

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-81794; File No. SR-NYSEArca-2017-56)

October 2, 2017

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 1, to List and Trade Pursuant to NYSE Arca Rule 5.2-E(j)(3) Twelve Series of Investment Company Units

I. Introduction

On June 19, 2017, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to list and trade certain series of Investment Company Units listed pursuant to NYSE Arca Rule 5.2-E(j)(3). The proposed rule change was published for comment in the Federal Register on July 7, 2017.³ On August 7, 2017, the Exchange filed Amendment No. 1 to the proposed rule change, which amended and superseded the proposed rule change as originally filed.⁴ On August 15, 2017, pursuant to Section 19(b)(2) of the Act,⁵ the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 81062 (June 30, 2017), 82 FR 31651.

⁴ In Amendment No. 1, the Exchange: (1) described the investment objective of each fund; (2) described investment eligibility criteria and restrictions for each fund; (3) clarified that the website for each fund will contain its prospectus and additional data; (4) clarified that the Exchange has obtained a representation from each fund issuer that the applicable net asset value for each fund will be calculated daily and made available to all market participants at the same time; (5) clarified that none of the indexes underlying the funds are maintained by a broker-dealer; and (6) made technical changes. Amendment No. 1 to the proposed rule change is available at: <https://www.sec.gov/comments/sr-nysearca-2017-56/nysearca201756.htm>.

⁵ 15 U.S.C. 78s(b)(2).

or institute proceedings to determine whether to disapprove the proposed rule change.⁶ The Commission has received no comment letters on the proposed rule change. This order institutes proceedings under Section 19(b)(2)(B) of the Act⁷ to determine whether to approve or disapprove the proposed rule change, as modified by Amendment No. 1.

II. Exchange's Description of the Proposed Rule Change, as Modified by Amendment No. 1

The Exchange proposes to list and trade pursuant to NYSE Arca Rule 5.2-E(j)(3) shares (“Shares”) of the following series of Investment Company Units: (1) iShares National Muni Bond ETF; (2) iShares Short-Term National Muni Bond ETF; (3) VanEck Vectors AMT-Free Intermediate Municipal Index ETF; (4) VanEck Vectors AMT-Free Long Municipal Index ETF; (5) VanEck Vectors AMT-Free Short Municipal Index ETF; (6) VanEck Vectors High-Yield Municipal Index ETF; (7) VanEck Vectors Pre-Refunded Municipal Index ETF; (8) PowerShares VRDO Tax-Free Weekly Portfolio; (9) SPDR Nuveen Bloomberg Barclays Short Term Municipal Bond ETF; (10) SPDR Nuveen Bloomberg Barclays Municipal Bond ETF (collectively, the “Multistate Municipal Bond Funds”); (11) iShares California Muni Bond ETF; and (12) iShares New York Muni Bond ETF (collectively, the “Single-State Municipal Bond Funds” and, together with the Multistate Municipal Bond Funds, the “Municipal Bond Funds”).⁸ The Single-State Municipal Bond Funds overlie an index comprised of the fixed income

⁶ See Securities Exchange Act Release No. 81400, 82 FR 39643 (August 21, 2017). The Commission designated October 5, 2017, as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

⁷ 15 U.S.C. 78s(b)(2)(B).

⁸ The Commission notes that, although the Shares do not meet the standards set forth in Commentary.02 to Rule 5.2-E(j)(3), the Exchange nevertheless listed the Shares prior to 2010.

municipal bond securities of one State; the Multistate Municipal Bond Funds overlie an index comprised of the fixed income municipal bond securities of more than one State.

Commentary .02 to Rule 5.2(j)(3) sets forth the generic listing requirements for an index of fixed income securities underlying a series of Investment Company Units. One of the enumerated listing requirements is 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.⁹ The Exchange states that none of the indexes underlying the Municipal Bond Funds satisfy this criterion but represents that each of the underlying indexes meet all of the other requirements of such rule.

A. The Exchange's Description of the Municipal Bond Funds and Their Underlying Indexes¹⁰

1. iShares National Muni Bond ETF

The iShares National Muni Bond ETF seeks to track the investment results of the S&P National AMT-Free Municipal Bond Index, which measures the performance of the investment grade segment of the U.S. municipal bond market. The S&P National AMT-Free Municipal Bond Index primarily includes municipal bonds from issuers that are state or local governments or agencies such that the interest on each such bond is exempt from U.S. federal income taxes and the federal alternative minimum tax. Each bond in the S&P National AMT-Free Municipal Bond Index must have a rating of at least BBB- by S&P Global Ratings ("S&P"), Baa3 by Moody's Investors Service, Inc. ("Moody's"), or BBB- by Fitch Ratings, Inc. ("Fitch"). Each bond in the S&P National AMT-Free Municipal Bond Index must be denominated in U.S.

⁹ See Commentary .02(a)(2) to NYSE Arca Rule 5.2-E(j)(3).

¹⁰ Additional information regarding the Funds and their underlying indexes can be found in Amendment No. 1. See supra note 4.

dollars, must be a constituent of an offering where the original offering amount was at least \$100 million, and must have a minimum par amount of \$25 million. To remain in the S&P National AMT-Free Municipal Bond Index, bonds must maintain a minimum par amount greater than or equal to \$25 million as of the next rebalancing date.

As of April 1, 2017, the S&P National AMT-Free Municipal Bond Index included 11,333 component fixed income municipal bond securities from issuers in 47 different states or U.S. territories. The most heavily weighted security in the index represented approximately 0.25% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented less than 1% of the total weight of the index. Approximately 99.29% of the weight of the index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities in the offering. Approximately 31.79% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$628,460,731,594, and the average dollar amount outstanding of issues in the index was approximately \$55,454,048.

Generally, the iShares National Muni Bond ETF invests at least 90% of its assets in the component securities of the S&P National AMT-Free Municipal Bond Index and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds, as well as in securities not included in the S&P National AMT-Free Municipal Bond Index, but which the fund's investment advisor believes will help the fund track the S&P National AMT-Free Municipal Bond Index.

2. iShares Short Term National Muni Bond ETF

The iShares Short Term National Muni Bond ETF seeks to track the investment results of the S&P Short Term National AMT-Free Municipal Bond Index, which measures the performance of the short-term investment grade segment of the U.S. municipal bond market. The S&P Short Term National AMT-Free Municipal Bond Index primarily includes municipal bonds from issuers that are state or local governments or agencies such that the interest on each such bond is exempt from U.S. federal income taxes and the federal alternative minimum tax (“AMT”). Each bond in the S&P Short Term National AMT-Free Municipal Bond Index must have a rating of at least BBB- by S&P, Baa3 by Moody’s, or BBB- by Fitch. Each bond in the S&P Short Term National AMT-Free Municipal Bond Index must be denominated in U.S. dollars, must be a constituent of an offering where the original offering amount was at least \$100 million, and must have a minimum par amount of \$25 million. To remain in the S&P Short Term National AMT-Free Municipal Bond Index, bonds must maintain a minimum par amount greater than or equal to \$25 million as of the next rebalancing date.

As of April 1, 2017, the S&P Short Term National AMT-Free Municipal Bond Index included 3,309 component fixed income municipal bond securities from issuers in 44 different states or U.S. territories. The most heavily weighted security in the index represented approximately 1% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 2% of the total weight of the index. Approximately 98.22% of the weight of the index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities in the offering. Approximately 27.63% of the weight of the components in the index had a minimum original

principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$166,147,941,156, and the average dollar amount outstanding of issues in the index was approximately \$50,210,922.

Generally, the iShares National Muni Bond ETF invests at least 90% of its assets in the component securities of the S&P Short Term National AMT-Free Municipal Bond Index and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds, as well as in securities not included in the S&P Short Term National AMT-Free Municipal Bond Index, but which the fund's investment advisor believes will help the fund track the S&P Short Term National AMT-Free Municipal Bond Index.

3. VanEck Vectors AMT-Free Intermediate Municipal Index ETF

The VanEck Vectors AMT-Free Intermediate Municipal Index ETF seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the Bloomberg Barclays AMT-Free Intermediate Continuous Municipal Index. The Bloomberg Barclays AMT-Free Intermediate Continuous Municipal Index is a market size weighted index comprised of publicly traded municipal bonds that cover the U.S. dollar-denominated intermediate term tax-exempt bond market. To be included in the Bloomberg Barclays AMT-Free Intermediate Continuous Municipal Index, a bond must be rated Baa3/BBB- or higher by at least two of the following ratings agencies if all three agencies rate the security: Moody's, S&P, and Fitch. If only one of the three agencies rates a security, the rating must be at least Baa3/BBB-. Constituent securities of the Bloomberg Barclays AMT-Free Intermediate Continuous Municipal Index must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million.

As of April 1, 2017, the Bloomberg Barclays AMT-Free Intermediate Continuous Municipal Index included 17,272 component fixed income municipal bond securities from issuers in 50 different states or U.S. territories. The most heavily weighted security in the index represented less than 0.25% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 0.50% of the total weight of the index. Approximately 96.13% of the weight of the index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities in the offering. Approximately 7.75% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$340,102,539,050, and the average dollar amount outstanding of issues in the index was approximately \$19,690,976.

Normally, the VanEck Vectors AMT-Free Intermediate Municipal Index ETF invests at least 80% of its total assets in fixed income securities that comprise the Bloomberg Barclays AMT-Free Intermediate Continuous Municipal Index.

4. VanEck Vectors AMT-Free Long Municipal Index ETF

The VanEck Vectors AMT-Free Long Municipal Index ETF seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the Bloomberg Barclays AMT-Free Long Continuous Municipal Index. The Bloomberg Barclays AMT-Free Long Continuous Municipal Index is a market size weighted index comprised of publicly traded municipal bonds that cover the U.S. dollar denominated long-term tax-exempt bond market. To be included in the Bloomberg Barclays AMT-Free Long Continuous Municipal Index, bonds must be rated Baa3/BBB- or higher by at least two of the following ratings agencies if all three

agencies rate the security: Moody's, S&P, and Fitch. If only one of the three agencies rates a security, the rating must be at least Baa3/BBB-. Constituent securities of the Bloomberg Barclays AMT-Free Long Continuous Municipal Index must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million.

As of April 1, 2017, the Bloomberg Barclays AMT-Free Long Continuous Municipal Index included 7,657 component fixed income municipal bond securities from issuers in 50 different states or U.S. territories. The most heavily weighted security in the index represented less than 0.50% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 1.25% of the total weight of the index. Approximately 93.84% of the weight of the index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities in the offering. Approximately 32.34% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$279,575,285,082, and the average dollar amount outstanding of issues in the index was approximately \$36,512,379.

Normally, the VanEck Vectors AMT-Free Long Municipal Index ETF invests at least 80% of its total assets in fixed income securities that comprise the Bloomberg Barclays AMT-Free Long Continuous Municipal Index.

5. VanEck Vectors AMT-Free Short Municipal Index ETF

The VanEck Vectors AMT-Free Short Municipal Index ETF seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the Bloomberg Barclays AMT-Free Short Continuous Municipal Index. The Bloomberg Barclays AMT-Free Short Continuous Municipal Index is a market size weighted index comprised of publicly traded municipal bonds that cover the U.S. dollar denominated short-term tax-exempt bond market. To be included in the Bloomberg Barclays AMT-Free Short Continuous Municipal Index, bonds must be rated Baa3/BBB- or higher by at least two of the following ratings agencies if all three agencies rate the security: Moody's, S&P, and Fitch. If only one of the three agencies rates a security, the rating must be at least Baa3/BBB-. Constituent securities of the Bloomberg Barclays AMT-Free Short Continuous Municipal Index must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million.

As of April 1, 2017, the Bloomberg Barclays AMT-Free Short Continuous Municipal Index included 7,229 component fixed income municipal bond securities from issuers in 48 different states or U.S. territories. The most heavily weighted security in the index represented approximately 1% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 2.25% of the total weight of the index. Approximately 94.4% of the weight of the index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities in the offering. Approximately 13.60% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount

outstanding of issues in the index was approximately \$152,020,140,995, and the average dollar amount outstanding of issues in the index was approximately \$21,026,299.

Normally, the VanEck Vectors AMT-Free Short Municipal Index ETF invests at least 80% of its total assets in fixed income securities that comprise the Bloomberg Barclays AMT-Free Short Continuous Municipal Index.

6. VanEck Vectors High-Yield Municipal Index ETF

The VanEck Vectors High-Yield Municipal Index ETF seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the Bloomberg Barclays Municipal Custom High Yield Composite Index. The Bloomberg Barclays Municipal Custom High Yield Composite Index is a market size weighted index composed of publicly traded municipal bonds that cover the U.S. dollar denominated high yield long-term tax-exempt bond market. The Bloomberg Barclays Municipal Custom High Yield Composite Index is calculated using a market value weighting methodology, provided that the total allocation to issuers from each individual territory of the United States (including Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, and the Northern Mariana Islands) does not exceed 4%. The Bloomberg Barclays Municipal Custom High Yield Composite Index tracks the high yield municipal bond market with a 75% weight in non-investment grade municipal bonds and a targeted 25% weight in Baa/BBB rated investment grade municipal bonds.

As of April 1, 2017, the Bloomberg Barclays Municipal Custom High Yield Composite Index included 4,702 component fixed income municipal bond securities from issuers in 50 different states or U.S. territories. The most heavily weighted security in the index represented approximately 1.25% of the total weight of the index, and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 6% of the total weight

of the index. Approximately 75.16% of the weight of the index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities in the offering. Approximately 43.26% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$224,318,153,150, and the average dollar amount outstanding of issues in the index was approximately \$47,706,966.

Normally, the VanEck Vectors High-Yield Municipal Index ETF invests at least 80% of its total assets in securities that comprise the Bloomberg Barclays Municipal Custom High Yield Composite Index.

7. VanEck Vectors Pre-Refunded Municipal Index ETF

The VanEck Vectors Pre-Refunded Municipal Index ETF seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the Bloomberg Barclays Municipal Pre-Refunded—Treasury-Escrowed Index. The Bloomberg Barclays Municipal Pre-Refunded—Treasury-Escrowed Index is a market size weighted index comprised of publicly traded municipal bonds that cover the U.S. dollar denominated tax-exempt bond market. The Bloomberg Barclays Municipal Pre-Refunded—Treasury-Escrowed Index is comprised of pre-refunded and/or escrowed-to-maturity municipal bonds. To be included in the Bloomberg Barclays Municipal Pre-Refunded—Treasury-Escrowed Index, bonds must have an explicit or implicit credit rating of AAA. Constituent securities of the Bloomberg Barclays Municipal Pre-Refunded—Treasury-Escrowed Index must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million in market value.

As of April 1, 2017, the Bloomberg Barclays Municipal Pre-Refunded-Treasury-Escrowed Index included 3,691 component fixed income municipal bond securities from issuers in 50 different states or U.S. territories. The most heavily weighted security in the index represented approximately 0.50% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 2.25% of the total weight of the index. Approximately 93.70% of the weight of the index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities in the offering. Approximately 19.23% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$94,289,476,486, and the average dollar amount outstanding of issues in the index was approximately \$25,545,780.

Normally, the VanEck Vectors Pre-Refunded Municipal Index ETF invests at least 80% of its total assets in securities that comprise the Bloomberg Barclays Municipal Pre-Refunded—Treasury-Escrowed Index.

8. PowerShares VRDO Tax-Free Weekly Portfolio

The PowerShares VRDO Tax-Free Weekly Portfolio seeks investment results that generally correspond (before fees and expenses) to the price and yield of the Bloomberg U.S. Municipal AMT-Free Weekly VRDO Index. The Bloomberg U.S. Municipal AMT-Free Weekly VRDO Index is comprised of municipal securities issued in the primary market as variable rate demand obligation (“VRDO”) bonds. Only VRDOs whose interest rates are reset weekly are included in the Bloomberg U.S. Municipal AMT-Free Weekly VRDO Index, and the Bloomberg U.S. Municipal AMT-Free Weekly VRDO Index excludes secondary or derivative

VRDOs (tender option bonds). To be included in the Bloomberg U.S. Municipal AMT-Free Weekly VRDO Index, constituents must be rated by at least one of the following statistical rating agencies at the following minimum ratings: Moody's as A-3 for long-term bonds or Prime-2 for short-term bonds; by S&P as A- for long-term bonds or A-2 for short-term bonds; and by Fitch as A- for long-term bonds or F-2 for short-term bonds.

As of April 1, 2017, the Bloomberg US Municipal AMT-Free Weekly VRDO Index included 1,494 component fixed income municipal bond securities from issuers in 49 different states or U.S. territories. The most heavily weighted security in the index represented approximately 0.75% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 2.75% of the total weight of the index. Approximately 44.76% of the weight of the index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities in the offering. Approximately 34.88% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$68,489,564,000, and the average dollar amount outstanding of issues in the index was approximately \$45,843,082.

Generally, the PowerShares VRDO Tax-Free Weekly Portfolio invests at least 80% of its total assets in VRDO bonds that are exempt from federal income tax with interest rates that reset weekly that comprise the Bloomberg U.S. Municipal AMT-Free Weekly VRDO Index.

9. SPDR Nuveen Bloomberg Barclays Short Term Municipal Bond ETF

The SPDR Nuveen Bloomberg Barclays Short Term Municipal Bond ETF seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the Bloomberg Barclays Managed Money Municipal Short Term Index which tracks the short term tax exempt municipal bond market. The Bloomberg Barclays Managed Money Municipal Short Term Index is designed to track the publicly traded municipal bonds that cover the U.S. dollar denominated short term tax exempt bond market, including state and local general obligation bonds, revenue bonds, pre-refunded bonds, and insured bonds. All bonds in the Bloomberg Barclays Managed Money Municipal Short Term Index must be rated Aa3/AA- or higher by at least two of the following statistical ratings agencies: Moody's, S&P, or Fitch. If only one of the agencies rates the security, the rating must be at least Aa3/AA-. Each security in the Bloomberg Barclays Managed Money Municipal Short Term Index must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million.

As of April 1, 2017, the Bloomberg Barclays Managed Money Municipal Short Term Index included 4,263 component fixed income municipal bond securities from issuers in 44 different states or U.S. territories. The most heavily weighted security in the index represented approximately 0.75% of the total weight of the index, and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 2% of the total weight of the index. Approximately 94.54% of the weight of the index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities in the offering. Approximately 10.82% of the weight of the components in the index had a minimum original

principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$85,187,709,681, and the average dollar amount outstanding of issues in the index was approximately \$19,983,042.

Under normal market conditions, the SPDR Nuveen Bloomberg Barclays Short Term Municipal Bond ETF generally invests substantially all, but at least 80%, of its total assets in the securities comprising the Bloomberg Barclays Managed Money Municipal Short Term Index or in securities that the fund's sub-adviser determines have economic characteristics that are substantially identical to the economic characteristics of the securities that comprise the Bloomberg Barclays Managed Money Municipal Short Term Index. In addition, the SPDR Nuveen Bloomberg Barclays Short Term Municipal Bond ETF may invest in debt securities that are not included in the Bloomberg Barclays Managed Money Municipal Short Term Index, cash and cash equivalents or money market instruments, such as repurchase agreements and money market funds.

10. SPDR Nuveen Bloomberg Barclays Municipal Bond ETF

The Exchange states that, according to its prospectus, the SPDR Nuveen Bloomberg Barclays Municipal Bond ETF seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the Bloomberg Barclays Municipal Managed Money Index which tracks the U.S. municipal bond market. The Bloomberg Barclays Municipal Managed Money Index is designed to track the U.S. long term tax-exempt bond market, including state and local general obligation bonds, revenue bonds, pre-refunded bonds, and insured bonds. The Bloomberg Barclays Municipal Managed Money Index is comprised of tax-exempt municipal securities issued by states, cities, counties, districts and their respective agencies. The Bloomberg Barclays Municipal Managed Money Index also

includes municipal lease obligations, which are securities issued by state and local governments and authorities to finance the acquisition of equipment and facilities. All bonds in the Bloomberg Barclays Municipal Managed Money Index must be rated Aa3/AA- or higher by at least two of the following statistical ratings agencies: Moody's, S&P, and Fitch. If only one of the agencies rates the security, the rating must be at least Aa3/AA-. Each security in the Bloomberg Barclays Municipal Managed Money Index must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million.

As of April 1, 2017, the Bloomberg Barclays Municipal Managed Money Index included 22,247 component fixed income municipal bond securities from issuers in 48 different states or U.S. territories. The most heavily weighted security in the index represented less than 0.25% of the total weight of the index, and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 0.50% of the total weight of the index. Approximately 95.05% of the weight of the index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities in the offering. Approximately 13.35% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$496,240,108,998, and the average dollar amount outstanding of issues in the index was approximately \$22,305,934.

Under normal market conditions, the SPDR Nuveen Bloomberg Barclays Municipal Bond ETF generally invests substantially all, but at least 80%, of its total assets in the securities comprising the Bloomberg Barclays Municipal Managed Money Index or in securities that the fund's sub-adviser determines have economic characteristics that are substantially identical to

the economic characteristics of the securities that comprise the Bloomberg Barclays Municipal Managed Money Index. In addition, the SPDR Nuveen Bloomberg Barclays Municipal Bond ETF may invest in debt securities that are not included in the Bloomberg Barclays Municipal Managed Money Index, cash and cash equivalents or money market instruments, such as repurchase agreements and money market funds.

11. iShares California Muni Bond ETF

The iShares California Muni Bond ETF seeks to track the investment results of the S&P California AMT-Free Municipal Bond Index, which measures the performance of the investment grade segment of the California municipal bond market. The S&P California AMT-Free Municipal Bond Index is a subset of the S&P National AMT-Free Municipal Bond Index and is comprised of municipal bonds issued in the State of California. The S&P California AMT-Free Municipal Bond Index primarily includes municipal bonds from issuers in California that are California state or local governments or agencies whose interest payments are exempt from U.S. federal and California state income taxes and the federal alternative minimum tax. Each bond in the S&P California AMT-Free Municipal Bond Index must have a rating of at least BBB- by S&P, Baa3 by Moody's, or BBB- by Fitch. Each bond in the S&P California AMT-Free Municipal Bond Index must be denominated in U.S. dollars, must be a constituent of an offering where the original offering amount was at least \$100 million, and must have a minimum par amount of \$25 million. To remain in the S&P California AMT-Free Municipal Bond Index, bonds must maintain a minimum par amount greater than or equal to \$25 million as of the next rebalancing date.

As of April 1, 2017, the S&P California AMT-Free Municipal Bond Index included 2,115 component fixed income municipal bond securities from more than 150 distinct municipal

bond issuers in the State of California. The most heavily weighted security in the index represented approximately 0.50% of the total weight of the index, and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 2.75% of the total weight of the index. Approximately 96.31% of the weight of the index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities in the offering. Approximately 38.89% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$137,796,471,640, and the average dollar amount outstanding of issues in the index was approximately \$65,151,996.

Generally, the iShares California Muni Bond ETF invests at least 90% of its assets in the component securities of the S&P California AMT-Free Municipal Bond Index and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds, as well as in securities not included in the S&P California AMT-Free Municipal Bond Index, but which the fund's investment advisor believes will help the fund track the S&P California AMT-Free Municipal Bond Index.

12. iShares New York Muni Bond ETF

The iShares New York Muni Bond ETF seeks to track the investment results of the S&P New York AMT-Free Municipal Bond Index, which measures the performance of the investment grade segment of the New York municipal bond market. The S&P New York AMT-Free Municipal Bond Index is a subset of the S&P National AMT-Free Municipal Bond Index and is comprised of municipal bonds issued in the State of New York. The S&P New York AMT-Free Municipal Bond Index primarily includes municipal bonds from issuers in New York that are

New York state or local governments or agencies whose interest payments are exempt from U.S. federal and New York State personal income taxes and the federal alternative minimum tax. Each bond in the S&P New York AMT-Free Municipal Bond Index must have a rating of at least BBB- by S&P, Baa3 by Moody's, or BBB- by Fitch. Each bond in the S&P New York AMT-Free Municipal Bond Index must be denominated in U.S. dollars, must be a constituent of an offering where the original offering amount was at least \$100 million, and must have a minimum par amount of \$25 million. To remain in the S&P New York AMT-Free Municipal Bond Index, bonds must maintain a minimum par amount greater than or equal to \$25 million as of the next rebalancing date.

As of April 1, 2017, the S&P New York AMT-Free Municipal Bond Index included 2,191 component fixed income municipal bond securities from more than 20 distinct municipal bond issuers in the State of New York. The most heavily weighted security in the index represented approximately 1.50% of the total weight of the index, and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 4.25% of the total weight of the index. Approximately 98.63% of the weight of the index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities in the offering. Approximately 34.50% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$124,381,556,872, and the average dollar amount outstanding of issues in the index was approximately \$56,769,309.

Generally, the iShares New York Muni Bond ETF invests at least 90% of its assets in the component securities of the S&P New York AMT-Free Municipal Bond Index and may invest

up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds, as well as in securities not included in the S&P New York AMT-Free Municipal Bond Index x, but which the fund's investment advisor believes will help the fund track the S&P New York AMT-Free Municipal Bond Index.

B. The Continued Listing and Trading of the Shares

The Exchange states that it is appropriate to continue to list and trade the Shares based on the characteristics of the indexes underlying the Municipal Bond Funds. According to the Exchange, each index underlying the Municipal Bond Funds satisfies all of the generic listing requirements for Investment Company Units based on a fixed income index, except for the minimum principal amount outstanding requirement of Commentary .02(a)(2) to Rule 5.2(j)(3). The Exchange asserts that a fundamental purpose behind the minimum principal amount outstanding requirement is to ensure that component securities of an index are sufficiently liquid such that the potential for index manipulation is reduced.¹¹ The Exchange asserts that each index underlying the Municipal Bond Funds is a broad-based index of fixed income municipal bond securities that is not readily susceptible to manipulation.

With respect to the Multistate Municipal Bond Funds, the Exchange states: (1) each underlying index is broad-based and currently includes, on average, more than 8,000 component securities; (2) currently each underlying index includes securities issued by municipal entities in more than 40 states or U.S. territories, and notes that the applicable generic listing criterion requires that an index contain securities issued by at least 13 non-affiliated issuers;¹² and (3) no single security currently represents more than approximately 1.5% of the weight of any

¹¹ See Amendment No. 1, supra note 4, at 16.

¹² See Commentary .02(a)(5) to NYSE Arca Rule 5.2-E(j)(3).

underlying index, the aggregate weight of the five most heavily weighted securities in each index does not exceed approximately 6% of the weight of the index, and notes the applicable generic listing criterion permits a single component security to represent up to 30% of the weight of an index and the top five component securities to, in aggregate, represent up to 65% of the weight of an index.¹³ The Exchange asserts that this index diversification is significant, and that the absence of constituent concentration in the underlying indexes provides a strong degree of protection against manipulation of the indexes.¹⁴

With respect to the Single-State Municipal Bond Funds, the Exchange states that each underlying index is well-diversified to protect against index manipulation. To support this, the Exchange states: (1) on average, the underlying indexes include more than 1,500 securities; (2) each underlying index includes securities from at least 20 distinct municipal bond issuers; and (3) the most heavily weighted security in any of the underlying indexes represents approximately 2% of the weight of the index, and the aggregate weight of the five most heavily weighted securities in any of the indexes represents approximately 6.25% of the total index weight.

The Exchange represents that: (1) on a continuous basis, each index underlying a Municipal Bond Fund will contain at least 500 component securities; (2) currently, each index satisfies all of the generic listing requirements under NYSE Arca Rule 5.2-E(j)(3) except for Commentary .02(a)(2); (3) the continued listing criteria under Rules 5.2(j)(3) (except for Commentary .02(a)(2)) and 5.5(g)(2) applicable to Investment Company Units will apply to the Shares; and (4) the issuer of each Municipal Bond Fund is required to comply with Rule 10A-3¹⁵

¹³ See Commentary .02(a)(4) to NYSE Arca Rule 5.2-E(j)(3).

¹⁴ See Amendment No. 1, supra note 4, at 17.

¹⁵ 17 CFR 240.10A-3.

under the Act for the initial and continued listing of the Shares of each Municipal Bond Fund. In addition, the Exchange represents that the Shares will comply with all other requirements applicable to Investment Company Units including, but not limited to, requirements relating to the dissemination of key information such as the value of the underlying index and the applicable Intraday Indicative Value (“IIV”),¹⁶ rules governing the trading of equity securities, trading hours, trading halts, surveillance, information barriers and the Information Bulletin to Equity Trading Permit Holders, as set forth in Exchange rules applicable to Investment Company Units and prior Commission orders approving the generic listing rules applicable to the listing and trading of Investment Company Units.

III. Proceedings to Determine Whether to Approve or Disapprove SR-NYSEArca-2017-56, as Modified by Amendment No. 1, and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act¹⁷ to determine whether the proposed rule change, as modified by Amendment No. 1, should be approved or disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide comments on the proposed rule change, as modified by Amendment No. 1.

¹⁶ An IIV for each Municipal Bond Fund will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange’s Core Trading Session of 9:30 a.m. to 4:00 p.m., Eastern time. See Amendment No. 1, *supra* note 4, at 18, n.10. The Exchange states that currently it understands that several major market data vendors display and/or make widely available IIVs taken from the Consolidated Tape Association or other data feeds.

¹⁷ 15 U.S.C. 78s(b)(2)(B).

Pursuant to Section 19(b)(2)(B) of the Act,¹⁸ the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of the proposal’s consistency with Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be “designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade,” and “to protect investors and the public interest.”¹⁹

As noted above, the Exchange has submitted this proposed rule change because the Shares of the Municipal Bond Funds do not meet all of the generic listing requirements set forth in Commentary.02 to NYSE Arca Rule 5.2-E(j)(3). In the proposal, the Exchange describes certain characteristics of the underlying indexes as of April 1, 2017,²⁰ and asserts that those characteristics demonstrate that “each... fund is based on a broad-based index that is not readily susceptible to manipulation.”²¹ Further, the Exchange contends that the “significant diversification and the lack of concentration among constituent securities provides a strong degree of protection against index manipulation.”²² For purposes of continued listing of the Shares, however, apart from the representation that each index will have at least 500 component securities on an ongoing basis, the Exchange has not provided any criteria governing the extent to which the indexes may deviate from the initial set of characteristics that the Exchange relies on to determine the susceptibility of the indexes to manipulation. Accordingly, the Commission seeks commenters’ views on whether the Exchange’s statements and representations support a

18

Id.

19

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

20

See supra Section II.A.

21

See supra note 3, 82 FR at 31652.

22

See supra note 3, 82 FR at 31653.

determination that the continued listing and trading of the Shares of the Municipal Bond Funds would be consistent with Section 6(b)(5) of the Act, which, among other things, requires that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and to protect investors and the public interest.

IV. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues identified above, as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposal is consistent with Section 6(b)(5) or any other provision of the Act, or the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4, any request for an opportunity to make an oral presentation.²³

Interested persons are invited to submit written data, views, and arguments regarding whether the proposal should be approved or disapproved by [insert date 21 days from publication in the Federal Register]. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by [insert date 35 days from publication in the Federal Register]. The Commission asks that commenters address the sufficiency of the Exchange's

²³ Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Pub. L. 94-29 (June 4, 1975), grants the Commission flexibility to determine what type of proceeding – either oral or notice and opportunity for written comments – is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

statements in support of the proposal, which are set forth in Amendment No. 1,²⁴ in addition to any other comments they may wish to submit about the proposed rule change.

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. Please include File Number SR-NYSEArca-2017-56 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-2017-56. 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; the

²⁴ See supra note 3.

Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2017-56 and should be submitted on or before [insert date 21 days from publication in the Federal Register]. Rebuttal comments should be submitted by [insert date 35 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁵

Eduardo A. Aleman
Assistant Secretary

²⁵ 17 CFR 200.30-3(a)(57).