October 1, 2018

Secretary Brent J. Fields
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: Exchange-Traded Funds [Release Nos. 33-10515; IC-33140; File No. S7-15-18]

Dear Mr. Fields:

ICE Data Services ("IDS"), a business of Intercontinental Exchange, Inc. (NYSE:ICE), appreciates the opportunity to comment on the U.S. Securities and Exchange Commission's ("SEC" or "Commission") proposed Exchange-Traded Funds ("ETFs") rule.[1]

IDS is a strong supporter of standardization and transparency in all aspects of financial markets. It is our strong belief that both of these elements improve liquidity in markets, which ultimately drive costs for investors down. To that end, we strongly support standardization in the requirements for issuance of ETFs as a replacement for the current exemptive order process. We believe the Commission's proposed approach would provide for more efficiency and certainty in the marketplace and that this would allow one of the most successful financial product innovations to further flourish.

Our specific comments on the Proposal, as discussed in detail below, are as follows:

- IDS believes that the current Intraday Indicative Value ("IIV") process adds transparency to the market, particularly for retail investors.
- IDS strongly supports the contemplated provision for customized baskets, particularly as a function of effective risk management.
- IDS supports requiring a more standardized nomenclature for describing ETFs' derivative holdings, based on the same principles as the SEC already has done for registered mutual funds.
- IDS supports the provision in the Proposal that would provide exemptions for both index-based ETFs and actively-managed ETFs.
- IDS agrees that leveraged and inverse ETFs should be excluded from the scope of funds that may rely on the proposed rule.

Background on ICE Data Services

IDS offers end-to-end market data services to support the trading, investment and risk management needs of customers across virtually all asset classes. Our range of data services for global financial and commodity markets includes intra-day and end-of-day pricing and reference data, exchange data, analytics, feeds, desktop and connectivity solutions and index provisioning services.

[1] Exchange-Traded Funds, Release No. IC-33140 (June 28, 2018), 83 Fed. Reg. 37332 (July 31, 2018), *available at* https://www.sec.gov/rules/proposed/2018/33-10515.pdf (the "Proposal.")

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IDS' pricing and analytics services consist of an extensive set of independent evaluated pricing services focused primarily on fixed income and international equity securities, valuation calculation services, reference data, market data, fixed income and equity portfolio analytics as well as risk management analytics. IDS' index services offer a range of products across fixed income, equities, commodities and currencies, designed to support all aspects of the benchmarking and performance measurement process.

In addition to an extensive offering of standard indices, we offer a customization facility to create indices tailored to particular investment strategies employed by ETFs and other funds. For exchange traded products (ETPs), we offer comprehensive calculation capabilities that include calculating IIVs[2] across multiple asset classes including funds comprised of equities, fixed income, derivatives and other financial assets. IDS IIVs use real-time, global market data across a broad range of asset classes, and are supported by technologies such as our Continuous Evaluated Pricing and Fair Value Information Service equity valuation adjustments.

Benefits of IIV for the Marketplace

IDS believes that the provision in the Proposal to eliminate the public dissemination of IIV calculations is at odds with the public's interest in price transparency. We believe that IIVs published under existing exemptive orders[3] provide important fundamental benefits to investors, particularly retail investors who may not have access to sophisticated analytics. While market makers and professional investors may have the technological capability and security level source data required to calculate their own intraday values for ETFs, the IIV published on the funds' websites may be the only source of such pricing information publicly available to retail investors. Furthermore, the Proposal states that the current practice of disseminating IIVs at 15-second intervals may be insufficient in context of today's market structures.[4] While market makers or professional investors may not derive sufficient utility from the published IIV disseminated in 15 second intervals, IDS believes that such information is meaningful for retail investors who use it for different purposes. IDS supports additional disclosure as to the limitation of 15-second interval calculations rather than an outright omission of IIV publication.

The SEC has suggested that, in some cases, IIVs may not accurately reflect the value of the underlying asset holdings. Two causes cited are (i) complications arising from U.S. listed global ETFs with assets that trade in markets that are closed during the U.S. trading day, and (ii) ETFs with assets in less liquid markets such as fixed income. IDS believes that tools and technology exist in the marketplace today that can allow for accurate IIV calculations for ETFs whose holdings are comprised of securities that trade in the U.S. markets, including fixed income. Accordingly, we believe that investors would best be served through the continued publication of IIV for these ETFs specifically. We also believe that significant progress has been made toward developing methodologies for valuing securities that are closed during the U.S. trading day. To the extent the Commission does not eliminate the requirement for IIV publication, IDS supports establishing standards for the methods employed to calculate IIVs for these ETFs so as to ensure consistency and comparability across ETFs.

[2] On the ICE website, IIV is denoted as "indicative optimized portfolio value," or "IOPV."

[3] *See, e.g.*, WisdomTree Investments, Investment Company Act Release Nos. 27324 (May 18, 2006) [71 FR 29995 (May 24, 2006)] (notice) ("WisdomTree Notice") and 27391 (June 12, 2006) (order) ("WisdomTree Order").

[4] *See*, Proposal at 73.

Custom Baskets

IDS strongly supports the approach taken in the Proposal with respect to the permitted use of custom baskets, subject to the additional custom basket policies and procedures as specified. We believe that increased basket flexibility benefits the effective functioning of the arbitrage mechanism. Permitting the expanded use of custom baskets by a broader set of ETF market participants will promote healthy competition and innovation and create a level playing field for ETF sponsors. This is particularly important for fixed income ETFs, where the underlying benchmarks can often hold thousands of securities each with varying liquidity characteristics.

Customized basket creation can allow portfolio managers to effectively manage risk while managing the liquidity profile of the underlying securities within the basket in an efficient manner. It will also improve the portfolio manager's ability to closely track their underlying benchmark index, which is the stated objective of an index-based ETF. We believe that one important use case where this will be most beneficial for the ETF investment advisor will be during a large rebalancing of the underlying benchmark.

Finally, we believe the additional controls contemplated in the rule will adequately protect the interests of ETF investors against the identified risks.

OTC Derivative Holdings

Many derivative positions held by ETFs and other asset managers do not have standard identifiers nor industry consensus taxonomy on how to classify these instruments. With the requirement under this proposal for ETFs to maintain full portfolio transparency on their websites, IDS believes this is an opportune time for the SEC to consider requiring a more standardized nomenclature for how ETFs describe their derivative holdings. This would allow for greater comprehension of the underlying exposures and risks for retail and institutional investors alike.

The SEC has already standardized many disclosure requirements for derivative holdings under other rulemakings (e.g., the SEC's Reporting Modernization Rule[5] adds specific disclosure requirements of registered mutual funds under Form N-PORT). We encourage the SEC to consider, at a minimum, a principles-based approach for daily ETF derivative holdings disclosures that provides enough descriptive information for an investor to identify the terms and conditions of the instrument.

Index-Based and Actively-Managed ETFs

IDS supports the provision in the Proposal that would permit both index-based ETFs and actively-managed ETFs to operate under the proposed rule. As noted in the Proposal, these two types of ETFs function similarly with respect to operational matters. Index-based and actively managed ETFs have different objectives and strategies that should be adequately disclosed to investors, but that should not preclude an active fund from operating under the proposed rule. There are benefits to investors in understanding the underlying objective and investment strategy of the fund but we believe that can be accomplished while allowing actively managed ETFs to operate under the proposed rule.

[5] *See, Investment Company Reporting Modernization,* SEC Release No. IC-32314, 81 Fed. Reg. 81870 (Nov. 18, 2016) ("Reporting Modernization Release"), at 81966, *available at* www.federalregister.g.ov /documenrs/2016/11/18/201625349/jnvesrment-company-reporting-modernization.

Leveraged and Inverse ETFs

IDS believes that leveraged and inverse ETFs strategies carry significantly different risk profiles than index-based ETFs. For that reason we agree that they should be excluded from the scope of funds that may rely on the proposed rule. While a case can be made that leveraged and inverse strategies have their rightful place in investors' repertoire of investment options, should the staff consider lifting the moratorium on new exemptive relief for leveraged ETFs, it should first ensure that disclosure standards for these funds adequately explain their unique risks to investors.

IDS thanks the Commission for providing the opportunity to comment on the Proposal and we stand ready to assist the Commission with the implementation of various aspects of the Proposal. Please contact me should you have any questions with respect to views expressed in this letter.

Respectfully submitted,

Lynn Martin, President and Chief Operating Officer, ICE Data Services
Intercontinental Exchange, Inc.

cc: The Honorable Jay Clayton, Chairman
The Honorable Robert J. Jackson, Jr., Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Elad L. Roisman, Commissioner
The Honorable Kara M. Stein, Commissioner
Dalia Blass, Director, Division of Investment Management