0001 for securities priced less than $1.00. The Exchange notes that it has not had any of the aforementioned securities quoted below a dollar nor does it anticipate such an occurrence in the reasonably foreseeable future. The Exchange simply seeks to harmonize the minimum price variation in the aforementioned product with other equity securities traded on the Exchange.

Moreover, the Exchange notes that this approach is substantially similar to the approach taken by NYSE Arca in 2010 in eliminating NYSE Arca Equities Rule 8.600 Commentary .03, which restricted the minimum price variation for quoting and order entry for Managed Fund Shares to $0.01.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b)(5) of the Act, in general, and furthers the objectives of Section 6(b)(5) of the Act, in particular, because 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 regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system.

The Exchange believes that the proposed amendment is consistent with the goal of removing impediments to a free and open market because the changes proposed herein will substantially harmonize Nasdaq’s sub-penny quoting and order entry rules with Rule 612 of Regulation NMS which allows a minimum pricing increment of $0.0001 for securities priced less than $1.00.

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 not necessary or appropriate in furtherance of the purposes of the Act and the proposed rule change may serve to enhance competition and put the exchange on an equal competitive footing as it pertains to sub-penny quoting and order entry for Managed Fund Shares.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) Significantly affect


* See Nasdaq Rule 4613(a)(2)(I).