



December 8, 2017

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

Re: File No. SR-BatsBZX-2017-54, Amendment No. 1

Dear Mr. Fields:

On December 8, 2017, Cboe BZX Exchange, Inc. (the “Exchange”) (formerly known as Bats BZX Exchange, Inc.) filed with the Securities and Exchange Commission (the “Commission”) Amendment No. 1 to SR-BatsBZX-2017-54 in order to clarify certain points and add additional details. Amendment No. 1 to SR-BatsBZX-2017-54 amends and replaces in its entirety the proposal as originally submitted on September 7, 2017. The Exchange submitted proposal SR-BatsBZX-2017-54 in order to list and trade shares of the iShares Inflation Hedged Corporate Bond ETF, a series of the iShares U.S. ETF Trust, on the Exchange. In order to provide notice for public review of this Amendment No. 1, in addition to posting on the Exchange’s public website, the Exchange is filing this comment letter with the Commission.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Kyle Murray', with a large, stylized flourish at the end.

Kyle Murray  
Assistant General Counsel

*Required fields are shown with yellow backgrounds and asterisks.*

Page 1 of \*       SECURITIES AND EXCHANGE COMMISSION      File No.\* SR -  - \*   
 WASHINGTON, D.C. 20549      Form 19b-4      Amendment No. (req. for Amendments \*)

Filing by Bats BZX Exchange, Inc.  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<b>Initial *</b>	<b>Amendment *</b>	<b>Withdrawal</b>	<b>Section 19(b)(2) *</b>	<b>Section 19(b)(3)(A) *</b>	<b>Section 19(b)(3)(B) *</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			Rule		
<b>Pilot</b>	<b>Extension of Time Period for Commission Action *</b>	<b>Date Expires *</b>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

<b>Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010</b>	<b>Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934</b>
<b>Section 806(e)(1) *</b>	<b>Section 806(e)(2) *</b>
<input type="checkbox"/>	<input type="checkbox"/>
	<b>Section 3C(b)(2) *</b>
	<input type="checkbox"/>

Exhibit 2 Sent As Paper Document	Exhibit 3 Sent As Paper Document
<input type="checkbox"/>	<input type="checkbox"/>

**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \*       Last Name \*

Title \*

E-mail \*

Telephone \*       Fax

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date      

By      

(Name \*)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) (formerly known as Bats BZX Exchange, Inc.) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to list and trade shares of the iShares Inflation Hedged Corporate Bond ETF (the “Fund”), a series of the iShares U.S. ETF Trust (the “Trust”), under Rule 14.11(i) (“Managed Fund Shares”). The shares of the Fund are referred to herein as the “Shares.”

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on February 11, 2014. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Joanne Moffic-Silver  
Executive Vice President, General  
Counsel, and Corporate Secretary  
[REDACTED]

Kyle Murray  
Assistant General Counsel  
[REDACTED]

3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis

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

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

for, the Proposed Rule Change.

(a) Purpose

This Amendment No. 1 to SR-BatsBZX-2017-54 amends and replaces in its entirety the proposal as originally submitted on September 7, 2017. The Exchange submits this Amendment No. 1 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.<sup>3</sup> 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),<sup>4</sup> Rule

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<sup>3</sup> The Commission originally approved BZX Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018) and subsequently approved generic listing standards for Managed Fund Shares under Rule 14.11(i) in Securities Exchange Act Release No. 78396 (July 22, 2016), 81 FR 49698 (July 28, 2016) (SR-BATS-2015-100).

<sup>4</sup> Rule 14.11(i)(4)(C)(iv)(a) provides that “there shall be no limitation to the percentage of the portfolio invested in such holdings; provided, however, that in the aggregate, at least 90% of the weight of such holdings invested in futures, exchange-traded options, and listed swaps shall, on both an initial and continuing basis, consist of futures, options, and swaps for which the Exchange may obtain information via the Intermarket Surveillance Group (“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, calculated using the aggregate gross notional value of such holdings.” The Exchange is proposing that the Fund be exempt from this

14.11(i)(4)(C)(iv)(b),<sup>5</sup> and/or Rule 14.11(i)(4)(C)(v),<sup>6</sup> as further described 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

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requirement only as it relates to the Fund’s holdings in certain credit default swaps and Inflation Swaps, as further described below.

<sup>5</sup> Rule 14.11(i)(4)(C)(iv)(b) provides that “the aggregate gross notional value of listed derivatives based on any five or fewer underlying reference assets shall not exceed 65% of the weight of the portfolio (including gross notional exposures), and the aggregate gross notional value of listed derivatives based on any single underlying reference asset shall not exceed 30% of the weight of the portfolio (including gross notional exposures).” The Exchange is proposing that the Fund be exempt only from the requirement of Rule 14.11(i)(4)(C)(iv)(b) that prevents the aggregate gross notional value of listed derivatives based on any single underlying reference asset from exceeding 30% of the weight of the portfolio (including gross notional exposures). The Exchange is proposing that the Fund be exempt from this requirement as it relates to the Fund’s holdings in listed derivatives, which include U.S. Treasury futures, credit default swaps, and certain Inflation Swaps, as further described below. The Fund will meet the requirement that the aggregate gross notional value of listed derivatives based on any five or fewer underlying reference assets shall not exceed 65% of the weight of the portfolio (including gross notional exposures).

<sup>6</sup> Rule 14.11(i)(4)(C)(v) provides that “the portfolio may, on both an initial and continuing basis, hold OTC derivatives, including forwards, options, and swaps on commodities, currencies and financial instruments (e.g., stocks, fixed income, interest rates, and volatility) or a basket or index of any of the foregoing, however the aggregate gross notional value of OTC Derivatives shall not exceed 20% of the weight of the portfolio (including gross notional exposures).” The Exchange is proposing that the Fund be exempt from this requirement only as it relates to the Fund’s holdings in OTC derivatives, which include total return swaps and certain Inflation Swaps, as further described below.

Form N-1A (“Registration Statement”) with the Commission.<sup>7</sup>

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,<sup>8</sup> 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 ETFs<sup>9</sup> 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

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<sup>7</sup> See Registration Statement on Form N-1A for the Trust, dated April 6, 2017 (File Nos. 333-179904 and 811-22649). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order granting certain exemptive relief to the Company under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) (the “Exemptive Order”). See Investment Company Act Release No. 29571 (January 24, 2011) (File No. 812-13601).

<sup>8</sup> As defined in Rule 14.11(i)(3)(E), the term “Normal Market Conditions” includes, but is not limited to, the absence of trading halts in the applicable financial markets generally; operational issues causing dissemination of inaccurate market information or system failures; or force majeure type events such as natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption, or any similar intervening circumstance.

<sup>9</sup> For purposes of this proposal, the term ETF includes Portfolio Depositary Receipts, Index Fund Shares, and Managed Fund Shares as defined in Rule 14.11(b), (c), and (i), respectively, and their equivalents on other national securities exchanges.

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"),<sup>10</sup> 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 but not limited to Treasury Inflation-Protected Securities ("TIPS"), total return swaps,<sup>11</sup> credit default swaps,<sup>12</sup> and U.S. Treasury futures<sup>13</sup> (collectively with Inflation Swaps, "Inflation Hedging Instruments").

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<sup>10</sup> See supra notes 4, 5, and 6. All Inflation Swaps held by the Fund will be listed and/or centrally cleared in order to reduce counterparty risk. All listed Inflation Swaps held by the Fund will be traded on a U.S. Swap Execution Facility registered with the Commodity Futures Trading Commission.

<sup>11</sup> See supra note 6. All total return swaps held by the Fund will be traded OTC. The Fund will attempt to limit counterparty risk in non-cleared swap contracts by entering into such contracts only with counterparties the Adviser believes are creditworthy and by limiting the Fund's exposure to each counterparty. The Adviser will monitor the creditworthiness of each counterparty and the Fund's exposure to each counterparty on an ongoing basis.

<sup>12</sup> See supra notes 4 and 5. Credit default swaps held by the Fund will be traded on a U.S. Swap Execution Facility registered with the Commodity Futures Trading Commission.

<sup>13</sup> See supra note 5.



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(i)(4)(C)(iv)(a),<sup>14</sup> 14.11(i)(4)(C)(iv)(b),<sup>15</sup> and/or 14.11(i)(4)(C)(v),<sup>16</sup> as discussed above.

The Fund's investments, including derivatives, will be consistent with 1940 Act and the Fund's investment objective and policies and will not be used to enhance leverage (although certain derivatives and other investments may result in leverage).<sup>17</sup> That is, while the Fund will be permitted to borrow as permitted under the 1940 Act, the Fund's investments will not be used to seek performance that is the multiple or inverse multiple (i.e., 2Xs and 3Xs) of the Fund's primary broad-based securities benchmark index (as defined in Form N-1A). The Fund will only use those derivatives 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.

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<sup>14</sup> See supra note 4.

<sup>15</sup> See supra note 5.

<sup>16</sup> See supra note 6.

<sup>17</sup> The Fund will include appropriate risk disclosure in its offering documents, including leveraging risk. Leveraging risk is the risk that certain transactions of a fund, including a fund's use of derivatives, may give rise to leverage, causing a fund to be more volatile than if it had not been leveraged. To mitigate leveraging risk, the Adviser will segregate or earmark liquid assets or otherwise cover the transactions that give rise to such risk. See 15 U.S.C. 80a-18; Investment Company Act Release No. 10666 (April 18, 1979), 44 FR 25128 (April 27, 1979); Dreyfus Strategic Investing, Commission No-Action Letter (June 22, 1987); Merrill Lynch Asset Management, L.P., Commission No-Action Letter (July 2, 1996).

The Exchange notes that the Fund may also hold certain fixed income securities and cash and cash equivalents in compliance with Rules 14.11(i)(4)(C)(ii) and (iii) in order to collateralize its derivatives positions.

The Exchange represents that, except for the exceptions to BZX Rule 14.11(i)(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(i)(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, 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.<sup>18</sup> Additionally, the Exchange or FINRA,

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<sup>18</sup> For a list of the current members and affiliate members of ISG, see [www.isgportal.com](http://www.isgportal.com). The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that are members of ISG or

on behalf of the Exchange, are able to access, as needed, trade information for certain fixed income instruments reported to FINRA's Trade Reporting and Compliance Engine ("TRACE"). 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 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,

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with which the Exchange has in place a comprehensive surveillance sharing agreement.

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.

b. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act<sup>19</sup> in general and Section 6(b)(5) of the Act<sup>20</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange 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 in that the Shares will meet each of the initial and continued listing criteria in BZX Rule 14.11(i) except that the Fund may not comply with Rules 14.11(i)(4)(C)(iv)(a),<sup>21</sup> 14.11(i)(4)(C)(iv)(b),<sup>22</sup> and/or 14.11(i)(4)(C)(v).<sup>23</sup> The Exchange

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<sup>19</sup> 15 U.S.C. 78f.

<sup>20</sup> 15 U.S.C. 78f(b)(5).

<sup>21</sup> See supra note 4.

believes that the liquidity in the Treasury futures markets mitigates the concerns that Rule 14.11(i)(4)(C)(iv)(b) is intended to address and that such liquidity would help prevent the Shares from being susceptible to manipulation. Further, the Exchange believes that for listed swaps, including credit default swaps and Inflation Swaps, the price transparency and surveillance performed by the applicable swap execution facility would similarly act to mitigate the risk of manipulation of the Shares. The Exchange also believes that the size of the inflation swaps market also mitigates manipulation concerns as it relates to both listed and OTC swaps held by the Fund.<sup>24</sup>

As it relates to Rule 14.11(i)(4)(C)(v), which provides that the notional value of OTC Derivatives shall not exceed 20% of the weight of the portfolio (including gross notional exposures) in an effort to mitigate counterparty risk and exposure to potentially illiquid and manipulable derivatives contracts, the Exchange notes that the Fund will attempt to limit counterparty risk in non-cleared OTC swap contracts, namely total return swaps and certain Inflation Swaps, by entering into such contracts only with counterparties the Adviser believes are creditworthy and by limiting the Fund's exposure to each counterparty. The Adviser will monitor the creditworthiness of each counterparty and the Fund's exposure to each counterparty on an ongoing basis. Further, the Exchange notes that notional principal never changes hands in such swaps transactions, and it is a

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<sup>22</sup> See supra note 5.

<sup>23</sup> See supra note 6.

<sup>24</sup> According to publicly available numbers from LCH.Clearnet Limited, which clears both listed and OTC swaps, as of November 28, 2017 there was approximately \$2.3 billion in average daily volume in inflation swaps cleared through their platform alone and over \$241 billion in notional swaps contracts outstanding.

theoretical value used to base the exchanged payments. A more accurate representation of the swaps value in order to monitor total counterparty risk would be the mark-to market value of the swap since inception, which the Adviser generally expects to remain at around 5% of the Fund's net assets.<sup>25</sup> As noted above, the inflation swap market is large and liquid, which the Exchange believes further mitigates the concerns which Rule 14.11(i)(4)(C)(v) is intended to address.

As it relates to the requirement in Rule 14.11(i)(4)(C)(iv)(a) that at least 90% of the weight of the listed derivatives portion of the portfolio be in listed derivatives for which the Exchange may obtain information via ISG or for which the principal market is a market with which the Exchange has a comprehensive surveillance sharing agreement, the Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. Additionally, all of the instruments that would not meet this requirement would nevertheless have a primary market that is a swap execution facility that is registered with and under the regulatory oversight of the CFTC.

Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Managed Fund Shares. All of the futures contracts, equity securities, and certain of the listed credit default swaps held by the Fund will trade on markets that are a member of ISG or affiliated with a member

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<sup>25</sup> The Adviser plans to implement a hedging strategy very similar to the strategy that it employs with interest rate swaps for several other funds, each of which have approximately 50% of the weight of their notional exposure in interest rate swaps while each maintains less than 10% exposure as calculated using mark-to-market.

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 credit default swaps held by the Fund via the ISG from other exchanges who are members or affiliates of the ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement.<sup>26</sup> 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 credit default swaps held by the Fund via the ISG from other exchanges who are members or affiliates of the ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement.<sup>27</sup> 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

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<sup>26</sup> See note 17, *supra*.

<sup>27</sup> See note 17, *supra*.

time,<sup>28</sup> Intraday Indicative Value,<sup>29</sup> suspension of trading or removal,<sup>30</sup> trading halts,<sup>31</sup> disclosure,<sup>32</sup> and firewalls.<sup>33</sup> Further, at least 100,000 Shares will be outstanding upon the commencement of trading.<sup>34</sup>

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

4. 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, 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.

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

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<sup>28</sup> See Rules 14.11(i)(4)(A)(ii) and 14.11(i)(4)(B)(ii).

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

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

<sup>31</sup> See Rule 14.11(i)(4)(B)(iv).

<sup>32</sup> See Rule 14.11(i)(6).

<sup>33</sup> See Rule 14.11(i)(7).

<sup>34</sup> See Rule 14.11(i)(4)(A)(i).



7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1: Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibit 2 – 5: Not applicable.

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_; File No. SR-BatsBZX-2017-54 Amendment No. 1)

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to List and Trade Shares of the iShares Inflation Hedged Corporate Bond ETF, a Series of the iShares U.S. ETF Trust, Under Rule 14.11(i), Managed Fund Shares

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on \_\_\_\_\_, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) (formerly known as Bats BZX Exchange, Inc.) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. 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 filed a proposed rule change to list and trade shares of the iShares Inflation Hedged Corporate Bond ETF (the “Fund”), a series of the iShares U.S. ETF

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

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

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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

Trust (the “Trust”), under Rule 14.11(i) (“Managed Fund Shares”). The shares of the Fund are referred to herein as the “Shares.”

The text of the proposed rule change is available at the Exchange’s website at [www.markets.cboe.com](http://www.markets.cboe.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 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. 1 to SR-BatsBZX-2017-54 amends and replaces in its entirety the proposal as originally submitted on September 7, 2017. The Exchange submits this Amendment No. 1 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.<sup>5</sup> The Fund

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<sup>5</sup> The Commission originally approved BZX Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018) and subsequently approved generic listing standards for

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),<sup>6</sup> Rule 14.11(i)(4)(C)(iv)(b),<sup>7</sup> and/or Rule 14.11(i)(4)(C)(v),<sup>8</sup> as further described below.

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Managed Fund Shares under Rule 14.11(i) in Securities Exchange Act Release No. 78396 (July 22, 2016), 81 FR 49698 (July 28, 2016) (SR-BATS-2015-100).

<sup>6</sup> Rule 14.11(i)(4)(C)(iv)(a) provides that “there shall be no limitation to the percentage of the portfolio invested in such holdings; provided, however, that in the aggregate, at least 90% of the weight of such holdings invested in futures, exchange-traded options, and listed swaps shall, on both an initial and continuing basis, consist of futures, options, and swaps for which the Exchange may obtain information via the Intermarket Surveillance Group (“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, calculated using the aggregate gross notional value of such holdings.” The Exchange is proposing that the Fund be exempt from this requirement only as it relates to the Fund’s holdings in certain credit default swaps and Inflation Swaps, as further described below.

<sup>7</sup> Rule 14.11(i)(4)(C)(iv)(b) provides that “the aggregate gross notional value of listed derivatives based on any five or fewer underlying reference assets shall not exceed 65% of the weight of the portfolio (including gross notional exposures), and the aggregate gross notional value of listed derivatives based on any single underlying reference asset shall not exceed 30% of the weight of the portfolio (including gross notional exposures).” The Exchange is proposing that the Fund be exempt only from the requirement of Rule 14.11(i)(4)(C)(iv)(b) that prevents the aggregate gross notional value of listed derivatives based on any single underlying reference asset from exceeding 30% of the weight of the portfolio (including gross notional exposures). The Exchange is proposing that the Fund be exempt from this requirement as it relates to the Fund’s holdings in listed derivatives, which include U.S. Treasury futures, credit default swaps, and certain Inflation Swaps, as further described below. The Fund will meet the requirement that the aggregate gross notional value of listed derivatives based on any five or

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.<sup>9</sup>

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

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fewer underlying reference assets shall not exceed 65% of the weight of the portfolio (including gross notional exposures).

<sup>8</sup> Rule 14.11(i)(4)(C)(v) provides that “the portfolio may, on both an initial and continuing basis, hold OTC derivatives, including forwards, options, and swaps on commodities, currencies and financial instruments (e.g., stocks, fixed income, interest rates, and volatility) or a basket or index of any of the foregoing, however the aggregate gross notional value of OTC Derivatives shall not exceed 20% of the weight of the portfolio (including gross notional exposures).” The Exchange is proposing that the Fund be exempt from this requirement only as it relates to the Fund’s holdings in OTC derivatives, which include total return swaps and certain Inflation Swaps, as further described below.

<sup>9</sup> See Registration Statement on Form N-1A for the Trust, dated April 6, 2017 (File Nos. 333-179904 and 811-22649). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order granting certain exemptive relief to the Company under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) (the “Exemptive Order”). See Investment Company Act Release No. 29571 (January 24, 2011) (File No. 812-13601).

to achieve its investment objective by investing, under Normal Market Conditions,<sup>10</sup> 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 ETFs<sup>11</sup> 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”),<sup>12</sup> which are managed on an active basis. As an

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<sup>10</sup> As defined in Rule 14.11(i)(3)(E), the term “Normal Market Conditions” includes, but is not limited to, the absence of trading halts in the applicable financial markets generally; operational issues causing dissemination of inaccurate market information or system failures; or force majeure type events such as natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption, or any similar intervening circumstance.

<sup>11</sup> For purposes of this proposal, the term ETF includes Portfolio Depositary Receipts, Index Fund Shares, and Managed Fund Shares as defined in Rule 14.11(b), (c), and (i), respectively, and their equivalents on other national securities exchanges.

<sup>12</sup> See *supra* notes 6, 7, and 8. All Inflation Swaps held by the Fund will be listed and/or centrally cleared in order to reduce counterparty risk. All listed Inflation

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 but not limited to Treasury Inflation-Protected Securities (“TIPS”), total return swaps,<sup>13</sup> credit default swaps,<sup>14</sup> and U.S. Treasury futures<sup>15</sup> (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(i)(4)(C)(iv)(a),<sup>16</sup> 14.11(i)(4)(C)(iv)(b),<sup>17</sup> and/or 14.11(i)(4)(C)(v),<sup>18</sup> as discussed above.

The Fund’s investments, including derivatives, will be consistent with 1940 Act and the Fund’s investment objective and policies and will not be used to enhance leverage (although certain derivatives and other investments may result in leverage).<sup>19</sup>

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Swaps held by the Fund will be traded on a U.S. Swap Execution Facility registered with the Commodity Futures Trading Commission.

<sup>13</sup> See supra note 8. All total return swaps held by the Fund will be traded OTC. The Fund will attempt to limit counterparty risk in non-cleared swap contracts by entering into such contracts only with counterparties the Adviser believes are creditworthy and by limiting the Fund’s exposure to each counterparty. The Adviser will monitor the creditworthiness of each counterparty and the Fund’s exposure to each counterparty on an ongoing basis.

<sup>14</sup> See supra notes 6 and 7. Credit default swaps held by the Fund will be traded on a U.S. Swap Execution Facility registered with the Commodity Futures Trading Commission.

<sup>15</sup> See supra note 7.

<sup>16</sup> See supra note 6.

<sup>17</sup> See supra note 7.

<sup>18</sup> See supra note 8.

<sup>19</sup> The Fund will include appropriate risk disclosure in its offering documents, including leveraging risk. Leveraging risk is the risk that certain transactions of a

That is, while the Fund will be permitted to borrow as permitted under the 1940 Act, the Fund's investments will not be used to seek performance that is the multiple or inverse multiple (i.e., 2Xs and 3Xs) of the Fund's primary broad-based securities benchmark index (as defined in Form N-1A). The Fund will only use those derivatives 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 Rules 14.11(i)(4)(C)(ii) and (iii) in order to collateralize its derivatives positions.

The Exchange represents that, except for the exceptions to BZX Rule 14.11(i)(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(i)(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

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fund, including a fund's use of derivatives, may give rise to leverage, causing a fund to be more volatile than if it had not been leveraged. To mitigate leveraging risk, the Adviser will segregate or earmark liquid assets or otherwise cover the transactions that give rise to such risk. See 15 U.S.C. 80a-18; Investment Company Act Release No. 10666 (April 18, 1979), 44 FR 25128 (April 27, 1979); Dreyfus Strategic Investing, Commission No-Action Letter (June 22, 1987); Merrill Lynch Asset Management, L.P., Commission No-Action Letter (July 2, 1996).



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, 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.<sup>20</sup> Additionally, the Exchange or FINRA, on behalf of the Exchange, are able to access, as needed, trade information for certain fixed income instruments reported to FINRA’s Trade Reporting and Compliance Engine (“TRACE”). 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 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

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<sup>20</sup> For a list of the current members and affiliate members of ISG, [see www.isgportal.com](http://www.isgportal.com). The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

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.

#### 2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act<sup>21</sup> in general and Section 6(b)(5) of the Act<sup>22</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the

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<sup>21</sup> 15 U.S.C. 78f.

<sup>22</sup> 15 U.S.C. 78f(b)(5).

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 in that the Shares will meet each of the initial and continued listing criteria in BZX Rule 14.11(i) except that the Fund may not comply with Rules 14.11(i)(4)(C)(iv)(a),<sup>23</sup> 14.11(i)(4)(C)(iv)(b),<sup>24</sup> and/or 14.11(i)(4)(C)(v).<sup>25</sup> The Exchange believes that the liquidity in the Treasury futures markets mitigates the concerns that Rule 14.11(i)(4)(C)(iv)(b) is intended to address and that such liquidity would help prevent the Shares from being susceptible to manipulation. Further, the Exchange believes that for listed swaps, including credit default swaps and Inflation Swaps, the price transparency and surveillance performed by the applicable swap execution facility would similarly act to mitigate the risk of manipulation of the Shares. The Exchange also believes that the size of the inflation swaps market also mitigates manipulation concerns as it relates to both listed and OTC swaps held by the Fund.<sup>26</sup>

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<sup>23</sup> See supra note 6.

<sup>24</sup> See supra note 7.

<sup>25</sup> See supra note 8.

<sup>26</sup> According to publicly available numbers from LCH.Clearnet Limited, which clears both listed and OTC swaps, as of November 28, 2017 there was approximately \$2.3 billion in average daily volume in inflation swaps cleared

As it relates to Rule 14.11(i)(4)(C)(v), which provides that the notional value of OTC Derivatives shall not exceed 20% of the weight of the portfolio (including gross notional exposures) in an effort to mitigate counterparty risk and exposure to potentially illiquid and manipulable derivatives contracts, the Exchange notes that the Fund will attempt to limit counterparty risk in non-cleared OTC swap contracts, namely total return swaps and certain Inflation Swaps, by entering into such contracts only with counterparties the Adviser believes are creditworthy and by limiting the Fund's exposure to each counterparty. The Adviser will monitor the creditworthiness of each counterparty and the Fund's exposure to each counterparty on an ongoing basis. Further, the Exchange notes that notional principal never changes hands in such swaps transactions, and it is a theoretical value used to base the exchanged payments. A more accurate representation of the swaps value in order to monitor total counterparty risk would be the mark-to market value of the swap since inception, which the Adviser generally expects to remain at around 5% of the Fund's net assets.<sup>27</sup> As noted above, the inflation swap market is large and liquid, which the Exchange believes further mitigates the concerns which Rule 14.11(i)(4)(C)(v) is intended to address.

As it relates to the requirement in Rule 14.11(i)(4)(C)(iv)(a) that at least 90% of the weight of the listed derivatives portion of the portfolio be in listed derivatives for

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through their platform alone and over \$241 billion in notional swaps contracts outstanding.

<sup>27</sup> The Adviser plans to implement a hedging strategy very similar to the strategy that it employs with interest rate swaps for several other funds, each of which have approximately 50% of the weight of their notional exposure in interest rate swaps while each maintains less than 10% exposure as calculated using mark-to-market.

which the Exchange may obtain information via ISG or for which the principal market is a market with which the Exchange has a comprehensive surveillance sharing agreement, the Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws.

Additionally, all of the instruments that would not meet this requirement would nevertheless have a primary market that is a swap execution facility that is registered with and under the regulatory oversight of the CFTC.

Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Managed Fund Shares. All of the futures contracts, equity securities, and certain of the listed credit default 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 credit default swaps held by the Fund via the ISG from other exchanges who are members or affiliates of the ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement.<sup>28</sup> 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 credit default swaps held by the Fund via the ISG from other exchanges who are members or affiliates of the ISG or with which the Exchange has entered into a

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<sup>28</sup> See note 19, *supra*.

comprehensive surveillance sharing agreement.<sup>29</sup> 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,<sup>30</sup> Intraday Indicative Value,<sup>31</sup> suspension of trading or removal,<sup>32</sup> trading halts,<sup>33</sup> disclosure,<sup>34</sup> and firewalls.<sup>35</sup> Further, at least 100,000 Shares will be outstanding upon the commencement of trading.<sup>36</sup>

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

(B) Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any

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<sup>29</sup> See note 19, supra.

<sup>30</sup> See Rules 14.11(i)(4)(A)(ii) and 14.11(i)(4)(B)(ii).

<sup>31</sup> See Rule 14.11(i)(4)(B)(i).

<sup>32</sup> See Rule 14.11(i)(4)(B)(iii).

<sup>33</sup> See Rule 14.11(i)(4)(B)(iv).

<sup>34</sup> See Rule 14.11(i)(6).

<sup>35</sup> See Rule 14.11(i)(7).

<sup>36</sup> See Rule 14.11(i)(4)(A)(i).

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>37</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>38</sup> At any time within 60 days of the filing of the 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.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic Comments:

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<sup>37</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>38</sup> 17 CFR 240.19b-4(f).

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-BatsBZX-2017-54 Amendment No. 1 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 Amendment No. 1. This file number should be included on the subject line if e-mail 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 am and 3:00 pm. Copies of such filing will also 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 Amendment No. 1 and should be submitted on or before



[\_\_\_\_\_21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to  
delegated authority.<sup>39</sup>

Robert W. Errett  
Deputy Secretary

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<sup>39</sup> 17 CFR 200.30-3(a)(12).