



**Martha Redding**  
Associate General Counsel  
Assistant Secretary

September 27, 2019

**VIA E-MAIL**

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

Re: Securities Exchange Act Rel. 34-85170 (SR-NYSEArca-2019-04)

Dear Secretary:

NYSE Arca, Inc. filed the attached Amendment No. 1 to the above-referenced filing on September 27, 2019.

Sincerely,

A handwritten signature in blue ink, appearing to be the initials "MR" followed by a stylized flourish.

Encl. (Amendment No. 1 to SR-NYSEArca-2019-04)

Required fields are shown with yellow backgrounds and asterisks.

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

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

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

Proposal to amend NYSE Arca Rule 5.2-E(j)(3) to adopt generic listing standards for Investment Company Units based on an index of municipal bond securities

**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 * Patrick	Last Name * Troy
Title * Director NYSE Group Inc	
E-mail * [REDACTED]	
Telephone * [REDACTED]	Fax [REDACTED]

**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 09/27/2019	Associate General Counsel
By Clare Saperstein	<div style="border: 1px solid black; width: 100%; height: 30px;"></div>
(Name *)	

Clare Saperstein,

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 EFFS website.

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

Add Remove View

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 \***

Add Remove View

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 \***

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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> NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) proposes to amend NYSE Arca Rule 5.2-E(j)(3) (“Rule 5.2-E(j)(3)”) to adopt generic listing standards for Investment Company Units (“Units”) based on an index of municipal bond securities.<sup>3</sup>

This Amendment No. 1 to SR-NYSEArca-2019-04 replaces SR-NYSEArca-2019-04 as originally filed and supersedes such filing in its entirety.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of the proposed rule change is attached as Exhibit 5.

- (b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange’s governing documents. Therefore, the Exchange’s internal procedures with respect to the proposed rule change are complete.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule change is:

Patrick J. Troy  
Director  
NYSE Group, Inc.  
[REDACTED]

---

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

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

<sup>3</sup> The Exchange has previously filed a proposed rule change to adopt generic listing standards for Units based on an index of municipal bond securities. See Securities Exchange Act Release No. 85170 (February 21, 2019), 84 FR 6451 (February 27, 2019) (SR-NYSEArca-2019-04). This Amendment No. 1 to SR-NYSEArca-2019-04 replaces SR-NYSEArca-2019-04 as originally filed and supersedes such filing in its entirety.

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

(a) Purpose

NYSE Arca Rule 5.2-E(j)(3) permits the Exchange to list a series of Units based on an index or portfolio of underlying securities. Currently, Rule 5.2-E(j)(3) includes generic listing standards for Units based on an index or portfolio of equity or fixed income securities or a combination thereof. The Exchange proposes to amend Rule 5.2-E(j)(3) to add a new Commentary .02A to provide generic listing standards for Units based on an index or portfolio of Municipal Securities.<sup>4</sup>

An index of Municipal Securities typically does not meet the generic listing requirements for Units based on an index of fixed-income securities.<sup>5</sup> Nonetheless, the Commission has previously approved proposed rule changes relating to listing and trading on the Exchange of Units based on an index of Municipal Securities.<sup>6</sup> Given the large number of prior approvals by the

---

<sup>4</sup> The term “Municipal Securities” has the definition given to it in Section 3(a)(29) of the Securities Exchange Act of 1934.

<sup>5</sup> See Commentary .02(a)(2) to NYSE Arca Rule 5.2-E(j)(3). Municipal Securities are typically issued in with individual maturities of relatively small size, although they generally are constituents of a much larger municipal bond offering. Therefore, an index of Municipal Securities will typically be unable to satisfy the requirement that component fixed income securities that, in the aggregate, account for at least 75% of the weight of the index each shall have a minimum principal amount outstanding of \$100 million or more.

<sup>6</sup> See Securities Exchange Act Release Nos. 67985 (October 4, 2012), 77 FR 61804 (October 11, 2012) (SR–NYSEArca–2012–92) (order approving proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 67729 (August 24, 2012), 77 FR 52776 (August 30, 2012) (SR–NYSEArca–2012–92) (notice of proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 72523, (July 2, 2014), 79 FR 39016 (July 9, 2014) (SR–NYSEArca–2014–37) (order approving proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 72172 (May 15, 2014), 79 FR 29241 (May 21, 2014) (SR–NYSEArca–2014–37) (notice of proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 72464 (June 25, 2014), 79 FR 37373 (July 1, 2014) (File No. SR-NYSEArca-2014-45) (order approving proposed rule change governing the

Commission, the Exchange now proposes to adopt generic listing standards for Units based on an index of Municipal Securities that do not meet the generic listing standards for Units based on an index of fixed-income securities.

In the Exchange's experience, indices of Municipal Securities are able to satisfy all of the generic listing requirements applicable to fixed-income indices contained in Commentary .02 to Rule 5.2-E(j)(3) except the requirement that component securities in an index have a minimum original principal amount outstanding. Specifically, Municipal Securities are generally issued with individual maturities of relatively small size, although they generally are constituents of a much larger municipal bond offering. Therefore, Municipal Securities are unable to satisfy the rule's requirement that "at least 75% of the Fixed Income Securities portion of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more." Notwithstanding the inability of a Municipal Securities index to meet this aspect of the generic listing standards, the Commission has previously approved for listing and trading a series of Units based on such indices where the Exchange has demonstrated an index is not susceptible to manipulation.<sup>7</sup>

The Exchange would apply existing Commentary .02 to Rule 5.2-E(j)(3) and proposed Commentary .02A to Rule 5.2-E(j)(3) in a "waterfall" manner. Specifically, every series of Units based on an index of fixed-income securities and cash (including an index that contains Municipal Securities) would initially be evaluated against the generic listing standards of existing Commentary .02 to Rule 5.2-E(j)(3). If the index underlying a series of Units satisfied the existing criteria of Commentary .02 to Rule 5.2-E(j)(3), the Exchange would proceed with listing the Units. The Exchange would apply proposed Commentary .02A to Rule 5.2-E(j)(3) only if (i) an index did not meet the requirements of Commentary .02 to Rule 5.2-E(j)(3) and (ii) such index contained only Municipal Securities and cash.

---

continued listing and trading of shares of the PowerShares Insured California Municipal Bond Portfolio, PowerShares Insured National Municipal Bond Portfolio, and PowerShares Insured New York Municipal Bond Portfolio); 75468 (July 16, 2015), 80 FR 43500 (July 22, 2015) (SR-NYSEArca-2015-25) (order approving proposed rule change relating to the listing and trading of iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF under NYSE Arca Equities Rule 5.2(j)(3)); 74730 (April 15, 2015), 76 FR 22234 (April 21, 2015) (notice of proposed rule change relating to the listing and trading of iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 74730 75376 (July 7, 2015), 80 FR 40113 (July 13, 2015) (SR-NYSEArca-2015-18) (order approving proposed rule change relating to the listing and trading of Vanguard Tax-Exempt Bond Index Fund under NYSE Arca Equities Rule 5.2(j)(3)).

<sup>7</sup>

See Footnote 4, *supra*.

The Exchange believes that if an index of fixed-income securities and cash (including one that contains Municipal Securities) satisfies the existing requirements of Commentary .02 to Rule 5.2-E(j)(3) its constituent securities are sufficiently liquid to deter manipulation of the index. Further, the proposed alternative listing standard, which would only be applicable to an index consisting entirely of Municipal Securities and cash, includes many requirements that are more stringent than those applicable to an index of fixed-income securities and cash. The Exchange believes these heightened requirements would deter potential manipulation of such Municipal Securities indices even though the index may include securities that have smaller original principal amounts outstanding.

Comparison of Existing Quantitative Requirements for Fixed-Income Indices vs. Proposed Quantitative Requirements for Municipal Securities Indices

Below is a comparison of the existing quantitative requirements for Units based on an index of fixed-income securities versus the Exchange's proposed alternative quantitative requirements for Units based on an index of Municipal Securities:

*Original Principal Amount Outstanding:*

Existing Requirement for Fixed-Income Securities:	Fixed Income Security components that in aggregate account for at least 75% of the Fixed Income Securities portion of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.
Proposed Requirement for Municipal Securities:	Municipal Security components that in aggregate account for at least 90% of the Municipal Securities portion of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of at least \$5 million and have been issued as part of a transaction of at least \$20 million.

As discussed above, Municipal Securities are typically issued with individual maturities of relatively small size, although they generally are constituents of a much larger municipal bond offering. In recognition of these smaller offering sizes, the Exchange proposes to reduce the minimum original principal amount outstanding requirement for component securities to at least \$5 million. Further, the Exchange proposes that qualifying securities must have been issued as part of a transaction of at least \$20 million. Lastly, the Exchange proposes to increase the percentage weight of an index that must satisfy the original principal amount outstanding requirement from 75% to 90%.

The Exchange does not believe that reducing the minimum original principal amount outstanding requirement for component securities will make an index more susceptible to manipulation. The Exchange believes that the requirement

that component securities in a fixed-income index have a minimum principal amount outstanding, in concert with the other requirements of Commentary .02 to Rule 5.2-E(j)(3), is to ensure that such index is sufficiently broad-based in scope as to minimize potential manipulation of the index.<sup>8</sup> However, based on empirical analysis, the Exchange does not believe that an index of Municipal Securities with lower original principal amounts outstanding is necessarily more susceptible to manipulation.<sup>9</sup> In 2016, Blackrock, Inc. analyzed the potential manipulation of Municipal Securities and found that such manipulation “may be uneconomical and is unsupported in practice.”<sup>10</sup> In addition, the Exchange believes that its proposal to require that 90% of the weight of a Municipal Securities Index meet the original principal amount outstanding requirement (as opposed to 75% for fixed-income indices) will further deter potential manipulation by ensuring that a greater portion of the index meet this minimum size requirement.

The Exchange notes that the Commission has previously approved the listing and trading of several series of Units where the underlying Municipal Securities index required that component securities representing at least 90% of the weight of the index have a minimum original principal amount outstanding of at least \$5 million and have been issued as part of a transaction of at least \$20 million.<sup>11</sup>

---

<sup>8</sup> See Securities Exchange Act Release No. 55783 (May 17, 2007), 72 FR 29194 (May 24, 2007) (SR-NYSEArca-2007-36) (order approving the adoption of generic listing standards for Units based on an index of fixed-income securities) at pg. 19-20.

<sup>9</sup> See Letter from Samara Cohen, Managing Director, U.S. Head of iShares Capital Markets, Joanne Medero, Managing Director, Government Relations & Public Policy, and Deepa Damre, Managing Director, Legal & Compliance, BlackRock, Inc., to Brent J. Fields, Secretary, Commission, dated October 18, 2017 in support of the Exchange’s proposal to facilitate the listing and trading of certain series of Units listed pursuant to NYSE Arca Rule 5.2-E(j)(3) (SR-NYSEArca-2017-56).

<sup>10</sup> See *Id.* at 3 and accompanying Footnote 11. Blackrock stated “Our empirical analysis indicated that: (1) given the over-the-counter dealer-centric market for municipal bonds, the bid-ask spread decreases with trade size; therefore, trading many small lots to move matrix prices is likely to be costly; (2) large trades move prices significantly and this effect is incorporated into prices quickly; for manipulation to work by affecting bond prices, the trades must be large, implying greater dollar cost and more likelihood of detection even if markets were segmented; (3) while pricing agents apply matrix pricing techniques to value non-traded bonds, the effect is likely too small to permit price manipulation of the corresponding index or ETF; and (4) market participants will use all intraday data to come up with their own valuations independently of pricing providers; ultimately, the price of an ETF at a point in time reflects these estimates in a manner that balances supply and demand.”

<sup>11</sup> See Securities Exchange Act Release No. 84049 (September 6, 2018), 83 FR 46228 (September 12, 2018) (SR-NYSEArca-2018-38) (order approving, among



*Maximum Weight of Component Securities:*

Existing Requirement for Fixed-Income Securities:	No component fixed-income security (excluding Treasury Securities and GSE Securities) shall represent more than 30% of the Fixed Income Securities portion of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the Fixed Income Securities portion of the weight of the index or portfolio.
Proposed Requirement for Municipal Securities:	No component Municipal Security shall represent more than 10% of the Municipal Securities portion of the weight of the index or portfolio, and the five most heavily weighted component Municipal Securities in the index or portfolio shall not in the aggregate account for more than 30% of the Municipal Securities portion of the weight of the index or portfolio.

The Exchange proposes to substantially reduce the maximum weight that any individual Municipal Security, or group of five Municipal Securities, can have in a Municipal Securities index. The current generic listing rules for Units based on a fixed-income index permit individual component securities to account for up to 30% of the weight of such index and the top-five weighted component securities to account for up to 65% of the weight of such index. The Exchange proposes to reduce these metrics to 10% for individual Municipal Securities and 30% for the top-weighted Municipal Securities in an index.

The Exchange believes that its proposal will reduce the likelihood that a Municipal Securities index underlying a series of Units could be subject to manipulation by ensuring that no individual Municipal Security, or group of five Municipal Securities, represents an outsized weight of a Municipal Securities index.

*Diversification of Issuers:*

Existing Requirement for Fixed-Income Securities:	An underlying index or portfolio (excluding one consisting entirely of exempted securities) must include a minimum of 13 non-affiliated issuers.
Proposed Requirement for Municipal Securities:	An underlying index or portfolio must include a minimum of 13 unique issuers.

---

other things, revisions to the continued listing criteria applicable to the iShares New York AMT-Free Muni Bond ETF).

The current generic listing rules for Units based on an index of fixed-income securities require that such index must include securities from at least thirteen non-affiliated<sup>12</sup> issuers. Notably, the current rules exempt indices consisting entirely of exempted securities from complying with this diversification requirement. Municipal Securities are included in the definition of exempted securities.<sup>13</sup> Therefore, an index of Municipal Securities that otherwise met the requirements of Commentary .02 to Rule 5.2-E(j)(3) would not be required to satisfy any minimum issuer diversification requirement. Nonetheless, the Exchange proposes that a Municipal Securities Index be required to include securities from at least 13 unique issuers. The Exchange believes that requiring such diversification will reduce the likelihood that an index can be manipulated by ensuring that securities from a variety of issuers are represented in an index of Municipal Securities.

*Number of Components:*

Existing Requirement for Fixed-Income Securities:	Thirteen
Proposed Requirement for Municipal Securities:	Five Hundred

The current generic listing rules for Units based on an index of fixed-income securities do not have an explicit requirement that an index contain a minimum number of securities. However, given that such rules require an index to contain securities from at least thirteen non-affiliated issuers, there is a de facto requirement that an index of fixed-income securities contain at least thirteen component securities. As described above, a fixed-income index comprised entirely of exempted securities (including Municipal Securities) is not required to satisfy the issuer diversification test, thereby allowing it to have no minimum number of component securities.

The Exchange proposes to require that a Municipal Securities Index contain at least 500 component securities. The Exchange believes that such requirement will ensure that a Municipal Securities index is sufficiently broad-based and diversified to make it less susceptible to manipulation.

---

<sup>12</sup> Rule 405 under the Securities Act of 1933 defines an affiliate as a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with such person. Control, for this purpose, is the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

<sup>13</sup> See Section 3(a)(12) of the Securities Exchange Act of 1934.

The Exchange proposes that the quantitative requirements described above would apply to a Municipal Securities index underlying a series of Units on both an initial and continued basis.

The Exchange proposes to amend Commentary .03 to NYSE Arca Rule 5.2-E(j)(3) to specify that the Exchange may approve a series of Units for listing based on a combination of indexes, including an index of Municipal Securities. To the extent that an index of Municipal Securities is included in a combination, proposed Commentary .03 will specify that the Municipal Securities index must meet all requirements of Commentary .02A. In addition, Commentary .03 will be amended to specify that requirements related to index dissemination and related continued listing standards will apply to indexes of Municipal Securities. The Exchange notes that a combination index that includes an index of Municipal Securities will not be permitted to seek to provide investment results in an amount that exceeds -300% of percentage performance on a given day.

#### Additional Requirements

In addition to the quantitative requirements described above, the Exchange proposes to adopt additional rules related to (i) index methodology and calculation, (ii) dissemination of information, (iii) initial shares outstanding, (iv) hours of trading, (v) surveillance procedures, and (vi) disclosures. Such additional requirements are consistent with the requirements applicable to Units based on an index of U.S. equity securities, global equity securities and fixed-income securities.

The Exchange proposes to adopt Commentary .02A(b) to Rule 5.2-E(j)(3) which will require that (i) if a Municipal Securities index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect and maintain a "firewall" around the personnel who have access to information concerning changes and adjustments to the index; (ii) the current index value for Units listed pursuant to proposed Commentary .02A(a) will be widely disseminated by one or more major market data vendors at least once per day and if the index value does not change during some or all of the period when trading is occurring on the NYSE Arca Marketplace, the last official calculated index value must remain available throughout NYSE Arca Marketplace trading hours; and (iii) any advisory committee, supervisory board, or similar entity that advises a Reporting Authority<sup>14</sup> or that makes decisions on the index composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable Municipal Securities index.

---

<sup>14</sup> The term "Reporting Authority" has the meaning given to it in NYSE Arca Rule 5.1-E(b)(16).

The Exchange proposes to adopt Commentary .02A(c) which will require that one or more major market data vendors shall disseminate for each series of Units based on an index or portfolio of Municipal Securities an estimate, updated at least every 15 seconds during the Core Trading Session, of the value of a share of each series (the "Intraday Indicative Value"). The Intraday Indicative Value may be based, for example, upon current information regarding the required deposit of securities and cash amount to permit creation of new shares of the series or upon the index value. The Intraday Indicative Value may be calculated by the Exchange or by an independent third party throughout the day using prices obtained from independent market data providers or other independent pricing sources such as a broker-dealer or price evaluation services. If the Intraday Indicative Value does not change during some or all of the period when trading is occurring on the Exchange, then the last official calculated Intraday Indicative Value must remain available throughout Exchange trading hours.

The Exchange proposes to adopt Commentary .02A(d) stating that a minimum of 100,000 shares of a series of Units will be required to be outstanding at commencement of trading.

The Exchange proposes to adopt Commentary .02A(e) stating that the hours of trading for the Units will be as specified in NYSE Arca Rule 7.34-E(a).

The Exchange proposes to adopt Commentary .02A(f) specifying that Units that are listed or traded pursuant to unlisted trading privileges will be subject to the Exchange's written surveillance procedures.

The Exchange proposes that Commentary .02A to Rule 5.2-E(j)(3) will specify that the Exchange may not approve a series of Units based on a Municipal Securities index that seeks to provide investment results, before fees and expenses, in an amount that exceeds -300% of the percentage performance on a given day of such Municipal Securities index.

Pursuant to NYSE Arca Rule 5.2-E(j)(3)(A)(v), the Exchange will obtain a representation from an issuer of Units based on an index of Municipal Securities that the net asset value per share of the series will be calculated daily and will be made available to all market participants at the same time.

(b) Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>15</sup> that an exchange have 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.

---

<sup>15</sup>

15 U.S.C. 78f(b)(5).

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that Units listed pursuant to proposed NYSE Arca Rule 5.2-E(j)(3), Commentary .02A will be subject to the existing trading surveillances, administered by FINRA on behalf 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 applicable federal securities laws. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares with other markets that are members of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. 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. FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by a Fund reported to FINRA's TRACE.

Pursuant to proposed Commentary .02A(b), if the index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect and maintain a "firewall" around the personnel who have access to information concerning changes and adjustments to the index. Further, any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or that makes decisions on the index composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

The index value of a series of Units listed pursuant to proposed Commentary .02A will be widely disseminated by one or more major market data vendors at least once per day and if the index value does not change during some or all of the period when trading is occurring on the Exchange, the last official calculated index value must remain available throughout Exchange trading hours. In addition, the IIV for the Units will be disseminated by one or more major market data vendors, updated at least every 15 seconds during the Exchange's Core Trading Session.

The Exchange believes that the proposed listing standard will ensure that indices underlying a series of Units are sufficiently well-diversified to protect against index manipulation. On an initial and continuous basis, each index will contain at least 500 component securities. In addition, on an initial and continued basis, at least 90% of the Municipal Securities portion of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of at least \$5 million and have been issued as part of a transaction of at least \$20 million. Further, on an initial and continued basis, no component Municipal Security shall represent more than 10% of the Municipal Securities portion of the weight of the index or portfolio, and the five most heavily weighted component

Municipal Securities in an index or portfolio shall not in the aggregate account for more than 30% of the Municipal Securities portion of the weight of such index or portfolio. Lastly, on an initial and continued basis, an underlying index or portfolio must include a minimum of 13 unique issuers. The Exchange believes that this significant diversification and the lack of concentration among constituent securities provides a strong degree of protection against index manipulation.

In addition, the Exchange represents that Units listed to the proposed generic listing rule will comply with all other requirements applicable to Units including, but not limited to, the applicable rules governing the trading of equity securities, trading hours, trading halts, surveillance, information barriers and the Information Bulletin to ETP Holders, as set forth in Exchange rules applicable to Units.

The Exchange believes that its proposed amendments to Commentary .03 are consistent with the Act because any index of Municipal Securities included in a combination index will be required to meet the requirements of proposed Commentary .02A. In addition, such index will be required to meet the index dissemination and continued listing requirements of Commentary .03. Lastly, the Exchange will not list a series of Units based on a combination of indexes that includes a Municipal Securities index, if such series of Units seeks to provide investment results in an amount that exceeds -300% of percentage performance of the underlying index on a given day.

In support of its proposed rule change, the Exchange notes that the Commission has previously approved the listing and trading of several series of Units where the underlying Municipal Securities index required that component securities representing at least 90% of the weight of the index have a minimum original principal amount outstanding of at least \$5 million and have been issued as part of a transaction of at least \$20 million.<sup>16</sup> Further, the Exchange notes that the other elements of the proposed rule are each the same or more restrictive than the generic listing rules applicable to Units based on an index of fixed-income securities. The Exchange, therefore, believes that indices underlying a series of Units listed pursuant to the proposed generic rules will be sufficiently broad-based to deter potential manipulation.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest. The Exchange believes that a large amount of information will be publicly available regarding Units listed pursuant to the proposed rule, thereby promoting market transparency. As described above, the IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. The current value of an index underlying a series of Units will

---

<sup>16</sup>

See note 9, *infra*.

be disseminated by one or more major market data vendors at least once per day. Information regarding market price and trading volume of the Units will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information will be available via the CTA high-speed line. Prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Units. If the Exchange becomes aware that the NAV is not being disseminated to all market participants at the same time, it will halt trading in the Units until such time as the NAV is available to all market participants. With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Units. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Units inadvisable. If the IIV or the index values are not being disseminated as required, the Exchange may halt trading during the day in which the interruption to the dissemination of the applicable IIV or an index value occurs. If the interruption to the dissemination of the applicable IIV or an index value persists past the trading day in which it occurred, the Exchange will halt trading. Trading in Shares of the Funds 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 Units inadvisable. In addition, investors will have ready access to information regarding the IIV, and quotation and last sale information for the Units.

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 additional types of exchange-traded products based on municipal bond indexes that will enhance competition among market participants, to the benefit of investors and the marketplace. The Exchange has in place surveillance procedures relating to trading in the Units 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, investors will have ready access to information regarding the IIV and quotation and last sale information for the Units. Trade price and other information relating to municipal bonds is available through the MSRB's EMMA system.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that its proposal would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of Units based on an index of Municipal Securities which will enhance competition among market participants, 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

The Exchange does not consent at this time to an extension of any time period for Commission action.

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 Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or the Commission.

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 – Form of Notice of Proposed Rule Change for Publication in the Federal Register

Exhibit 5 - Text of the Proposed Rule Change



## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NYSEARCA-2019-04, Amendment No.1)

[Date]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change to Amend NYSE Arca Rule 5.2-E(j)(3) to Adopt Generic Listing Standards for Investment Company Units Based on An Index of Municipal Bond Securities

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on September 27, 2019, 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, II, and III 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 amend NYSE Arca Rule 5.2-E(j)(3) (“Rule 5.2-E(j)(3)”) to adopt generic listing standards for Investment Company Units (“Units”) based on an index of municipal bond securities.<sup>4</sup> This Amendment No. 1 to SR-NYSEArca-2019-04 replaces SR-NYSEArca-2019-04 as originally filed and supersedes

---

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> The Exchange has previously filed a proposed rule change to adopt generic listing standards for Units based on an index of municipal bond securities. See Securities Exchange Act Release No. 85170 (February 21, 2019), 84 FR 6451 (February 27, 2019) (SR-NYSEArca-2019-04). This Amendment No. 1 to SR-NYSEArca-2019-04 replaces SR-NYSEArca-2019-04 as originally filed and supersedes such filing in its entirety.

such filing in its entirety. The proposed change is available on the Exchange's website at [www.nyse.com](http://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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

NYSE Arca Rule 5.2-E(j)(3) permits the Exchange to list a series of Units based on an index or portfolio of underlying securities. Currently, Rule 5.2-E(j)(3) includes generic listing standards for Units based on an index or portfolio of equity or fixed income securities or a combination thereof. The Exchange proposes to amend Rule 5.2-E(j)(3) to add a new Commentary .02A to provide generic listing standards for Units based on an index or portfolio of Municipal Securities.<sup>5</sup>

An index of Municipal Securities typically does not meet the generic listing requirements for Units based on an index of fixed-income securities.<sup>6</sup> Nonetheless, the

---

<sup>5</sup> The term "Municipal Securities" has the definition given to it in Section 3(a)(29) of the Securities Exchange Act of 1934.

<sup>6</sup> See Commentary .02(a)(2) to NYSE Arca Rule 5.2-E(j)(3). Municipal Securities

Commission has previously approved proposed rule changes relating to listing and trading on the Exchange of Units based on an index of Municipal Securities.<sup>7</sup> Given the large number of prior approvals by the Commission, the Exchange now proposes to adopt generic listing standards for Units based on an index of Municipal Securities that do not

---

are typically issued in with individual maturities of relatively small size, although they generally are constituents of a much larger municipal bond offering. Therefore, an index of Municipal Securities will typically be unable to satisfy the requirement that component fixed income securities that, in the aggregate, account for at least 75% of the weight of the index each shall have a minimum principal amount outstanding of \$100 million or more.

<sup>7</sup> See Securities Exchange Act Release Nos. 67985 (October 4, 2012), 77 FR 61804 (October 11, 2012) (SR-NYSEArca-2012-92) (order approving proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 67729 (August 24, 2012), 77 FR 52776 (August 30, 2012) (SR-NYSEArca-2012-92) (notice of proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 72523, (July 2, 2014), 79 FR 39016 (July 9, 2014) (SR-NYSEArca-2014-37) (order approving proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 72172 (May 15, 2014), 79 FR 29241 (May 21, 2014) (SR-NYSEArca-2014-37) (notice of proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 72464 (June 25, 2014), 79 FR 37373 (July 1, 2014) (File No. SR-NYSEArca-2014-45) (order approving proposed rule change governing the continued listing and trading of shares of the PowerShares Insured California Municipal Bond Portfolio, PowerShares Insured National Municipal Bond Portfolio, and PowerShares Insured New York Municipal Bond Portfolio); 75468 (July 16, 2015), 80 FR 43500 (July 22, 2015) (SR-NYSEArca-2015-25) (order approving proposed rule change relating to the listing and trading of iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF under NYSE Arca Equities Rule 5.2(j)(3)); 74730 (April 15, 2015), 76 FR 22234 (April 21, 2015) (notice of proposed rule change relating to the listing and trading of iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 74730 75376 (July 7, 2015), 80 FR 40113 (July 13, 2015) (SR-NYSEArca-2015-18) (order approving proposed rule change relating to the listing and trading of Vanguard Tax-Exempt Bond Index Fund under NYSE Arca Equities Rule 5.2(j)(3)).

meet the generic listing standards for Units based on an index of fixed-income securities.

In the Exchange's experience, indices of Municipal Securities are able to satisfy all of the generic listing requirements applicable to fixed-income indices contained in Commentary .02 to Rule 5.2-E(j)(3) except the requirement that component securities in an index have a minimum original principal amount outstanding. Specifically, Municipal Securities are generally issued with individual maturities of relatively small size, although they generally are constituents of a much larger municipal bond offering. Therefore, Municipal Securities are unable to satisfy the rule's requirement that "at least 75% of the Fixed Income Securities portion of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more." Notwithstanding the inability of a Municipal Securities index to meet this aspect of the generic listing standards, the Commission has previously approved for listing and trading a series of Units based on such indices where the Exchange has demonstrated an index is not susceptible to manipulation.<sup>8</sup>

The Exchange would apply existing Commentary .02 to Rule 5.2-E(j)(3) and proposed Commentary .02A to Rule 5.2-E(j)(3) in a "waterfall" manner. Specifically, every series of Units based on an index of fixed-income securities and cash (including an index that contains Municipal Securities) would initially be evaluated against the generic listing standards of existing Commentary .02 to Rule 5.2-E(j)(3). If the index underlying a series of Units satisfied the existing criteria of Commentary .02 to Rule 5.2-E(j)(3), the Exchange would proceed with listing the Units. The Exchange would apply proposed Commentary .02A to Rule 5.2-E(j)(3) only if (i) an index did not meet the requirements

---

<sup>8</sup> See Footnote 5, *supra*.

of Commentary .02 to Rule 5.2-E(j)(3) and (ii) such index contained only Municipal Securities and cash.

The Exchange believes that if an index of fixed-income securities and cash (including one that contains Municipal Securities) satisfies the existing requirements of Commentary .02 to Rule 5.2-E(j)(3) its constituent securities are sufficiently liquid to deter manipulation of the index. Further, the proposed alternative listing standard, which would only be applicable to an index consisting entirely of Municipal Securities and cash, includes many requirements that are more stringent than those applicable to an index of fixed-income securities and cash. The Exchange believes these heightened requirements would deter potential manipulation of such Municipal Securities indices even though the index may include securities that have smaller original principal amounts outstanding.

Comparison of Existing Quantitative Requirements for Fixed-Income Indices vs. Proposed Quantitative Requirements for Municipal Securities Indices

Below is a comparison of the existing quantitative requirements for Units based on an index of fixed-income securities versus the Exchange’s proposed alternative quantitative requirements for Units based on an index of Municipal Securities:

*Original Principal Amount Outstanding:*

Existing Requirement for Fixed-Income Securities:	Fixed Income Security components that in aggregate account for at least 75% of the Fixed Income Securities portion of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.
Proposed Requirement for Municipal Securities:	Municipal Security components that in aggregate account for at least 90% of the Municipal Securities portion of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of at least \$5 million and have been issued as part of a transaction of at least \$20 million.

As discussed above, Municipal Securities are typically issued with individual

maturities of relatively small size, although they generally are constituents of a much larger municipal bond offering. In recognition of these smaller offering sizes, the Exchange proposes to reduce the minimum original principal amount outstanding requirement for component securities to at least \$5 million. Further, the Exchange proposes that qualifying securities must have been issued as part of a transaction of at least \$20 million. Lastly, the Exchange proposes to increase the percentage weight of an index that must satisfy the original principal amount outstanding requirement from 75% to 90%.

The Exchange does not believe that reducing the minimum original principal amount outstanding requirement for component securities will make an index more susceptible to manipulation. The Exchange believes that the requirement that component securities in a fixed-income index have a minimum principal amount outstanding, in concert with the other requirements of Commentary .02 to Rule 5.2-E(j)(3), is to ensure that such index is sufficiently broad-based in scope as to minimize potential manipulation of the index.<sup>9</sup> However, based on empirical analysis, the Exchange does not believe that an index of Municipal Securities with lower original principal amounts outstanding is necessarily more susceptible to manipulation.<sup>10</sup> In 2016, Blackrock, Inc. analyzed the potential manipulation of Municipal Securities and found that such manipulation “may be

---

<sup>9</sup> See Securities Exchange Act Release No. 55783 (May 17, 2007), 72 FR 29194 (May 24, 2007) (SR-NYSEArca-2007-36) (order approving the adoption of generic listing standards for Units based on an index of fixed-income securities) at pg. 19-20.

<sup>10</sup> See Letter from Samara Cohen, Managing Director, U.S. Head of iShares Capital Markets, Joanne Medero, Managing Director, Government Relations & Public Policy, and Deepa Damre, Managing Director, Legal & Compliance, BlackRock, Inc., to Brent J. Fields, Secretary, Commission, dated October 18, 2017 in support of the Exchange’s proposal to facilitate the listing and trading of certain series of Units listed pursuant to NYSE Arca Rule 5.2-E(j)(3) (SR-NYSEArca-2017-56).

uneconomical and is unsupported in practice.”<sup>11</sup> In addition, the Exchange believes that its proposal to require that 90% of the weight of a Municipal Securities Index meet the original principal amount outstanding requirement (as opposed to 75% for fixed-income indices) will further deter potential manipulation by ensuring that a greater portion of the index meet this minimum size requirement.

The Exchange notes that the Commission has previously approved the listing and trading of several series of Units where the underlying Municipal Securities index required that component securities representing at least 90% of the weight of the index have a minimum original principal amount outstanding of at least \$5 million and have been issued as part of a transaction of at least \$20 million.<sup>12</sup>

*Maximum Weight of Component Securities:*

Existing Requirement for Fixed-Income Securities:	No component fixed-income security (excluding Treasury Securities and GSE Securities) shall represent more than 30% of the Fixed Income Securities portion of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account
---	---

<sup>11</sup> See *Id.* at 3 and accompanying Footnote 11. Blackrock stated “Our empirical analysis indicated that: (1) given the over-the-counter dealer-centric market for municipal bonds, the bid-ask spread decreases with trade size; therefore, trading many small lots to move matrix prices is likely to be costly; (2) large trades move prices significantly and this effect is incorporated into prices quickly; for manipulation to work by affecting bond prices, the trades must be large, implying greater dollar cost and more likelihood of detection even if markets were segmented; (3) while pricing agents apply matrix pricing techniques to value non-traded bonds, the effect is likely too small to permit price manipulation of the corresponding index or ETF; and (4) market participants will use all intraday data to come up with their own valuations independently of pricing providers; ultimately, the price of an ETF at a point in time reflects these estimates in a manner that balances supply and demand.”

<sup>12</sup> See Securities Exchange Act Release No. 84049 (September 6, 2018), 83 FR 46228 (September 12, 2018) (SR–NYSEArca–2018–38) (order approving, among other things, revisions to the continued listing criteria applicable to the iShares New York AMT-Free Muni Bond ETF).

	for more than 65% of the Fixed Income Securities portion of the weight of the index or portfolio.
Proposed Requirement for Municipal Securities:	No component Municipal Security shall represent more than 10% of the Municipal Securities portion of the weight of the index or portfolio, and the five most heavily weighted component Municipal Securities in the index or portfolio shall not in the aggregate account for more than 30% of the Municipal Securities portion of the weight of the index or portfolio.

The Exchange proposes to substantially reduce the maximum weight that any individual Municipal Security, or group of five Municipal Securities, can have in a Municipal Securities index. The current generic listing rules for Units based on a fixed-income index permit individual component securities to account for up to 30% of the weight of such index and the top-five weighted component securities to account for up to 65% of the weight of such index. The Exchange proposes to reduce these metrics to 10% for individual Municipal Securities and 30% for the top-weighted Municipal Securities in an index.

The Exchange believes that its proposal will reduce the likelihood that a Municipal Securities index underlying a series of Units could be subject to manipulation by ensuring that no individual Municipal Security, or group of five Municipal Securities, represents an outsized weight of a Municipal Securities index.

*Diversification of Issuers:*

Existing Requirement for Fixed-Income Securities:	An underlying index or portfolio (excluding one consisting entirely of exempted securities) must include a minimum of 13 non-affiliated issuers.
Proposed Requirement for Municipal Securities:	An underlying index or portfolio must include a minimum of 13 unique issuers.

The current generic listing rules for Units based on an index of fixed-income securities require that such index must include securities from at least thirteen non-



affiliated<sup>13</sup> issuers. Notably, the current rules exempt indices consisting entirely of exempted securities from complying with this diversification requirement. Municipal Securities are included in the definition of exempted securities.<sup>14</sup> Therefore, an index of Municipal Securities that otherwise met the requirements of Commentary .02 to Rule 5.2-E(j)(3) would not be required to satisfy any minimum issuer diversification requirement. Nonetheless, the Exchange proposes that a Municipal Securities Index be required to include securities from at least 13 unique issuers. The Exchange believes that requiring such diversification will reduce the likelihood that an index can be manipulated by ensuring that securities from a variety of issuers are represented in an index of Municipal Securities.

*Number of Components:*

Existing Requirement for Fixed-Income Securities:	Thirteen
Proposed Requirement for Municipal Securities:	Five Hundred

The current generic listing rules for Units based on an index of fixed-income securities do not have an explicit requirement that an index contain a minimum number of securities. However, given that such rules require an index to contain securities from at least thirteen non-affiliated issuers, there is a de facto requirement that an index of

---

<sup>13</sup> Rule 405 under the Securities Act of 1933 defines an affiliate as a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with such person. Control, for this purpose, is the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

<sup>14</sup> See Section 3(a)(12) of the Securities Exchange Act of 1934.

fixed-income securities contain at least thirteen component securities. As described above, a fixed-income index comprised entirely of exempted securities (including Municipal Securities) is not required to satisfy the issuer diversification test, thereby allowing it to have no minimum number of component securities.

The Exchange proposes to require that a Municipal Securities Index contain at least 500 component securities. The Exchange believes that such requirement will ensure that a Municipal Securities index is sufficiently broad-based and diversified to make it less susceptible to manipulation.

The Exchange proposes that the quantitative requirements described above would apply to a Municipal Securities index underlying a series of Units on both an initial and continued basis.

The Exchange proposes to amend Commentary .03 to NYSE Arca Rule 5.2-E(j)(3) to specify that the Exchange may approve a series of Units for listing based on a combination of indexes, including an index of Municipal Securities. To the extent that an index of Municipal Securities is included in a combination, proposed Commentary .03 will specify that the Municipal Securities index must meet all requirements of Commentary .02A. In addition, Commentary .03 will be amended to specify that requirements related to index dissemination and related continued listing standards will apply to indexes of Municipal Securities. The Exchange notes that a combination index that includes an index of Municipal Securities will not be permitted to seek to provide investment results in an amount that exceeds -300% of percentage performance on a given day.

### Additional Requirements

In addition to the quantitative requirements described above, the Exchange proposes to adopt additional rules related to (i) index methodology and calculation, (ii) dissemination of information, (iii) initial shares outstanding, (iv) hours of trading, (v) surveillance procedures, and (vi) disclosures. Such additional requirements are consistent with the requirements applicable to Units based on an index of U.S. equity securities, global equity securities and fixed-income securities.

The Exchange proposes to adopt Commentary .02A(b) to Rule 5.2-E(j)(3) which will require that (i) if a Municipal Securities index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect and maintain a "firewall" around the personnel who have access to information concerning changes and adjustments to the index; (ii) the current index value for Units listed pursuant to proposed Commentary .02A(a) will be widely disseminated by one or more major market data vendors at least once per day and if the index value does not change during some or all of the period when trading is occurring on the NYSE Arca Marketplace, the last official calculated index value must remain available throughout NYSE Arca Marketplace trading hours; and (iii) any advisory committee, supervisory board, or similar entity that advises a Reporting Authority<sup>15</sup> or that makes decisions on the index composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable Municipal Securities index.

---

<sup>15</sup> The term "Reporting Authority" has the meaning given to it in NYSE Arca Rule 5.1-E(b)(16).

The Exchange proposes to adopt Commentary .02A(c) which will require that one or more major market data vendors shall disseminate for each series of Units based on an index or portfolio of Municipal Securities an estimate, updated at least every 15 seconds during the Core Trading Session, of the value of a share of each series (the "Intraday Indicative Value"). The Intraday Indicative Value may be based, for example, upon current information regarding the required deposit of securities and cash amount to permit creation of new shares of the series or upon the index value. The Intraday Indicative Value may be calculated by the Exchange or by an independent third party throughout the day using prices obtained from independent market data providers or other independent pricing sources such as a broker-dealer or price evaluation services. If the Intraday Indicative Value does not change during some or all of the period when trading is occurring on the Exchange, then the last official calculated Intraday Indicative Value must remain available throughout Exchange trading hours.

The Exchange proposes to adopt Commentary .02A(d) stating that a minimum of 100,000 shares of a series of Units will be required to be outstanding at commencement of trading.

The Exchange proposes to adopt Commentary .02A(e) stating that the hours of trading for the Units will be as specified in NYSE Arca Rule 7.34-E(a).

The Exchange proposes to adopt Commentary .02A(f) specifying that Units that are listed or traded pursuant to unlisted trading privileges will be subject to the Exchange's written surveillance procedures.

The Exchange proposes that Commentary .02A to Rule 5.2-E(j)(3) will specify that the Exchange may not approve a series of Units based on a Municipal Securities

index that seeks to provide investment results, before fees and expenses, in an amount that exceeds -300% of the percentage performance on a given day of such Municipal Securities index.

Pursuant to NYSE Arca Rule 5.2-E(j)(3)(A)(v), the Exchange will obtain a representation from an issuer of Units based on an index of Municipal Securities that the net asset value per share of the series will be calculated daily and will be made available to all market participants at the same time.

## 2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>16</sup> that an exchange have 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 Units listed pursuant to proposed NYSE Arca Rule 5.2-E(j)(3), Commentary .02A will be subject to the existing trading surveillances, administered by FINRA on behalf 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 applicable federal securities laws. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares with other markets that are members of the ISG

---

<sup>16</sup> 15 U.S.C. 78f(b)(5).

or with which the Exchange has in place a comprehensive surveillance sharing agreement. 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. FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by a Fund reported to FINRA's TRACE.

Pursuant to proposed Commentary .02A(b), if the index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect and maintain a "firewall" around the personnel who have access to information concerning changes and adjustments to the index. Further, any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or that makes decisions on the index composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

The index value of a series of Units listed pursuant to proposed Commentary .02A will be widely disseminated by one or more major market data vendors at least once per day and if the index value does not change during some or all of the period when trading is occurring on the Exchange, the last official calculated index value must remain available throughout Exchange trading hours. In addition, the IIV for the Units will be disseminated by one or more major market data vendors, updated at least every 15 seconds during the Exchange's Core Trading Session.

The Exchange believes that the proposed listing standard will ensure that indices underlying a series of Units are sufficiently well-diversified to protect against index manipulation. On an initial and continuous basis, each index will contain at least 500

component securities. In addition, on an initial and continued basis, at least 90% of the Municipal Securities portion of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of at least \$5 million and have been issued as part of a transaction of at least \$20 million. Further, on an initial and continued basis, no component Municipal Security shall represent more than 10% of the Municipal Securities portion of the weight of the index or portfolio, and the five most heavily weighted component Municipal Securities in an index or portfolio shall not in the aggregate account for more than 30% of the Municipal Securities portion of the weight of such index or portfolio. Lastly, on an initial and continued basis, an underlying index or portfolio must include a minimum of 13 unique issuers. The Exchange believes that this significant diversification and the lack of concentration among constituent securities provides a strong degree of protection against index manipulation.

In addition, the Exchange represents that Units listed to the proposed generic listing rule will comply with all other requirements applicable to Units including, but not limited to, the applicable rules governing the trading of equity securities, trading hours, trading halts, surveillance, information barriers and the Information Bulletin to ETP Holders, as set forth in Exchange rules applicable to Units.

The Exchange believes that its proposed amendments to Commentary .03 are consistent with the Act because any index of Municipal Securities included in a combination index will be required to meet the requirements of proposed Commentary .02A. In addition, such index will be required to meet the index dissemination and continued listing requirements of Commentary .03. Lastly, the Exchange will not list a series of Units based on a combination of indexes that includes a Municipal Securities

index, if such series of Units seeks to provide investment results in an amount that exceeds -300% of percentage performance of the underlying index on a given day.

In support of its proposed rule change, the Exchange notes that the Commission has previously approved the listing and trading of several series of Units where the underlying Municipal Securities index required that component securities representing at least 90% of the weight of the index have a minimum original principal amount outstanding of at least \$5 million and have been issued as part of a transaction of at least \$20 million.<sup>17</sup> Further, the Exchange notes that the other elements of the proposed rule are each the same or more restrictive than the generic listing rules applicable to Units based on an index of fixed-income securities. The Exchange, therefore, believes that indices underlying a series of Units listed pursuant to the proposed generic rules will be sufficiently broad-based to deter potential manipulation.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest. The Exchange believes that a large amount of information will be publicly available regarding Units listed pursuant to the proposed rule, thereby promoting market transparency. As described above, the IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. The current value of an index underlying a series of Units will be disseminated by one or more major market data vendors at least once per day. Information regarding market price and trading volume of the Units will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information

---

<sup>17</sup> See note 10, *infra*.



will be available via the CTA high-speed line. Prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Units. If the Exchange becomes aware that the NAV is not being disseminated to all market participants at the same time, it will halt trading in the Units until such time as the NAV is available to all market participants. With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Units. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Units inadvisable. If the IIV or the index values are not being disseminated as required, the Exchange may halt trading during the day in which the interruption to the dissemination of the applicable IIV or an index value occurs. If the interruption to the dissemination of the applicable IIV or an index value persists past the trading day in which it occurred, the Exchange will halt trading. Trading in Shares of the Funds 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 Units inadvisable. In addition, investors will have ready access to information regarding the IIV, and quotation and last sale information for the Units.

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 additional types of exchange-traded products based on municipal bond indexes that will enhance competition among market participants, to the benefit of investors and the marketplace. The Exchange has in place surveillance

procedures relating to trading in the Units 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, investors will have ready access to information regarding the IIV and quotation and last sale information for the Units. Trade price and other information relating to municipal bonds is available through the MSRB's EMMA system.

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

The Exchange does not believe that its proposal would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of Units based on an index of Municipal Securities which will enhance competition among market participants, to the benefit of investors and the marketplace.

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

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

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

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEARCA-2019-04 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-NYSEARCA-2019-04. 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 a.m.

and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEARCA-2019-04 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

Eduardo A. Aleman  
Deputy Secretary

---

<sup>18</sup> 17 CFR 200.30-3(a)(12).

Additions underscored

Deletions [bracketed]

### NYSE Arca Rules

\*\*\*\*\*

#### Rule 5.2-E(j)(3). Investment Company Units

\*\*\*\*\*

#### *Commentary:*

\*\*\*\*\*

**.02A Municipal Securities.** The Exchange may approve a series of Units based on a portfolio or index of Municipal Securities (as defined in Section 3(a)(29) of the Securities Exchange Act of 1934) that does not meet the requirements of Commentary .02 of this Rule 5.2-E(j)(3) for listing and pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 provided such portfolio or index (i) has been reviewed and approved for the trading of options, Units, Portfolio Depository Receipts, Index-Linked Exchangeable Notes or Index-Linked Securities by the Commission under Section 19(b) of the Securities Exchange Act of 1934 and rules thereunder and the conditions set forth in the Commission's approval order, continue to be satisfied or (ii) satisfy the following criteria. Units listed pursuant to Rule 19b-4(e) shall satisfy the criteria set forth in (a) through (c), (f) and (g) below on an initial and continued listing basis.

(a) Eligibility Criteria for Index Components. Components of an index or portfolio underlying a series of Units listed pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 shall meet the following criteria on an initial and continued listing basis:

- (1) The index or portfolio must consist of (a) only Municipal Securities (as defined in Section 3(a)(29) of the Securities Exchange Act of 1934) or (b) Municipal Securities and cash;
- (2) Municipal Security components that in aggregate account for at least 90% of the Municipal Securities portion of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of at least \$5 million and have been issued as part of a transaction of at least \$20 million;

(3) No component Municipal Security shall represent more than 10% of the Municipal Securities portion of the weight of the index or portfolio, and the five most heavily weighted component Municipal Securities in the index or portfolio shall not in the aggregate account for more than 30% of the Municipal Securities portion of the weight of the index or portfolio; and

(4) An underlying index or portfolio must include a minimum of 13 unique issuers; and

(5) An underlying index or portfolio must include a minimum of 500 component Municipal Securities.

(b) Index Methodology and Calculation.

(i) If the index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect and maintain a "firewall" around the personnel who have access to information concerning changes and adjustments to the index;

(ii) The current index value for Units listed pursuant to Commentary .02A(a) above will be widely disseminated by one or more major market data vendors at least once per day and if the index value does not change during some or all of the period when trading is occurring on the NYSE Arca Marketplace, the last official calculated index value must remain available throughout NYSE Arca Marketplace trading hours; and

(iii) Any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or that makes decisions on the index composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

(c) Disseminated Information. One or more major market data vendors shall disseminate for each series of Units listed pursuant to Commentary .02A(a) above an estimate, updated at least every 15 seconds during the Core Trading Session, of the value of a share of each series (the "Intraday Indicative Value"). The Intraday Indicative Value may be based, for example, upon current information regarding the required deposit of securities and cash amount to permit creation of new shares of the series or upon the index value. The Intraday Indicative Value may be calculated by the Exchange or by an independent third party throughout the day using prices obtained from independent market data providers or other independent pricing sources such as a broker-dealer or price evaluation services. If the Intraday Indicative Value does not change during some or all of the period when trading is occurring on the NYSE Arca Marketplace, then the last official calculated Intraday Indicative Value must remain available throughout NYSE Arca Marketplace trading hours.

(d) Initial Shares Outstanding. The provisions of Commentary .01(d) above shall apply to series of Units listed pursuant to Commentary .02A(a) above.

(e) Hours of Trading. The provisions of Commentary .01(e) above shall apply to series of Units listed pursuant to Commentary .02A(a) above.

(f) Surveillance Procedures. The provisions of Commentary .01(f) above shall apply to series of Units based on Municipal Securities that are listed and/or traded pursuant to UTP.

(g) Disclosures. The provisions of Commentary .01(g) above will apply to series of Units based on Municipal Securities.

**.03** The Exchange may approve a series of Units based on a combination of indexes or an index or portfolio of component securities representing the U.S. or domestic equity market, the international equity market, [and] the fixed income market, and the municipal securities market for listing and trading pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 provided (i) such portfolio or combination of indexes have been reviewed and approved for the trading of options, Units, Portfolio Depository Receipts, Index-Linked Exchangeable Notes or Index-Linked Securities by the Commission under Section 19(b) of the Securities Exchange Act of 1934 and rules thereunder and the conditions set forth in the Commission's approval order continue to be satisfied or (ii) each index or portfolio of equity, [and] fixed income, and municipal component securities separately meet either the criteria set forth in Commentary .01(a), [or] .02(a), or .02A(a) above, and provided further, that the Exchange may not so approve a series of Units that is issued by an open-end management investment company that seeks to provide investment results, before fees and expenses, in an amount that exceeds -300% of the percentage performance on a given day of a particular domestic equity, international or global equity securities index or Fixed Income Securities index or a combination thereof. Units listed pursuant to Rule 19b-4(e) shall satisfy the criteria set forth in (a) below and in Commentary .01 (c) and (f) - (g) on an initial and continued listing basis.

*(a) Index Methodology and Calculation*

- (i) If the index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect and maintain a "firewall" around the personnel who have access to information concerning changes and adjustments to the index;
- (ii) The current composite index value for Units listed pursuant to Commentary .01(a), [or] .02(a), or .02A(a) above shall be widely disseminated by one or more major market data vendors at least once every 15 seconds during the Core Trading Session, provided however, that (a) with respect to the Non-US Component Stocks of the combination index, the impact on the index is only required to be updated at least every 60 seconds during the Core Trading Session, and (b) with

respect to the fixed income and municipal security components of the combination index, the impact on the index is only required to be updated at least once each day; and

(iii) Any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or that makes decisions on the index composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

(b) *Other Applicable Provisions.* The provisions of Commentary .01(c)-(h) shall also apply to series of Units based on a combination of indexes or an index or portfolio of component securities representing the U.S. or domestic equity market, the international equity market, [and] the fixed income market, and the municipal securities market.

\*\*\*\*\*