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SECURITIES AND EXCHANGE COMMISSION
(Release No. 73331; File No. SR-NYSEArca-2014-104)

October 9, 2014.

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Use of Derivative Instruments by Certain PIMCO Exchange-Traded Funds

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on September 29, 2014, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to change the description of the means of achieving the investment objective applicable to the following funds relating to each fund’s use of derivative instruments: PIMCO Build America Bond Exchange-Traded Fund, PIMCO Diversified Income Exchange-Traded Fund, PIMCO Foreign Currency Strategy Exchange-Traded Fund, PIMCO Global Advantage® Inflation-Linked Bond Strategy Exchange-Traded Fund, PIMCO Intermediate Municipal Bond Exchange-Traded Fund, PIMCO Low Duration Exchange-Traded Fund, PIMCO Real Return Exchange-Traded Fund, PIMCO Short-Term Municipal Bond Exchange-Traded Fund and PIMCO Total Return Exchange-Traded Fund (each a “Fund” and

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

collectively, the “Funds”). In addition, the Exchange proposes changes to certain representations regarding (1) the limitation on each Fund’s holdings in illiquid assets, and (2) each Fund’s holdings of securities and financial instruments whose principal market is not a member of the Intermarket Surveillance Group (“ISG”) or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. The Funds have been approved by the Securities and Exchange Commission (“Commission”) for listing and trading on the Exchange and are currently listed and traded on the Exchange under NYSE Arca Equities Rule 8.600, except for PIMCO Real Return Exchange-Traded Fund, which has not yet commenced operations. The text of the proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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

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

1. Purpose

The Commission has approved the listing and trading on the Exchange of shares (“Shares”) of the PIMCO Build America Bond Exchange-Traded Fund, PIMCO Diversified Income Exchange-Traded Fund, PIMCO Foreign Currency Strategy Exchange-Traded Fund,

PIMCO Global Advantage® Inflation-Linked Bond Strategy Exchange-Traded Fund, PIMCO Intermediate Municipal Bond Exchange-Traded Fund, PIMCO Low Duration Exchange-Traded Fund, PIMCO Real Return Exchange-Traded Fund, PIMCO Short-Term Municipal Bond Exchange-Traded Fund, and PIMCO Total Return Exchange-Traded Fund⁴ under NYSE Arca

⁴ See Securities Exchange Act Release Nos. 71125 (December 18, 2013), 78 FR 77743 (December 24, 2013) (SR-NYSEArca-2013-106) (order approving listing and trading of PIMCO Diversified Income Exchange-Traded Fund, PIMCO Low Duration Exchange-Traded Fund and PIMCO Real Return Exchange-Traded Fund); 68871 (February 8, 2013), 78 FR 11238 (February 15, 2013) (SR-NYSEArca-2012-138) (order approving listing and trading of PIMCO Foreign Currency Strategy Exchange-Traded Fund); 66670 (March 28, 2012), 77 FR 20087 (April 3, 2013) (SR-NYSEArca-2012-09) (order approving listing and trading of PIMCO Global Advantage® Inflation-Linked Bond Strategy Exchange-Traded Fund); 62856 (September 7, 2010), 75 FR 55840 (September 14, 2010) (SR-NYSEArca-2010-68) (order approving listing and trading of PIMCO Build America Bond Exchange-Traded Fund); 60981 (November 10, 2009) 74 FR 59594 (November 18, 2009) (SR-NYSEArca-2009-79) (order approving listing and trading of PIMCO Intermediate Municipal Bond Exchange-Traded Fund; PIMCO Short-Term Municipal Bond Exchange-Traded Fund) (each a “Prior Order” and collectively, the “Prior Orders”). See also, Securities Exchange Act Release No. 66321 (February 3, 2012), 77 FR 6850 (February 9, 2012) (SR-NYSEArca-2011-95) (order approving listing and trading of shares of the PIMCO Total Return Exchange-Traded Fund) (“First PIMCO Total Return Order”). See also Securities Exchange Act Release No. 70774 (October 29, 2013), 78 FR 66396 (November 5, 2013) (SR-NYSEArca-2013-106) (notice of filing of proposal relating to PIMCO Diversified Income Exchange-Traded Fund, PIMCO Low Duration Exchange-Traded Fund and PIMCO Real Return Exchange-Traded Fund); Securities Exchange Act Release No. 68476 (December 19, 2012), 77 FR 76121 (December 26, 2012) (SR-NYSEArca-2012-138) (notice of filing of proposal relating to PIMCO Foreign Currency Strategy Exchange-Traded Fund); Securities Exchange Act Release No. 66381 (February 10, 2012), 77 FR 9281 (February 16, 2012) (SR-NYSEArca-2012-09) (notice of filing of proposal relating to PIMCO Global Advantage® Inflation-Linked Bond Strategy Exchange-Traded Fund); Securities Exchange Act Release No. 62585 (July 28, 2010), 75 FR 47045 (August 4, 2010) (SR-NYSEArca-2010-68) (notice of filing of proposal relating to PIMCO Build America Bond Exchange-Traded Fund); Securities Exchange Act Release No. 60619, (September 3, 2009), 74 FR 46820 (September 11, 2009) (SR-NYSEArca-2009-79) (notice of filing of proposal relating to PIMCO Intermediate Municipal Bond Strategy Exchange-Traded Fund and PIMCO Short-Term Municipal Bond Strategy Exchange-Traded Fund) (each a “Prior Notice” and collectively, the “Prior Notices”, and together with the Prior Orders, the “Prior Releases”).” In addition, see Securities Exchange Act Release No. 65988 (December 16, 2011), 76 FR 79741 (December 22, 2011) (SR-NYSEArca-2011-95) (notice of filing of proposal relating to PIMCO Total Return Exchange-Traded Fund)

Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares. The Shares are offered by PIMCO ETF Trust (the “Trust”), a statutory trust organized under the laws of the State of Delaware and registered with the Commission as an open-end management investment company.⁵ The investment manager to the Funds is Pacific Investment Management Company LLC (“PIMCO” or the “Adviser”).

In this proposed rule change, the Exchange proposes changing the description of each Fund’s use of derivative instruments, as described below. The portions of this proposed rule change that relate to the Funds’ proposed use of derivative instruments are identical to the portion of the proposed rule change approved by the Commission with respect to the continued listing and trading of the PIMCO Total Return Exchange-Traded Fund, that permitted it to use derivative instruments.⁶ Accordingly, this proposed rule change seeks to permit the Funds (other than the PIMCO Total Return Exchange-Traded Fund) to use derivative instruments on the same basis, and subject to the same conditions, as provided in the Second PIMCO Total Return Release, provided, however, that the Exchange also proposes to explicitly include options on

(“First PIMCO Total Return Notice”).

⁵ The Trust is registered under the Investment Company Act of 1940 (“1940 Act”). On October 24, 2013 the Trust filed with the Commission the most recent post-effective amendment to its registration statement under the Securities Act of 1933 (15 U.S.C. 77a) (“1933 Act”) and under the 1940 Act relating to the Funds (File Nos. 333-155395 and 811-22250), which took effect on October 31, 2013 (the “Registration Statement”). The description of the operation of the Trust and the Funds herein is based, in part, on the Registration Statement. In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 28993 (November 10, 2009) (File No. 812-13571) (“Exemptive Order”).

⁶ See Securities Exchange Act Release Nos. 72666 (July, 24, 2014), 79 FR 44224 (July 30, 2014) (SR-NYSEArca-2013-122) (order approving use of derivative instruments by the PIMCO Total Return Exchange-Traded Fund) (“Second PIMCO Total Return Order”); 70905 (November 20, 2013), 78 FR 70610 (November 26, 2013) (SR-NYSEArca-2013-122) (notice of proposal relating to use of derivatives by PIMCO Total Return Exchange-Traded Fund) (“Second PIMCO Total Return Notice” and, together with the Second PIMCO Total Return Order, the “Second PIMCO Total Return Release”).

swap agreements as derivative instruments in which the PIMCO Total Return Exchange-Traded Fund and all other Funds may invest, as described further below. In addition, the Exchange proposes changes to certain representations in the Prior Releases and the First PIMCO Total Return Release regarding (1) the limitation on each Fund's holdings in illiquid assets, and (2) each Fund's holdings of securities and financial instruments whose principal market is not a member of the ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement, as described further below.

The Funds' Use of Derivatives

On December 6, 2012, the staff of the Commission's Division of Investment Management ("Division") issued a no-action letter ("No-Action Letter") relating to the use of derivatives by actively-managed exchange traded funds ("ETFs").⁷ The No-Action Letter noted that, in March of 2010, the Commission announced in a press release that the staff was conducting a review to evaluate the use of derivatives by mutual funds, ETFs, and other investment companies and that, pending completion of this review, the staff would defer consideration of exemptive requests under the 1940 Act relating to, among others, actively-managed ETFs that would make significant investments in derivatives.

The No-Action Letter stated that Division staff will no longer defer consideration of exemptive requests under the 1940 Act relating to actively-managed ETFs that make use of derivatives provided that they include representations to address some of the concerns expressed in the Commission's March 2010 press release. These representations are: (i) that the ETF's board periodically will review and approve the ETF's use of derivatives and how the ETF's investment adviser assesses and manages risk with respect to the ETF's use of derivatives; and

⁷ See No-Action Letter dated December 6, 2012 from Elizabeth G. Osterman, Associate Director, Office of Exemptive Applications, Division of Investment Management.

(ii) that the ETF's disclosure of its use of derivatives in its offering documents and periodic reports is consistent with relevant Commission and staff guidance. The No-Action Letter stated that the Division would not recommend enforcement action to the Commission under sections 2(a)(32), 5(a)(1), 17(a), 22(d), and 22(e) of the 1940 Act, or rule 22c-1 under the 1940 Act if actively-managed ETFs operating in reliance on specified orders (which include the Trust's Exemptive Order⁸) invest in options contracts, futures contracts or swap agreements provided that they comply with the representations stated in the No-Action Letter, as noted above.

In the Prior Releases for the PIMCO Diversified Income Exchange-Traded Fund, PIMCO Foreign Currency Strategy Exchange-Traded Fund, PIMCO Global Advantage® Inflation-Linked Bond Exchange-Traded Fund, PIMCO Low Duration Exchange-Traded Fund, and PIMCO Real Return Exchange-Traded Fund) [sic], the Exchange stated that such Funds would not invest in options contracts, futures contracts or swap agreements. In the Prior Release for the PIMCO Build America Bond Exchange-Traded Fund, the Exchange stated such Fund is restricted from investing in derivative instruments such as options contracts, futures contracts, and swap agreements. The Prior Releases for the PIMCO Intermediate Municipal Bond Exchange-Traded Fund, and PIMCO Short-Term Municipal Bond Exchange-Traded Fund made no statement with respect to such Funds' use of derivatives. Going forward, in view of the No-Action Letter, the Exchange is proposing to permit the Funds to use derivative instruments, as described below.⁹

⁸ See note 5, supra.

⁹ The Adviser represents that each Fund, in connection with its use of derivative instruments, will comply with the representations stated in the No-Action Letter, as noted above, namely: (i) that the Trust's Board of Trustees ("Board") periodically will review and approve each Fund's use of derivatives and how the Adviser assesses and manages risk with respect to a Fund's use of derivatives; and (ii) that each Fund's disclosure of its use of derivatives in its offering documents and periodic reports is consistent with

As summarized in the following table, the Prior Releases stated that the applicable Funds will invest under normal circumstances at least a certain percentage of their assets in certain instruments (as applicable to each such Fund, the “Primary Investment Strategy”).¹⁰

<u>Fund</u>	<u>Primary Investment Strategy</u>
PIMCO Build America Bond Exchange-Traded Fund	The Fund will invest under normal circumstances at least 80% of its assets in taxable municipal debt securities publicly issued under the Build America Bond program.
PIMCO Diversified Income Exchange-Traded Fund	The Fund will invest under normal circumstances at least 65% of its total assets in a diversified portfolio of “Fixed Income Instruments” (as defined below) of varying maturities and forward contracts on such Fixed Income Instruments.

relevant Commission and staff guidance.

¹⁰ As used in the Prior Releases (except for the Prior Notices and Prior Orders for the PIMCO Intermediate Municipal Bond Strategy Exchange-Traded Fund and the PIMCO Build America Bond Exchange-Traded Fund), the term “under normal circumstances” includes, but is not limited to, the absence of extreme volatility or trading halts in the fixed income markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

PIMCO Foreign Currency Strategy Exchange-Traded Fund	The Fund will invest under normal circumstances at least 80% of its assets in currencies of, or Fixed Income Instruments denominated in the currencies of, foreign (non-U.S.) countries, including, but not limited to, a combination of short-term Fixed Income Instruments, money market securities, and currency forwards backed by high quality, low duration securities.
PIMCO Global Advantage® Inflation-Linked Bond Exchange-Traded Fund	The Fund will invest under normal circumstances at least 80% of its assets in a portfolio of inflation-linked bonds that is economically tied to at least three developed and/or emerging market countries (one of which may be the United States).

PIMCO Intermediate Municipal Bond Exchange-Traded Fund	The Fund will invest under normal circumstances at least 80% of its assets in a diversified portfolio of debt securities whose interest is, in the opinion of bond counsel for the issuer at the time of issuance, exempt from federal income tax (“Municipal Bonds”).
PIMCO Low Duration Exchange-Traded Fund	The Fund will invest under normal circumstances at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities and forward contracts on such Fixed Income Instruments.
PIMCO Real Return Exchange-Traded Fund	The Fund will invest under normal circumstances at least 80% of its net assets in inflation-indexed bonds of varying maturities issued by U.S. and non-U.S. governments, their agencies or instrumentalities, and corporations, and forward contracts on such Fixed Income Instruments.

PIMCO Short-Term Municipal Bond Exchange-Traded Fund	The Fund will invest under normal circumstances at least 80% of its assets in a diversified portfolio of Municipal Bonds.
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“Fixed Income Instruments” include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities.¹¹ The Exchange proposes to revise each Fund’s Primary Investment Strategy as set forth in the applicable Prior Release to provide that a Fund’s Primary Investment Strategy may be represented by derivatives based on the instruments that are the subject of the Primary Investment Strategy.

With respect to each Fund, derivative instruments will be forwards;¹² exchange-traded and over-the-counter (“OTC”) options contracts; exchange-traded futures contracts; exchange-traded and OTC swap agreements; exchange-traded options on futures contracts; and OTC

¹¹ The term “Fixed Income Instruments” is defined with respect to each Fund as set forth in the Prior Releases and the Second PIMCO Total Return Release (see notes 4 and 6, supra). Examples include: debt securities issued or guaranteed by the U.S. Government, its agencies or government-sponsored enterprises (“U.S. Government Securities”); corporate debt securities of U.S. and non-U.S. issuers, including convertible securities and corporate commercial paper; mortgage-backed and other asset-backed securities; inflation-indexed bonds issued both by governments and corporations; structured notes, including hybrid or “indexed” securities and event-linked bonds; bank capital and trust preferred securities; loan participations and assignments; delayed funding loans and revolving credit facilities; bank certificates of deposit, fixed time deposits and bankers’ acceptances; repurchase agreements on Fixed Income Instruments and reverse repurchase agreements on Fixed Income Instruments; debt securities issued by states or local governments and their agencies, authorities and other government-sponsored enterprises; obligations of non-U.S. governments or their subdivisions, agencies and government-sponsored enterprises; and obligations of international agencies or supranational entities. Securities issued by U.S. Government agencies or government-sponsored enterprises may not be guaranteed by the U.S. Treasury.

¹² Forwards are contracts to purchase or sell securities for a fixed price at a future date beyond normal settlement time (forward commitments).

options on swap agreements.¹³ Generally, derivatives are financial contracts whose value [sic] depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indexes. Each Fund may, but will not be required to, use derivative instruments for risk management purposes or as part of its investment strategies.¹⁴

The Exchange notes that the Second PIMCO Total Return Release did not explicitly reference options on swap agreements, which are a form of OTC option contracts, as derivative instruments in which such Fund may invest. The Exchange, therefore, also proposes to explicitly include options on swap agreements as derivative instruments in which the PIMCO Total Return Exchange-Traded Fund (as well as all other Funds) may invest.

Investments in derivative instruments will be made in accordance with the 1940 Act and consistent with the applicable Fund's investment objective and policies. As described further below, each Fund will typically use derivative instruments as a substitute for taking a position in the underlying asset and/or as part of a strategy designed to reduce exposure to other risks, such as interest rate or currency risk. Each Fund may also use derivative instruments to enhance returns. To limit the potential risk associated with such transactions, each Fund will segregate or " earmark " assets determined to be liquid by PIMCO in accordance with procedures established

¹³ In the future, in the event that there are exchange-traded options on swaps, a Fund may invest in these instruments.

¹⁴ Each Fund will seek, where possible, to use counterparties whose financial status is such that the risk of default is reduced; however, the risk of losses resulting from default is still possible. PIMCO's Counterparty Risk Committee evaluates the creditworthiness of counterparties on an ongoing basis. In addition to information provided by credit agencies, PIMCO credit analysts evaluate each approved counterparty using various methods of analysis, including company visits, earnings updates, the broker-dealer's reputation, PIMCO's past experience with the broker-dealer, market levels for the counterparty's debt and equity, the counterparty's liquidity and its share of market participation.

by the Trust's Board of Trustees and in accordance with the 1940 Act (or, as permitted by applicable regulation, enter into certain offsetting positions) to cover its obligations under derivative instruments. These procedures have been adopted consistent with Section 18 of the 1940 Act and related Commission guidance. In addition, each Fund will include appropriate risk disclosure in its offering documents, including leveraging risk. Leveraging risk is the risk that certain transactions of a Fund, including a Fund's use of derivatives, may give rise to leverage, causing a Fund to be more volatile than if it had not been leveraged.¹⁵ Because the markets for certain securities, or the securities themselves, may be unavailable or cost prohibitive as compared to derivative instruments, suitable derivative transactions may be an efficient alternative for a Fund to obtain the desired asset exposure.

The Adviser believes that derivatives can be an economically attractive substitute for an underlying physical security that a Fund would otherwise purchase. For example, a Fund could purchase Treasury futures contracts instead of physical Treasuries or could sell credit default protection on a corporate bond instead of buying a physical bond. Economic benefits include potentially lower transaction costs or attractive relative valuation of a derivative versus a physical bond (e.g., differences in yields).

The Adviser further believes that derivatives can be used as a more liquid means of adjusting portfolio duration as well as targeting specific areas of yield curve exposure, with potentially lower transaction costs than the underlying securities (e.g., interest rate swaps may have lower transaction costs than physical bonds). Similarly, money market futures can be used to gain exposure to short-term interest rates in order to express views on anticipated changes in central bank policy rates. In addition, derivatives can be used to protect client assets through

¹⁵ To mitigate leveraging risk, the Adviser will segregate or "earmark" liquid assets or otherwise cover the transactions that may give rise to such risk.

selectively hedging downside (or “tail risks”) in a Fund.

A Fund also can use derivatives to increase or decrease credit exposure. Index credit default swaps (CDX) can be used to gain exposure to a basket of credit risk by “selling protection” against default or other credit events, or to hedge broad market credit risk by “buying protection.” Single name credit default swaps (CDS) can be used to allow a Fund to increase or decrease exposure to specific issuers, saving investor capital through lower trading costs. A Fund can use total return swap contracts to obtain the total return of a reference asset or index in exchange for paying a financing cost. A total return swap may be much more efficient than buying underlying securities of an index, potentially lowering transaction costs.

The Adviser believes that the use of derivatives will allow a Fund to selectively add diversifying sources of return from selling options. Option purchases and sales can also be used to hedge specific exposures in the portfolio, and can provide access to return streams available to long-term investors such as the persistent difference between implied and realized volatility. Option strategies can generate income or improve execution prices (i.e., covered calls).

In view of the Exchange’s proposal to permit the Funds (other than the PIMCO Total Return Exchange-Traded Fund) to use derivative instruments, as described above, each Fund’s investments in derivative instruments may be used to enhance leverage. However, the Funds’ investments will not be used to seek performance that is the multiple or inverse multiple (e.g., 2Xs and 3Xs) of a Fund’s broad-based securities market index.¹⁶

Other Investments

In addition to a Fund’s use of derivatives in connection with its Primary Investment Strategy as described above, under the proposal each Fund may seek to invest in derivative

¹⁶ Each Fund’s broad-based securities market index is identified in a Fund’s Registration Statement following a Fund’s first full calendar year of performance.

instruments apart from a Fund's Primary Investment Strategy, consistent with a Fund's investment restrictions relating to exposure to other asset classes not related to a Fund's Primary Investment Strategy.

The Prior Releases relating to the PIMCO Foreign Currency Strategy Exchange-Traded Fund and PIMCO Global Advantage® Inflation-Linked Bond Exchange-Traded Fund also stated that those Funds may invest in debt securities and instruments that are economically tied to foreign (non-U.S.) countries. The Prior Releases for those Funds stated further that PIMCO generally considers an instrument to be economically tied to a non-U.S. country if the issuer is a foreign government (or any political subdivision, agency, authority or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. In the case of applicable money market instruments, such instruments will be considered economically tied to a non-U.S. country if either the issuer or the guarantor of such money market instrument is organized under the laws of a non-U.S. country.

The Exchange proposes to add to this representation that, with respect to derivative instruments, as proposed to be used, PIMCO generally will consider such instruments to be economically tied to non-U.S. countries if the underlying assets are foreign currencies (or baskets or indexes of such currencies), or instruments or securities that are issued by foreign governments (or any political subdivision, agency, authority or instrumentality of such governments) or issuers organized under the laws of a non-U.S. country (or if the underlying assets are money market instruments, as applicable, if either the issuer or the guarantor of such money market instruments is organized under the laws of a non-U.S. country).

Derivatives Valuation Methodology for Purposes of Determining Net Asset Value

According to the Registration Statement, the net asset value ("NAV") of each Fund's

Shares is determined by dividing the total value of a Fund's portfolio investments and other assets, less any liabilities, by the total number of Shares outstanding. Each Fund's Shares are valued as of the close of regular trading of the New York Stock Exchange ("NYSE") (normally 4:00 p.m., Eastern time ("E.T.")(the "NYSE Close") on each day NYSE Arca is open ("Business Day"). Information that becomes known to the applicable Fund or its agents after the NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a portfolio asset or the NAV determined earlier that day. Each Fund reserves the right to change the time its NAV is calculated if a Fund closes earlier, or as permitted by the Commission. For purposes of calculating NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, based on quotes obtained from a quotation reporting system, established market makers, or pricing services. Non-exchange-traded derivatives will normally be valued on the basis of quotes obtained from brokers and dealers or third party pricing services using data reflecting the earlier closing of the principal markets for those assets. Prices obtained from independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Exchange-traded options, futures and options on futures will generally be valued at the settlement price determined by the applicable exchange.

Derivatives for which market quotes are readily available will be valued at market value. Local closing prices will be used for all instrument valuation purposes. For a Fund's 4:00 p.m. E.T. futures holdings, estimated prices from Reuters will be used if any cumulative futures margin impact is greater than \$0.005 to the NAV due to futures movement after the fixed income

futures market closes (3:00 p.m. E.T.) and up to the NYSE close (generally 4:00 p.m. E.T.). Swaps traded on exchanges such as the Chicago Mercantile Exchange (“CME”) or the Intercontinental Exchange (“ICE-US”) will use the applicable exchange closing price where available.

Derivatives Valuation Methodology for Purposes of Determining Intra-day Indicative Value

On each Business Day, before commencement of trading in a Fund’s Shares on NYSE Arca, each Fund discloses on its website the identities and quantities of the portfolio instruments and other assets held by a Fund that will form the basis for a Fund’s calculation of NAV at the end of the Business Day.

In order to provide additional information regarding the intra-day value of Shares of a Fund, the NYSE Arca or a market data vendor disseminates every 15 seconds through the facilities of the Consolidated Tape Association or other widely disseminated means an updated Intra-day Indicative Value (“IIV”) for a Fund as calculated by an information provider or market data vendor.

A third party market data provider is currently calculating the IIV for the Funds that have commenced operations. For the purposes of determining the IIV, the third party market data provider’s valuation of derivatives is expected to be similar to their valuation of all securities. The third party market data provider may use market quotes if available or may fair value securities against proxies (such as swap or yield curves).

Price information for the debt securities and other financial instruments held by each of the Funds, including the intra-day, closing settlement price for the Fixed Income Instruments and derivatives thereon, and other financial instruments held by each of the Funds, will be available through major market data vendors.

With respect to specific derivatives:

- Foreign currency derivatives may be valued intraday using market quotes, or another proxy as determined to be appropriate by the third party market data provider.
- Futures may be valued intraday using the relevant futures exchange data, or another proxy as determined to be appropriate by the third party market data provider.
- Interest rate swaps may be mapped to a swap curve and valued intraday based on changes of the swap curve, or another proxy as determined to be appropriate by the third party market data provider.
- CDX/CDS may be valued using intraday data from market vendors, or based on underlying asset price, or another proxy as determined to be appropriate by the third party market data provider.
- Total return swaps may be valued intraday using the underlying asset price, or another proxy as determined to be appropriate by the third party market data provider.
- Exchange listed options may be valued intraday using the relevant exchange data, or another proxy as determined to be appropriate by the third party market data provider.
- OTC options, including options on swaps, may be valued intraday through option valuation models (e.g., Black-Scholes) or using exchange traded options as a proxy, or another proxy as determined to be appropriate by the third party market data provider.

- A third party market data provider's valuation of forwards will be similar to its valuation of the underlying securities, or another proxy as determined to be appropriate by the third party market data provider. The third party market data provider will generally use market quotes if available. Where market quotes are not available, they may fair value securities against proxies (such as swap or yield curves). Each Fund's disclosure of forward positions will include information that market participants can use to value these positions intraday.

Disclosed Portfolio

Each Fund's disclosure of derivative positions in the Disclosed Portfolio will include information that market participants can use to value these positions intraday. On a daily basis, each Fund will disclose on each Fund's website the following information regarding each portfolio holding, as applicable to the type of holding: ticker symbol, CUSIP number or other identifier, if any; a description of the holding (including the type of holding, such as the type of swap); the identity of the security, commodity, index or other asset or instrument underlying the holding, if any; for options, the option strike price; quantity held (as measured by, for example, par value, notional value or number of shares, contracts or units); maturity date, if any; coupon rate, if any; effective date, if any; market value of the holding; and the percentage weighting of the holding in each Fund's portfolio.

Impact on Arbitrage Mechanism

The Adviser believes there will be minimal, if any, impact to the arbitrage mechanism as a result of the use of derivatives. Market makers and participants should be able to value derivatives as long as the positions are disclosed with relevant information. The Adviser believes that the price at which Shares trade will continue to be disciplined by arbitrage opportunities

created by the ability to purchase or redeem creation units of Shares at their NAV, which should ensure that Shares will not trade at a material discount or premium in relation to their NAV.

The Adviser does not believe there will be any significant impacts to the settlement or operational aspects of a Fund's arbitrage mechanism due to the use of derivatives. Because derivatives generally are not eligible for in-kind transfer, they will typically be substituted with a "cash in lieu" amount when a Fund processes purchases or redemptions of creation units in-kind.

Illiquid Securities

The Exchange proposes to amend the representations in certain of the Prior Releases¹⁷ relating to holdings of the Funds in illiquid assets to conform such representations to those made in the Prior Releases for the PIMCO Diversified Income Exchange-Traded Fund, PIMCO Low Duration Exchange-Traded Fund, PIMCO Real Return Exchange-Traded Fund, and the Second PIMCO Total Return Release, as described below.

In the respective Prior Releases for the PIMCO Build America Bond Exchange-Traded [sic], PIMCO Intermediate Municipal Bond Exchange-Traded Fund and PIMCO Short-Term Municipal Bond Exchange-Traded Fund and the First PIMCO Total Return Prior Release, the Exchange stated that each such Fund may invest up to 15% of its net assets in illiquid securities. In the Prior Release for the PIMCO Foreign Currency Strategy Exchange-Traded Fund, the Exchange stated that the Fund may hold up to an aggregate amount of 15% of its net assets in illiquid securities (calculated at the time of investment), and that certain financial instruments, including, but not limited to, Rule 144A securities, loan participations and assignments, delayed funding loans, revolving credit facilities, and fixed- and floating-rate loans will be included in the 15% limitation on illiquid securities. In the Prior Release for the PIMCO Global

¹⁷ See note 4, supra.

Advantage® Inflation-Linked Bond Strategy Exchange-Traded Fund, the Exchange stated that the Fund may hold in the aggregate up to 15% of its net assets in: (1) illiquid securities, which include delayed funding loans, revolving credit facilities, fixed- and floating-rate loans and loan participations and assignments, and (2) Rule 144A securities.

The Exchange proposes that each of such representations in such Prior Releases be replaced and superseded by the representation in the respective Prior Releases for the PIMCO Diversified Income Exchange-Traded Fund, PIMCO Low Duration Exchange-Traded Fund, PIMCO Real Return Exchange-Traded Fund and the Second PIMCO Total Return Release relating to investments in illiquid assets,¹⁸ namely, that each Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser,¹⁹ consistent with Commission guidance.²⁰ Such illiquid assets, therefore, could include, in addition to Rule 144A securities, financial

¹⁸ See notes 4 and 6, *supra*.

¹⁹ In reaching liquidity decisions with respect to Rule 144A securities, the Adviser may consider the following factors: the frequency of trades and quotes for the security; the number of dealers willing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; and the nature of the security and the nature of the marketplace trades (*e.g.*, the time needed to dispose of the security, the method of soliciting offers, and the mechanics of transfer).

²⁰ The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. See also, Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding “Restricted Securities”); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund’s portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the 1933 Act).

instruments such as delayed funding loans, revolving credit facilities, fixed- and floating-rate loans and loan participations and assignments deemed illiquid by the Adviser, consistent with Commission guidance.

The Exchange notes that each Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of a Fund's net assets are held in illiquid assets. Illiquid assets include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.²¹

Fund Holdings in Non-U.S. Equity Securities and Other Financial Instruments

The Exchange proposes to amend the representations made in the Prior Releases regarding holdings by the Funds in non-U.S. equity securities, as described below. In the Prior Release for the PIMCO Diversified Income Exchange-Traded Fund, PIMCO Low Duration Exchange-Traded Fund and PIMCO Real Return Exchange-Traded Fund, the Exchange stated that such Funds will invest only in U.S. and non-U.S. equity securities that trade in markets that are members of the ISG or are parties to a comprehensive surveillance sharing agreement with the Exchange. In the Prior Releases for the PIMCO Intermediate Municipal Bond Strategy Exchange-Traded Fund, PIMCO Short-Term Municipal Bond Strategy Exchange-Traded Fund and PIMCO Build America Bond Exchange-Traded Fund, the Exchange stated that such Funds will not invest in non-U.S. equity securities. In the Prior Release for the PIMCO Foreign

²¹ See note 20, supra.

Currency Strategy Exchange-Traded Fund and First PIMCO Total Return Notice,²² the Exchange stated that such Funds will not invest in any non-U.S. registered equity securities, except if such securities are traded on exchanges that are members of the ISG. In the Prior Release for the PIMCO Global Advantage® Inflation-Linked Bond Strategy Exchange-Traded Fund, the Exchange stated that, with respect to its equity securities investments, the Fund will invest only in U.S. registered equity securities and non-U.S.-registered equity securities that trade in markets that are members of the ISG or are parties to a comprehensive surveillance sharing agreement with the Exchange.²³ The Exchange proposes to amend such statements in the Prior Releases to provide that not more than 10% of the net assets of a Fund in the aggregate invested in equity securities (excluding non-exchange-traded investment company securities) shall consist of equity securities, including stocks into which a convertible security is converted, whose principal market is not a member of the ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. Furthermore, the Exchange proposes that not more than 10% of the net assets of a Fund in the aggregate invested in futures contracts or exchange-traded options contracts shall consist of futures contracts or exchange-traded options contracts whose principal market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

The Exchange notes that the Commission has previously approved similar percentage limitations for other funds listed on the Exchange under NYSE Arca Equities Rule 8.600.²⁴ Such

²² See note 4, supra.

²³ See note 26, infra.

²⁴ See Securities Exchange Act Release Nos. 69915 (July 2, 2013), 78 FR 41145 (July 9, 2013) (SR-NYSEArca-2013-56) (order approving listing and trading of shares of the PowerShares China A-Share Portfolio under NYSE Arca Equities Rule 8.600); 72665 (July 24, 2014), 79 FR 44236 (July 30, 2014) (SR-NYSEArca-2014-59) (order approving listing and trading of shares of the AdvisorShares Athena High Dividend ETF under

a representation assures that most applicable exchange-traded assets of a Fund will be assets whose principal market is an ISG member or a market with which the Exchange has a comprehensive surveillance sharing agreement.

The changes described herein will be effective upon (i) the effectiveness of an amendment to the Trust's Registration Statement disclosing the Funds' intended use of derivative instruments and (ii) when this proposed rule change has become operative. The Adviser represents that the Adviser has managed and will continue to manage those Funds that have commenced operations in the manner described in the applicable Prior Release, and will not implement the changes described herein until this proposed rule change is operative.

The Adviser represents that there is no change to each Fund's investment objective. Each Fund will continue to comply with all initial and continued listing requirements under NYSE Arca Equities Rule 8.600, as applicable.

Except for the changes noted in this filing, all other facts presented and representations made in the Prior Releases remain unchanged.

All terms referenced but not defined herein are defined in the Prior Releases.

Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by the Financial Industry Regulatory Authority ("FINRA") on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable

NYSE Arca Equities Rule 8.600; 72882 (August 20, 2014) (SR-NYSEArca-2014-58) (order approving listing and trading of shares of PIMCO Short-Term Exchange-Traded Fund and PIMCO Municipal Bond Exchange-Traded Fund under NYSE Arca Equities Rule 8.600); 72853 (August 15, 2014) (SR-NYSEArca-2014-57) (order approving listing and trading of shares of the PIMCO Foreign Bond Exchange-Traded Fund (U.S. Dollar-Hedged), PIMCO Foreign Bond Exchange-Traded Fund (Unhedged), PIMCO Global Advantage Bond Exchange-Traded Fund, and PIMCO International Advantage Bond Exchange-Traded Fund under NYSE Arca Equities Rule 8.600).

federal securities laws.²⁵ The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.

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

FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares, exchange traded equities, options, futures, options on futures and other exchange-traded assets with other markets or other entities that are members of the Intermarket Surveillance Group (“ISG”), and FINRA may obtain trading information regarding trading in the Shares, exchange traded equities, options, futures, options on futures and other exchange-traded assets from such markets or entities. In addition, the Exchange may obtain information regarding trading in the Shares, exchange traded equities, options, futures, options on futures and other exchange-traded assets from markets or other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.²⁶ In addition, 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 Trade Reporting and Compliance Engine (“TRACE”). FINRA also can access data obtained from the Municipal Securities Rulemaking

²⁵ FINRA surveils trading on the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services agreement.

²⁶ For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all components of the Disclosed Portfolio for a Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

Board relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

2. Statutory Basis

The basis under the Act²⁷ for this proposed rule change is the requirement under Section 6(b)(5)²⁸ 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 the Shares will continue to be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Equities Rule 8.600. Each Fund will continue to comply with all initial and continued listing requirements under NYSE Arca Equities Rule 8.600, as applicable. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares, exchange traded equities, options, futures, options on futures and other exchange-traded assets with other markets or other entities that are members of the ISG, and FINRA may obtain trading information regarding trading in the Shares, exchange traded equities, options, futures, options on futures and other exchange-traded assets from such markets

²⁷ 15 U.S.C. 78a.

²⁸ 15 U.S.C. 78f(b)(5).

or entities. In addition, the Exchange may obtain information regarding trading in the Shares, exchange traded equities, options, futures, options on futures and other exchange-traded assets from markets or other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by a Fund reported to FINRA's TRACE. FINRA also can access data obtained from the Municipal Securities Rulemaking Board relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares.

Each Fund's investments will be consistent with its investment objective, which remains unchanged. The proposed amendments permitting the Funds to invest in derivative instruments, such as options contracts, futures contracts and swap agreements, promotes just and equitable principals of trade and furthers the protection of investors and the public interest. Each Fund's investments will not be used to seek performance that is the multiple or inverse multiple (e.g., 2Xs and 3Xs) of a Fund's broad-based securities market index.²⁹

Permitting the use of derivatives will provide additional flexibility to the Adviser in seeking to achieve each Fund's investment objective. For example, because the markets for certain securities, or the securities themselves, may be unavailable or cost prohibitive as compared to derivative instruments, suitable derivative transactions may be an efficient alternative for a Fund to obtain the desired asset exposure. Additionally, derivatives allow parties to replicate desired returns while eliminating the costs associated with acquiring or holding the underlying asset. As such, the increased flexibility afforded by the ability to use derivatives may enhance investor returns by facilitating a Fund's ability to more economically seek its investment

²⁹ See note 16, supra.

objective, thereby reducing the costs -- actual, opportunity or otherwise -- incurred by a Fund.

With respect to the representation above that the Exchange proposes to explicitly include options on swap agreements as derivative instruments in which the PIMCO Total Return Exchange-Traded Fund and all other Funds may invest, the Exchange believes such inclusion will not adversely impact investors and serves to protect investors and the public interest for the following reasons. The proposed revised representations are similar to those previously approved by the Commission for other exchange-traded funds listed and traded on the Exchange pursuant to NYSE Arca Equities Rule 8.600.³⁰ In the case of OTC swaps and OTC options, the Adviser represents that it has implemented policies and procedures which govern the selection of counterparties to reduce the risks associated with swaps, including, but not limited to, counterparty risk and concentration risk. In addition, as described further below, a Fund's investments in derivative instruments will be made in accordance with the 1940 Act and consistent with a Fund's investment objectives and policies. To limit the potential risk associated with transactions in derivative instruments, each Fund will segregate or " earmark " assets determined to be liquid by PIMCO in accordance with procedures established by the Trust's Board of Trustees and in accordance with the 1940 Act.

With respect to the representation above that, with respect to derivative instruments, as proposed to be used, PIMCO generally will consider such instruments to be economically tied to non-U.S. countries if the underlying assets are foreign currencies, or instruments or securities that are issued by foreign governments or issuers organized under the laws of a non-U.S. country (or if the underlying assets are money market instruments, as applicable, if either the

³⁰ See, e.g., Securities Exchange Act Release Nos. [sic] 7882 (August 20, 2014) (SR-NYSEArca-2014-58) (order approving listing and trading on the Exchange of shares of the PIMCO Short-Term Exchange-Traded Fund and the PIMCO Municipal Bond Exchange-Traded Fund under NYSE Arca Equities Rule 8.600).

issuer or the guarantor of such money market instruments is organized under the laws of a non-U.S. country), the Exchange believes such consideration will not adversely impact investors and serves to protect investors and the public interest for the following reasons. The proposed revised representations are similar to those previously approved by the Commission for other exchange-traded funds listed and traded on the Exchange pursuant to NYSE Arca Equities Rule 8.600.³¹ In addition, as described further below, a Fund's investments in derivative instruments will be made in accordance with the 1940 Act and consistent with a Fund's investment objectives and policies. To limit the potential risk associated with transactions in derivative instruments, each Fund will segregate or " earmark" assets determined to be liquid by PIMCO in accordance with procedures established by the Trust's Board of Trustees and in accordance with the 1940 Act.

With respect to the representation in "Surveillance" above that (1) not more than 10% of the net assets of a Fund in the aggregate invested in equity securities (excluding non-exchange-traded investment company securities) shall consist of equity securities, including stocks into which a convertible security is converted, whose principal market is not a member of the ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement, and (2) not more than 10% of the net assets of a Fund in the aggregate invested in futures contracts or exchange-traded options contracts shall consist of futures contracts or exchange-traded options contracts whose principal market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement, the Exchange believes such limitation of assets will not adversely impact investors and serves to protect investors and the public interest for the following reasons. The Commission has previously approved such limitations for other funds listed on the Exchange under NYSE Arca

³¹ See note 30, supra.

Equities Rule 8.600.³² Such a representation assures that most applicable exchange-traded assets of a Fund will be assets whose principal market is an ISG member or a market with which the Exchange has a comprehensive surveillance sharing agreement.

With respect to the proposed changes to certain representations in the Prior Releases and the Second PIMCO Total Return Release, relating to limitations on investments in illiquid assets, the Exchange believes such limitation of assets will not adversely impact investors and serves to protect investors and the public interest for the following reasons. The Exchange notes that the proposed revised representations are similar to those previously approved by the Commission in the Prior Releases for the PIMCO Diversified Income Exchange-Traded Fund, PIMCO Low Duration Exchange-Traded Fund, PIMCO Real Return Exchange-Traded Fund and the Second PIMCO Total Return Release relating to investments in illiquid assets.³³ In addition, the Exchange notes that each Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of a Fund's net assets are held in illiquid assets.

³² See Securities Exchange Act Release Nos. 69915 (July 2, 2013), 78 FR 41145 (July 9, 2013) (SR-NYSEArca-2013-56) (order approving listing and trading of shares of the PowerShares China A-Share Portfolio under NYSE Arca Equities Rule 8.600); 72665 (July 24, 2014), 79 FR 44236 (July 30, 2014) (SR-NYSEArca-2014-59) (order approving listing and trading of shares of the AdvisorShares Athena High Dividend ETF under NYSE Arca Equities Rule 8.600 [sic]; 72882 (August 20, 2014) (SR-NYSEArca-2014-58) (order approving listing and trading of shares of PIMCO Short-Term Exchange-Traded Fund and PIMCO Municipal Bond Exchange-Traded Fund under NYSE Arca Equities Rule 8.600); 72853 (August 15, 2014) (SR-NYSEArca-2014-57) (order approving listing and trading of shares of the PIMCO Foreign Bond Exchange-Traded Fund (U.S. Dollar-Hedged), PIMCO Foreign Bond Exchange-Traded Fund (Unhedged), PIMCO Global Advantage Bond Exchange-Traded Fund, and PIMCO International Advantage Bond Exchange-Traded Fund under NYSE Arca Equities Rule 8.600).

³³ See notes 4 and 6, supra.

Investor protection and the public interest are further advanced as a result of the following factors:

- Each Fund's compliance with the requirements of the federal securities laws, in particular, the restrictions under the 1940 Act regarding limitation on investments in illiquid securities;
- The central clearing of U.S. exchange-traded futures and options contracts and certain swaps;
- In the case of OTC swaps and OTC options, the Adviser represents that it has implemented policies and procedures which govern the selection of counterparties to reduce the risks associated with swaps, including, but not limited to, counterparty risk and concentration risk.
- The Adviser represents that each Fund will comply with the representations stated in the No-Action Letter, as stated above. In addition, all other representations in the Prior Releases and the Total Return Release, with the exceptions noted above, remain as stated therein and no other changes are being made.
- Investments in derivative instruments will be made in accordance with the 1940 Act and consistent with a Fund's investment objectives and policies. To limit the potential risk associated with transactions in derivative instruments, each Fund will segregate or " earmark " assets determined to be liquid by PIMCO in accordance with procedures established by the Trust's Board of Trustees and in accordance with the 1940 Act (or, as permitted by applicable regulation, enter into certain offsetting positions) to cover its obligations under derivative instruments. These procedures have been adopted consistent with Section 18 of the 1940 Act

and related Commission guidance. In addition, each Fund will include appropriate risk disclosure in its offering documents, including leveraging risk.

- The listing and trading of Shares of a Fund is governed by Exchange initial and continued listing rules as approved by the Commission, including NYSE Arca Equities Rule 8.600.
- As described in the Prior Releases under “Availability of Information”, the Funds’ website discloses specified quantitative information updated on a daily basis, as well as the Disclosed Portfolio as defined in NYSE Arca Equities Rule 8.600(c)(2) that will form the basis for a Fund’s calculation of NAV at the end of the business day. On a daily basis, each Fund will disclose on each Fund’s website the following information regarding each portfolio holding, as applicable to the type of holding: ticker symbol, CUSIP number or other identifier, if any; a description of the holding (including the type of holding, such as the type of swap); the identity of the security, commodity, index or other asset or instrument underlying the holding, if any; for options, the option strike price; quantity held (as measured by, for example, par value, notional value or number of shares, contracts or units); maturity date, if any; coupon rate, if any; effective date, if any; market value of the holding; and the percentage weighting of the holding in each Fund’s portfolio.
- The proposed rule change helps to perfect the mechanism of a free and open market by enhancing investor choice and providing investors a cost effective and efficient means to access an asset class through a diversified vehicle that is listed and traded on an exchange.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change will allow each Fund to use derivative instruments as a more efficient substitute for taking a position in the underlying asset and/or as part of a strategy designed to reduce exposure to risks (such as interest rate or currency risk) or to enhance investment returns. The proposed change, therefore, will provide additional flexibility to the Adviser to seek each Fund's investment objective and will enhance each Fund's ability to compete with other actively managed exchange-traded funds and mutual funds.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act³⁴ and Rule 19b-4(f)(6)(iii) thereunder.³⁵

At any time within 60 days of the filing of the proposed rule change, the Commission

³⁴ 15 U.S.C. 78s(b)(3)(A).

³⁵ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the 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. Please include File Number SR-NYSEArca-2014-104 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-2014-104. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE,

Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the 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-2014-104 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.³⁶

Kevin M. O'Neill,
Deputy Secretary.

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³⁶ 17 CFR 200.30-3(a)(12).