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

No written comments were solicited or received with respect to the proposed rule change.

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

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act and thereunder, because it establishes a due, fee, or other charge imposed by the Exchange.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) of the Act to determine whether the proposed rule change should be approved or 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. Please include File Number SR–NYSENAT–2018–22 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–NYSENAT–2018–22 on the subject line.

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

Eduardo A. Aleman, Assistant Secretary.

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating To Listing and Trading of Shares of the First Trust Ultra Short Duration Municipal ETF Under NYSE Arca Rule 8.600–E

October 5, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”) and Rule 19b–4 thereunder, notice is hereby given that, on September 28, 2018, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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 list and trade shares of the First Trust Ultra Short Duration Municipal ETF under NYSE Arca Rule 8.600–E (“Managed Fund Shares”). The proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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

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

1. Purpose

The Exchange proposes to list and trade shares (“Shares”) of the First Trust Ultra Short Duration Municipal ETF (“Fund”) under NYSE Arca Rule 8.600–E, which governs the listing and trading of shares of a self-regulatory organization (the “Self-Regulatory Organization”) to list and trade shares of a fund, or exchange-traded fund (“ETF”), that principally hold municipal bonds.
trading of Managed Fund Shares. The Shares will be offered by First Trust Exchange-Traded Fund III (the “Trust”), which is registered with the Commission as an open-end management investment company. The Fund is a series of the Trust.

First Trust Advisors L.P. will be the Fund’s investment adviser (“Adviser”). First Trust Portfolios L.P. will be the Fund’s distributor. Brown Brothers Harriman & Co. will serve as custodian (“Custodian”) and transfer agent (“Transfer Agent”) for the Fund.

Commentary .06 further requires that personnel who make decisions on the open-end fund’s portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the open-end fund’s portfolio. The Adviser is not registered as a broker-dealer but is affiliated with a broker-dealer, and has implemented and will maintain a “fire wall” with respect to such broker-dealer affiliate regarding access to information concerning the composition of and/or changes to the Fund’s portfolio. In addition, personnel who make decisions on the Fund’s portfolio composition must be subject to procedures designed to prevent the use and dissemination of material, nonpublic information regarding the Fund’s portfolio. In the event (a) the Adviser becomes registered as a broker-dealer or newly affiliated with a broker-dealer, or (b) any new adviser to the Fund is a registered broker-dealer or becomes affiliated with a broker-dealer, the applicable adviser will implement and maintain a fire wall with respect to its relevant personnel or broker-dealer affiliate regarding access to information concerning the composition and/or changes to the Fund’s portfolio, and will be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding such portfolio.

First Trust Ultra Short Duration Municipal ETF

According to the Registration Statement, the Fund will seek to provide federally tax-exempt income consistent with capital preservation. Under normal market conditions, the Fund will seek to achieve its investment objective by investing at least 80% of its net assets in Municipal Securities. Municipal Securities are generally issued by or underwritten by securities dealers or banks and custodial receipts are financial instruments that are instrumentalities. Subdivisions, agencies, authorities and other instrumentalities.

9 Municipal Securities are generally issued by or underwritten by securities dealers or banks and custodial receipts are financial instruments that are instrumentalities. Subdivisions, agencies, authorities and other instrumentalities.

The Fund will seek to achieve its investment objective by investing at least 80% of its net assets (including investment borrowings) in municipal debt securities that pay interest that is exempt from regular federal income taxes (collectively, “Municipal Securities”). According to the Registration Statement, the Fund may invest in the following Municipal Securities:

- Municipal lease obligations (and certificates of participation in such obligations);
- municipal general obligation bonds,
- municipal revenue bonds;
- municipal notes,
- municipal cash equivalents,
- alternative minimum tax bonds,
- private activity bonds (including without limitation industrial development bonds),
- securities issued by custodial receipt trusts,
- refunded and escrowed to maturity bonds.

The Fund may purchase new issues of Municipal Securities on a when-issued or forward commitment basis. The Municipal Securities in which the Fund invests may be fixed, variable or floating rate securities.

Other Investments

While the Fund, under normal market conditions, will invest at least 80% of its net assets in Municipal Securities as described above, the Fund may, under normal market conditions, invest up to 20% of its net assets in the aggregate in the securities and financial instruments described below. The Fund may hold cash and cash equivalents. In addition, the Fund may hold the following fixed income securities with maturities of three months or more: Fixed rate and floating rate U.S. government securities; exceed 10% of the Fund’s net assets as of the opening of business on the first day of such periods, the Fund may depart from its principal investment strategies; for example, it may hold a higher than normal proportion of its assets in cash. During such periods, the Fund may not be able to achieve its investment objectives. According to the Exchange, the Fund may adopt a defensive strategy wherein the Adviser believes the securities in which the Fund normally invests have elevated risks due to political or economic factors and in other extraordinary circumstances. Municipal Securities are generally issued by or on behalf of states, territories or possessions of the U.S. and the District of Columbia and their political subdivisions, agencies, authorities and other instrumentalities.

10 According to the Registration Statement, custodial receipts are financial instruments that are underwritten by securities dealers or banks and evidence ownership of future interest payments, principal payments or both on certain municipal securities.

For purposes of this filing, the term “cash equivalents” has the meaning specified in Commentary .01(c) to the NYSE Arca Rule 8.600–E.
certificates of deposit; bankers’ 
acceptances; repurchase agreements; 
bank time deposits; and commercial 
paper.

The Fund may hold the following 
derivative instruments: U.S. Treasury 
futures contracts; interest rate futures; 
futures on fixed income securities or 
fixed income securities indices; and 
exchange-traded and over-the-counter 
(“OTC”) credit default swaps, interest 
rate swaps, swaps on fixed income 
securities and swaps on fixed income 
securities indices.

The Fund may invest in the securities 
of exchange-traded funds (“ETFs”), or 
buy short positions in such ETFs.12

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

Creation and Redemption of Shares

The Fund will issue and redeem 
Creation Units on a continuous 
offering basis at NAV only in large 
blocks of Shares (“Creation Units”) 
in transactions with authorized 
participants, generally including broker-
dealers and large institutional investors 
(“Authorized Participants”). Creation 
Units generally will consist of 50,000 
Shares. The size of a Creation Unit is 
subject to change. As described in the 
Registration Statement, the Fund will 
issue and redeem Creation Units in 
exchange for an in-kind portfolio of 
instruments and/or cash in lieu of such 
instruments (the “Creation Basket”).14

In addition, if there is a difference 
between the NAV attributable to a 
Creation Unit and the market value of 
the Creation Basket exchanged for the 
Creation Unit, the party conveying 
instruments (which may include cash-
in-lieu amounts) with the lower value 
will pay to the other an amount in cash 
equal to the difference (referred to as the 
“Cash Component”).

Creations and redemptions must be 
made by or through an Authorized 
Participant that has executed an 
agreement that has been agreed to by the 
Distributor and the Transfer Agent with 
respect to creations and redemptions of 
Creation Units. All standard orders to 
create Creation Units must be received 
by the Transfer Agent no later than the 
closing time of the regular trading 
session on the NYSE (ordinarily 4:00 
p.m., E.T.) (the “Closing Time”) in each 
case on the date such order is placed in 
order for the creation of Creation Units 
to be effected based on the NAV of 
Shares as next determined on such date 
after receipt of the order in proper form. 
Shares may be redeemed only in 
Creation Units at their NAV next 
determined after receipt not later than 
the Closing Time of a redemption 
request in proper form by the Fund 
through the Transfer Agent and only on 
a business day. The Custodian, through 
the National Securities Clearing 
Corporation (“NSCC”), will make 
available on each business day, prior to 
the opening of business of the Exchange, 
the list of the names and quantities of 
the instruments comprising the Creation 
Basket, as well as the estimated Cash 
Component (if any), for that day. The 
published Creation Basket will apply 
until a new Creation Basket is 
announced on the following business 
day prior to commencement of trading 
in the Shares.

Availability of Information

The Fund will disclose on the Fund’s 
website (www.ftportfolios.com) at the 
start of each business day the identities 
and quantities of the securities and 
other assets held by the Fund that will 
form the basis of the Fund’s calculation 
of its NAV on that business day. The 
portfolios held so disclosed will be 
Based on information as of the close 
of business on the prior business day and/or 
trades that have been completed prior 
to the opening of business on that 
business day and that are expected 
to settle on the business day.

The website for the Fund will contain 
the following information, on a per-
Share basis, for the Fund: (1) The prior 
business day’s NAV; (2) the market 
closing price or midpoint of the bid-ask 
spread at the time of NAV calculation 
(“Bid-Ask Price”); and (3) a 
calculation of the premium or discount 
of the Bid-Ask Price against such NAV.

The Fund’s portfolio holdings will be 
disclosed on the Fund’s website daily 
after the close of trading on the 
Exchange and prior to the opening of 
trading on the Exchange the following 
day. On a daily basis, the Fund will 
disclose the portfolio information under 
NYSE Arca Rule 8.600–E(c)(2) to the 
extent applicable. The website 
information will be publicly available at no charge.

The approximate value of the Fund’s 
investments on a per-Share basis, the 
indicative optimized portfolio value 
(“IOPV”), will be disseminated every 15 
seconds during the Exchange Core 
Trading Session (ordinarily 9:30 a.m. to 
4:00 p.m., E.T.).

Investors can also obtain the Fund’s 
Statement of Additional Information 
(“SAI”) and shareholder reports. The 
Fund’s SAI and shareholder reports 
will be available free upon request from 
the Trust, and those documents and Form 
N–CSR may be viewed on-screen or 
downloaded from the Commission’s 
website at www.sec.gov. 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.

Quotation and last sale information 
for the Shares will be available via the 
Consolidated Tape Association (“CTA”) 
high-speed line, and from the Exchange. 
Quotation information from brokers 
and dealers or pricing services will be 
available for Municipal Securities. Price 
information for money market funds is 
available from the applicable 
investment company’s website and from 
market data vendors. Price information 
for ETFs and exchange-traded futures 
and swaps held by the Fund is available 
from the applicable exchange. Price 
information for certain fixed income 
securities held by the Fund is available 
through the Financial Industry 
Regulatory Authority’s (FINRA) Trade 
Reporting and Compliance Engine 
(“TRACE”). Price information for 
certain Municipal Securities held by the 
Fund is available through the Electronic 
Municipal Market Access (“EMMA”) of 
the Municipal Securities Rulemaking 
Board (“MSRB”). Price information for 
cash equivalents: fixed income 
securities with maturities of three 
months or more (as described above), 
and OTC swaps will be available from 
one or more major market data vendors. 
Pricing information regarding each asset 
class in which the Fund will invest will 
generally be available through 
nationally recognized data service 
providers through subscription 
agreements. In addition, the IOPV 
(which is the Portfolio Indicative Value, 
as defined in NYSE Arca Rule 8.600– 
E(c)(3)) will be available at least every 15 
seconds during the Core 
Trading Session by one or more major
market data vendors or other information providers. Investment Restrictions

The Fund’s investments will be consistent with its investment goal and will not be used to provide multiple returns of a benchmark or to produce leveraged returns.

Under normal market conditions, except for periods of high cash inflows or outflows, the Fund will satisfy the following criteria:

i. The Fund will have a minimum of 20 non-affiliated issuers; 16

ii. No single Municipal Securities issuer will account for more than 10% of the weight of the Fund’s portfolio; 17

iii. No individual bond will account for more than 5% of the weight of the Fund’s portfolio;

iv. The Fund will limit its investments in Municipal Securities of any one state to 20% of the Fund’s total assets and will be diversified among issuers in at least 10 states;

v. The Fund will be diversified among a minimum of five different industries or sectors of the municipal bond market. 19

Pre-refunded bonds will be excluded from the above limits. The Adviser represents that, with respect to pre-refunded bonds (also known as refunded or escrow-secured bonds, the issuer “prerefunds” the bond by setting aside in advance all or a portion of the amount to be paid to the bondholders when the bond is called. Generally, an issuer uses the proceeds from a new bond issue to buy high grade, interest bearing debt securities, including direct obligations of the U.S. government, which are then deposited in an irrevocable escrow account held by a trustee bank to secure all future payments of principal and interest on the pre-refunded bonds. The escrow would be sufficient to satisfy principal and interest on the call or maturity date and one would not look to the issuer for repayment. Because pre-refunded bonds’ pricing would be valued based on the applicable escrow (generally U.S. government securities), such pre-refunded securities would not be readily susceptible to market manipulation and it would be unnecessary to apply the diversification and weighting criteria set forth above.

Application of Generic Listing Requirements

The Exchange is submitting this proposed rule change because the portfolio for the Fund will not meet all of the “generic” listing requirements of Commentary .01 to NYSE Arca Rule 8.600–E applicable to the listing of Managed Fund Shares. The Fund’s portfolio will meet all such requirements except for those set forth in Commentary .01(b)(1). 20

The Exchange believes that it is appropriate and in the public interest to approve listing and trading of Shares of the Fund on the Exchange notwithstanding that the Fund would not meet the requirements of Commentary .01(b)(1) to Rule 8.600–E in that the Fund’s investments in municipal securities will be well-diversified.

The Exchange believes that permitting Fund Shares to be listed and traded on the Exchange notwithstanding that less than 75% of the weight of the Fund’s portfolio may consist of components with $100 million minimum original principal amount outstanding would provide the Fund with greater ability to select from a broad range of Municipal Securities, as described above, that would support the Fund’s investment goal.

The Exchange believes that, notwithstanding that the Fund’s portfolio may not satisfy Commentary .01(b)(1) to Rule 8.600–E, the Fund’s portfolio will not be susceptible to manipulation. As noted above, the Fund’s investments, excluding pre-refunded bonds, as described above, will be diversified among a minimum of 20 non-affiliated municipal issuers; no single Municipal Securities issuer will account for more than 10% of the weight of the Fund’s portfolio; no individual bond will account for more than 5% of the weight of the Fund’s portfolio; the Fund will limit its investments in Municipal Securities of any one state to 20% of the Fund’s total assets and will be diversified among municipal issuers in at least 10 states; and the Fund will be diversified among a minimum of five different industries or sectors of the municipal bond market.

The Exchange notes that the Commission has previously approved an exception from requirements set forth in Commentary .01(b) relating to municipal securities similar to those proposed with respect to the Fund. 21

The Exchange notes that, other than Commentary .01(b)(1) to Rule 8.600–E, the Fund’s portfolio will meet all other requirements of Rule 8.600–E.

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. 22 Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Rule 7.12–E have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable.

Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange’s existing rules governing the trading of equity securities. Shares will trade on NYSE Arca from 4 a.m. to 8 p.m., E.T. in accordance with NYSE Arca Rule 7.34–E (Early, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Rule 7.6–E, the minimum price variation (“MPV”) for quoting and entry of orders in equity securities traded on NYSE Arca is $0.01, with the exception of securities that are priced less than $51755 Federal Register / Vol. 83, No. 198 / Friday, October 12, 2018 / Notices
The Shares of the Fund will conform to the initial and continued listing criteria under NYSE Arca Rule 8.600–E. Consistent with NYSE Arca Rule 8.600–E(d)(2)(B)(ii), the Adviser will implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the actual components of the Fund’s portfolio. The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A–3 under the Act, as provided by NYSE Arca Rule 5.3–E. A minimum of 100,000 Shares will be outstanding at the commencement of trading on the Exchange. 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. The Fund’s investments will be consistent with the Fund’s investment goal and will not be used to enhance leverage.

Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by FINRA on behalf of the Exchange, or by regulatory staff of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.

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

The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares, ETFs and certain futures with other markets and other entities that are members of the Intermarket Surveillance Group (“ISG”), and the Exchange or FINRA, on behalf of the Exchange or both, may obtain trading information regarding trading in the Shares, ETFs and certain futures from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares, ETFs and certain futures from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by the Fund reported to FINRA’s TRACE. FINRA also can access data obtained from the MSRB relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees. All statements and representations made in this filing regarding (a) the description of the portfolio, (b) limitations on portfolio holdings or reference assets, or (c) the applicability of Exchange listing rules specified in this rule filing shall constitute continued listing requirements for listing the Shares of the Fund on the Exchange.

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

Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders in an Information Bulletin (“Bulletin”) of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) The procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (2) NYSE Arca Rule 9.2–E(a), which imposes a duty of due diligence on its Equity Trading Permit Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) the risks involved in trading the Shares during the Early and Late Trading Sessions when an updated IOPV will not be calculated or publicly disseminated; (4) how information regarding the IOPV and the Disclosed Portfolio is disseminated; (5) the requirement that Equity Trading Permit Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

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

2. Statutory Basis

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

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Rule 8.600–E. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares, ETFs and certain futures with other markets and other entities that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares, ETFs and certain futures from such markets and other entities. In addition, the Exchange may obtain

24 FINRA conducts cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services agreement.
25 For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all components of the Disclosed Portfolio may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.
information regarding trading in the Shares, ETFs and certain futures from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by the Fund reported to TRACE. FINRA also can access data obtained from the MSRB relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares. The Adviser is not a registered broker-dealer but is affiliated with a broker-dealer. The Adviser has implemented and will maintain a “fire wall” with respect to such broker-dealer affiliate regarding access to information concerning the composition of and/or changes to the Fund’s portfolio.

The Exchange believes that it is appropriate and in the public interest to approve listing and trading of Shares of the Fund on the Exchange notwithstanding that the Fund would not meet the requirements of Commentary .01(b)(1) to Rule 8.600–E in that the Fund’s investments in municipal securities will be well-diversified. As noted above, the Fund’s investments will be well-diversified in that the Fund, excluding pre-refunded bonds, as described above, will have a minimum of 20 non-affiliated municipal issuers; no single municipal issuer will account for more than 10% of the weight of the Fund’s portfolio; no individual bond will account for more than 5% of the weight of the Fund’s portfolio; the Fund will limit its investments in Municipal Securities of any one state to 20% of the Fund’s total assets and will be diversified among municipal issuers in at least 10 states; and the Fund will be diversified among a minimum of five different industries or sectors of the municipal bond market. With respect to the proposed exclusion for pre-refunded bonds described above, generally, an issuer uses the proceeds from a new bond issue to buy high grade, interest bearing debt securities, including direct obligations of the U.S. government, which are then deposited in an irrevocable escrow account held by a trustee bank to secure all future payments of principal and interest on the pre-refunded bonds. The escrow would be sufficient to satisfy principal and interest on the call or maturity date and one would not look to the issuer for repayment. Because pre-refunded bonds’ pricing would be valued based on the applicable escrow (generally U.S. government securities), such pre-refunded securities would not be readily susceptible to market manipulation and it would be unnecessary to apply the diversification and weighting criteria set forth above in “Investment Restrictions.”

The Exchange believes that permitting Fund Shares to be listed and traded on the Exchange notwithstanding that less than 75% of the weight of the Fund’s portfolio may consist of components with $100 million minimum original principal amount outstanding would provide the Fund with greater ability to select from a broad range of municipal securities, as described above, that would support the Fund’s investment objective.

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. Quotation and last sale information for the Shares will be available via the CTA high-speed line, and from the national securities exchange on which they are listed. Quotation information from brokers and dealers or pricing services will be available for Municipal Securities. Price information for money market funds is available from the applicable investment company’s website and from market data vendors. Price information for ETFs and exchange-traded futures and swaps held by the Fund is available from the applicable exchange. Price information for certain fixed income securities held by the Fund is available through FINRA’s TRACE. Price information for certain Municipal Securities held by the Fund is available through EMMA of the MSRB. Price information for cash equivalents; fixed income securities with maturities of three months or more (as described above), and OTC swaps will be available from one or more major market data vendors. Pricing information regarding each asset class in which the Fund will invest will generally be available through nationally recognized data service providers through subscription agreements.

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Rule 7.12–E have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Trading in the Shares will be subject to NYSE Arca Rule 8.600–E(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund’s holdings, the IOPV, the Disclosed Portfolio, and quotation and last sale information for the Shares.

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 principally holds municipal securities and that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information regarding the Fund’s holdings, IOPV, Disclosed Portfolio, and quotation and last sale information for the Shares.

B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that principally holds municipal securities and that will enhance competition among market participants, to the benefit of investors and the marketplace.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The Exchange has filed the proposed rule change pursuant to Section
Designates the proposed rule change operative upon filing. Any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) of the Act to determine whether the proposed rule change should be approved or 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);
- Send an email to rule-comments@sec.gov. Please include File Number SR–NYSEArca–2018–72 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.
- At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) of the Act to determine whether the proposed rule change should be approved or disapproved.

SMALL BUSINESS ADMINISTRATION

National Women’s Business Council; Federal Register Notice of Public Meeting

AGENCY: National Women’s Business Council, Small Business Administration.

ACTION: Notice of open public meeting.

DATES: The Public Meeting will be held on Thursday, October 25, 2018, from 8:30 to 10:30 a.m. EST.

ADDRESSES: The meeting will be held at the Washington, DC Women’s Business Center located at 740 15th Street NW, Washington, DC 20005.

FOR FURTHER INFORMATION CONTACT: The meeting is open to the public; however advance notice of attendance is requested. To RSVP and confirm attendance, the general public should email Ashley Judah at Ashley.Judah@sba.gov with subject line—“RSVP for 10/25/18 Public Meeting.”

For more information, please visit the NWBC website at www.nwbc.gov or call 202–205–6829.

SUPPLEMENTARY INFORMATION: Pursuant to section 10(a)(2) of the Federal Advisory Committee Act (5 U.S.C., Appendix 2), the National Women’s Business Council (NWBC) announces its first public meeting of Fiscal Year 2019.

NWBC was created in 1988 by H.R. 5050, the Women’s Business Ownership Act, to serve as an independent source of advice and policy recommendations.

29 17 CFR 240.19b–4(f)(6)(ii). As required under Rule 19b–4(f)(6)(ii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.
32 See note 21, supra.
33 For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).