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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84394; File No. SR-CboeBZX-2018-072]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to List and Trade Shares of the JPMorgan Municipal ETF and JPMorgan Ultra-Short Municipal ETF of the J.P. Morgan Exchange-Traded Fund Trust under Rule 14.11(i), Managed Fund Shares

October 10, 2018

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 26, 2018, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6)(iii) thereunder,⁴ which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6)(iii).

The Exchange filed a proposal to list and trade shares of the JPMorgan Municipal ETF and JPMorgan Ultra-Short Municipal ETF (each a “Fund” or, collectively, the “Funds”) of the J.P. Morgan Exchange-Traded Fund Trust (the “Trust” or the “Issuer”) under Rule 14.11(i) (“Managed Fund Shares”). The shares of the Funds are referred to herein as the “Shares.”

The text of the proposed rule change is available at the Exchange’s website at www.markets.cboe.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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

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

1. Purpose

The Exchange proposes to list and trade the Shares under Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange.⁵ The Funds will be actively managed funds. The Shares will be offered by the Trust, which was established as a Delaware statutory trust. The Trust is registered with the Commission as an open-end investment company

⁵ The Commission approved Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018).

and has filed a registration statement on behalf of the Fund on Form N-1A (“Registration Statement”) with the Commission.⁶

Rule 14.11(i)(4)(C)(ii)(a) requires that component fixed income securities that, in the aggregate, account for at least 75% of the weight of the portfolio shall have a minimum principal amount outstanding of \$100 million or more. The Exchange submits this proposal because the portfolios of the Funds will not meet this requirement. The Fund will, however, meet all of the other requirements of Rule 14.11(i)(4)(C)(ii), (iii), (iv) and (v), specifically including Rule 14.11(i)(4)(C)(iv), which provides that non-agency, non-GSE, and privately-issued mortgage-related and other asset-backed securities components of a portfolio shall not account, in the aggregate, for more than 20% of the weight of the fixed income portion of the portfolio, and 14.11(i)(4)(C)(iv)(a), which provides that in the aggregate, at least 90% of the weight of listed derivatives holdings shall consist of futures, options, and swaps for which the Exchange may obtain information via the Intermarket Surveillance Group (“ISG”) from other members or affiliates of the ISG or for which the principal market is a market with which the Exchange has a comprehensive surveillance sharing agreement, calculated using the aggregate gross notional value of such holdings.

Description of the Shares and the Funds

J.P Morgan Investment Management, Inc. is the investment adviser (the “Adviser”) to the Fund. JPMorgan Chase Bank, N.A. is the administrator, custodian, and transfer agent (“Administrator,” “Custodian,” and “Transfer Agent,” respectively) for the Trust. JPMorgan

⁶ See Registration Statement on Form N-1A for the Trust, dated July 31, 2018 (File Nos. 333- 191837 and 811- 22903). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order granting certain exemptive relief to the Trust under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) (the “Exemptive Order”). See Investment Company Act Release No. 31990 (February 9, 2016) (File No. 811-22903-).

Distribution Services, Inc. serves as the distributor (“Distributor”) for the Trust.

Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.⁷

In addition, Rule 14.11(i)(7) further requires that personnel who make decisions on the investment company’s portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable investment company portfolio. Rule 14.11(i)(7) is similar to Rule 14.11(b)(5)(A)(i), however, Rule 14.11(i)(7) in connection with the establishment of a “fire wall” between the investment adviser and the broker-dealer reflects the applicable open-end fund’s portfolio, not an underlying benchmark index, as is the case with index-based funds. The Adviser is not a registered broker-dealer, but is affiliated with multiple broker-dealers and has implemented “fire walls” with respect to such broker-dealers regarding access to information concerning the composition

⁷ An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the “Advisers Act”). As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

and/or changes to a Fund’s portfolio. In addition, Adviser personnel who make decisions regarding a Fund’s portfolio are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Fund’s portfolio. In the event that (a) the Adviser becomes registered as a broker-dealer or newly affiliated with another broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, it will implement a fire wall with respect to its relevant personnel or such broker-dealer affiliate, as applicable, regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

JPMorgan Municipal ETF

According to the Registration Statement, the Fund will seek to provide monthly dividends, which are excluded from gross income, and to protect the value of a shareholder’s investment by investing primarily in municipal obligations. For purposes of the Fund’s investment objective, “gross income” means gross income for federal income tax purposes. To achieve its objective, the Fund will invest, under normal circumstances,⁸ at least 80% of its net assets in Municipal Securities, as defined below, the interest from which is exempt from federal income tax. The Fund is not a money market fund and does not seek to maintain a stable net asset value of \$1.00 per share. The Fund will be classified as a “diversified” investment company under the 1940 Act.⁹

⁸ The term “under normal circumstances” includes, but is not limited to, the absence of adverse market, economic, political, or other conditions, including extreme volatility or trading halts in the financial markets; 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.

⁹ The diversification standard is set forth in Section 5(b)(1) of the 1940 Act.

The Fund intends to qualify each year as a regulated investment company (a “RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended. The Fund will invest its assets, and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M.

Principal Holdings – Municipal Securities

To achieve its objective, the Fund will invest, under normal circumstances, in fixed and variable rate Municipal Securities, as defined below. As part of its investments in Municipal Securities, the Fund invests primarily in investment grade securities or the unrated equivalent. Investment-grade securities are rated a minimum of BBB- or higher by Standard & Poor’s Ratings Services and/or Fitch, or Baa3 or higher by Moody’s, or if unrated, determined by the Adviser to be of equivalent quality.¹⁰ Up to 10% of the Fund’s total assets may be invested in securities rated below investment grade (junk bonds). Junk bonds are rated in the fifth or lower rated categories (for example, BB+ or lower by Standard & Poor’s Ratings Services and Ba1 or lower by Moody’s). Under normal circumstances, the Fund invests in a portfolio of Municipal Securities with an average weighted maturity of three to ten years. Average weighted maturity is the average of all the current maturities (that is, the term of the securities) of the individual bonds in a Fund calculated so as to count most heavily those securities with the highest dollar value.

¹⁰ According to the Adviser, the Adviser may determine that unrated securities are of “equivalent quality” based on such credit quality factors that it deems appropriate, which may include among other things, performing an analysis similar, to the extent possible, to that performed by a nationally recognized statistical ratings organization when rating similar securities and issuers. In making such a determination, the Adviser may consider internal analyses and risk ratings, third party research and analysis, and other sources of information, as deemed appropriate by the Adviser. The Adviser notes that the Fund may hold up to 10% of its net assets in fixed-rate Municipal Securities that are not investment-grade.

Municipal securities (“Municipal Securities”) are debt securities issued by or on behalf of states, territories and possessions of the United States, including the District of Columbia, and their respective authorities, political subdivisions, agencies and instrumentalities and other groups with the authority to act for the municipalities, the interest on which is exempt from federal income tax and will include only the following instruments: general obligation bonds,¹¹ revenue bonds,¹² municipal notes,¹³ municipal tax exempt commercial paper,¹⁴ tender option bonds,¹⁵ private activity and industrial development bonds, variable rate demand obligations (“VRDOs”),¹⁶ variable rate demand preferred securities, municipal mortgage-backed securities and other asset-backed securities, municipal lease obligations,¹⁷ stripped securities,¹⁸ structured

¹¹ General obligation bonds are obligations involving the credit of an issuer possessing taxing power and are payable from such issuer’s general revenues and not from any particular source.

¹² Revenue bonds are bonds that are secured by a pledge of revenues derived from the operations of a revenue producing institution (i.e. a hospital or a university), a system (i.e. a water system or an airport), a project, or from a special tax levy. Industrial development bonds are generally considered revenue bonds, and they are typically payable from the revenues of a corporation.

¹³ Municipal notes are shorter-term municipal debt obligations that may provide interim financing in anticipation of tax collection, receipt of grants, bond sales, or revenue receipts. These include tax anticipation notes, bond anticipation notes and revenue anticipation notes.

¹⁴ Municipal tax exempt commercial paper is generally unsecured debt that is issued to meet short-term financing needs.

¹⁵ Tender option bonds are synthetic floating-rate or variable-rate securities issued when long-term bonds are purchased in the primary or secondary market and then deposited into a trust. Custodial receipts are then issued to investors, such as the Fund, evidencing ownership interests in the trust.

¹⁶ VRDOs are tax-exempt obligations that contain a floating or variable interest rate adjustment formula and a right of demand on the part of the holder thereof to receive payment of the unpaid principal balance plus accrued interest upon a short notice period not to exceed seven days.

¹⁷ Municipal lease obligations include certificates of participation issued by government authorities or entities to finance the acquisition or construction of equipment, land, and/or

securities,¹⁹ deferred payment securities, when issued securities,²⁰ and zero coupon securities.²¹

The Fund may invest more than 25% of its total assets in municipal obligations, the interest upon which is paid from revenues of projects within a single sector, such as housing or healthcare.

Requirements for Fund Holdings

The Fund will hold a minimum of 40 different Municipal Securities diversified among issuers in at least 8 different states with no more than 30% of the Fund's assets comprised of Municipal Securities that provide exposure to any single state (collectively, "Minimum Requirement 1"). The Fund will hold a minimum of 75 different Municipal Securities when at least four creation units are outstanding ("Trigger Number 1A"). The Fund will hold a minimum of 100 different Municipal Securities diversified among issuers in at least 20 different states when at least eight creation units are outstanding ("Trigger Number 1B"). No single Municipal Security held by the Fund will exceed 4% of the weight of the Fund's portfolio and no single issuer of Municipal Securities will account for more than 10% of the weight of the Fund's

facilities.

¹⁸ Stripped securities are created when an issuer separates the interest and principal components of an instrument and sells them as separate securities. In general, one security is entitled to receive the interest payments on the underlying assets and the other to receive the principal payments.

¹⁹ Structured securities are privately negotiated debt obligations where the principal and/or interest is determined by reference to the performance of an underlying investment, index, or reference obligation, and may be issued by governmental agencies. While structured securities are part of the principal holdings of the Fund, the Issuer represents that such securities, when combined with those instruments held as part of the other portfolio holdings described below, will not exceed 20% of the Fund's net assets.

²⁰ The Fund may purchase or sell securities that it is entitled to receive on a when issued or delayed delivery basis as well as through a forward commitment.

²¹ Zero coupon securities are securities that are sold at a discount to par value and do not pay interest during the life of the security. The discount approximates the total amount of interest the security will accrue and compound over the period until maturity at a rate of interest reflecting the market rate of the security at the time of issuance. Upon maturity, the holder of a zero coupon security is entitled to receive the par value of the security.

portfolio (collectively, “Minimum Requirement 2”). The Fund will hold Municipal Securities of at least 20 non-affiliated issuers (“Minimum Requirement 3”). The Fund will hold Municipal Securities of at least 30 non-affiliated issuers when at least four creation units are outstanding (“Trigger Number 2”).²² To the extent that the Fund at one point has sufficient creation units outstanding necessary to trigger a diversity requirement laid out above (each of Trigger Numbers 1A, 1B and 2, a “Trigger Number”), but subsequently has fewer creation units outstanding than the applicable Trigger Number, the Fund may no longer comply with the applicable diversity requirement.²³

In the absence of normal circumstances, the Fund may temporarily depart from its normal investment process, provided that such departure is, in the opinion of the Adviser, consistent with the Fund’s investment objective and in the best interest of the Fund. For example, the Fund may hold a higher than normal proportion of its assets in cash in response to adverse market, economic or political conditions.

Other Portfolio Holdings

The Fund may also, to a limited extent (under normal circumstances, less than 20% of the Fund’s net assets), engage in transactions in United States bond futures contracts, exchange traded treasury and debt futures options, interest rate swaps and zero coupon swaps, interest rate

²² For purposes of this filing, each state and each separate political subdivision, agency, authority, or instrumentality of such state, each multi-state agency or authority, and each guarantor, if any, will be treated as separate issuers of Municipal Securities.

²³ While the Fund may no longer comply with the diversity requirements applicable to the previously applicable Trigger Number, the Fund will continue to comply with any diversity requirement for which the number of creation units outstanding continues to exceed the Trigger Number (i.e., Trigger Number 1A), as well as each of Minimum Requirements 1, 2 and 3.

futures, interest rate options, and swaps on Municipal Securities indexes.²⁴ The Fund may also invest to a limited extent (under normal circumstances, less than 20% of the Fund's net assets) in auction rate securities, commercial paper (other than the municipal tax exempt commercial paper described above), corporate debt securities (bonds and other debt securities of domestic and foreign issuers), exchange traded and non-exchange traded investment companies (including investment companies advised by the Adviser or its affiliates),²⁵ inflation linked debt securities, inverse floating rate instruments, loan assignments and participations, short term funding agreements, Treasury receipts, United States government obligations, when-issued securities, delayed delivery securities, forward commitments, and deferred payment securities. The Fund's investments will be consistent with its investment objective and will not be used to achieve leveraged returns (i.e. two times or three times the Fund's benchmark, as described in the Registration Statement).

The Fund may also enter into repurchase and reverse repurchase agreements (collectively, "Repurchase Agreements"). Repurchase Agreements involve the sale of securities with an agreement to repurchase the securities at an agreed-upon price, date and interest payment and have the characteristics of borrowing as part of the Fund's principal holdings.²⁶

²⁴ The derivatives will be centrally cleared and they will be collateralized. Derivatives are not a principal investment strategy of the Fund.

²⁵ The Fund currently anticipates investing in only registered open-end investment companies, including mutual funds and the open-end investment company funds described in Rule 14.11. The Fund may invest in the securities of other investment companies to the extent permitted by law.

²⁶ The Fund's exposure to reverse repurchase agreements will be covered by liquid assets having a value equal to or greater than such commitments. The use of reverse repurchase agreements is a form of leverage because the proceeds derived from reverse repurchase agreements may be invested in additional securities. As further stated below, the Fund's investments will be consistent with its investment objective and will not be used to achieve leveraged returns.

The Fund may also invest in cash and Cash Equivalents,²⁷ which includes shares of exchange traded and non-exchange traded investment companies (including investment companies advised by the Adviser or its affiliates) that invest principally in money market instruments.

Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), as deemed illiquid by the Adviser²⁸ under the 1940 Act.²⁹

²⁷ As defined in Exchange Rule 14.11(i)(4)(C)(iii)(b), Cash Equivalents are short-term instruments with maturities of less than three months, which includes only the following: (i) U.S. Government securities, including bills, notes, and bonds differing as to maturity and rates of interest, which are either issued or guaranteed by the U.S. Treasury or by U.S. Government agencies or instrumentalities; (ii) certificates of deposit issued against funds deposited in a bank or savings and loan association; (iii) bankers acceptances, which are short-term credit instruments used to finance commercial transactions; (iv) repurchase agreements and reverse repurchase agreements; (v) bank time deposits, which are monies kept on deposit with banks or savings and loan associations for a stated period of time at a fixed rate of interest; (vi) commercial paper, which are short-term unsecured promissory notes; and (vii) money market funds.

²⁸ In reaching liquidity decisions, the Adviser may consider factors including: the frequency of trades and quotes for the security; the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; 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); any legal or contractual restrictions on the ability to transfer the security or asset; significant developments involving the issuer or counterparty specifically (*e.g.*, default, bankruptcy, etc.) or the securities markets generally; and settlement practices, registration procedures, limitations on currency conversion or repatriation, and transfer limitations (for foreign securities or other assets).

²⁹ 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

The 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 the 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.

JPMorgan Ultra-Short Municipal ETF

According to the Registration Statement, the Fund will seek as high a level of current income exempt from federal income tax as is consistent with relative stability of principal. To achieve its objective, the Fund will invest, under normal circumstances,³⁰ at least 80% of its net assets in Municipal Securities, as defined below, the interest from which is exempt from federal income tax. The Fund is not a money market fund and does not seek to maintain a stable net asset value of \$1.00 per share. The Fund will be classified as a “diversified” investment company under the 1940 Act.³¹

The Fund intends to qualify each year as a regulated investment company (a “RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended. The Fund will invest

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 Securities Act of 1933).

³⁰ The term “under normal circumstances” includes, but is not limited to, the absence of adverse market, economic, political, or other conditions, including extreme volatility or trading halts in the financial markets; 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.

³¹ The diversification standard is set forth in Section 5(b)(1) of the 1940 Act.

its assets, and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M.

Principal Holdings – Municipal Securities

To achieve its objective, the Fund will invest, under normal circumstances, in fixed and variable rate Municipal Securities, as defined below. As part of its investments in Municipal Securities, the Fund invests primarily in investment grade securities or the unrated equivalent. Investment-grade securities are rated a minimum of BBB- or higher by Standard & Poor's Ratings Services and/or Fitch, or Baa3 or higher by Moody's, or if unrated, determined by the Adviser to be of equivalent quality.³² Up to 10% of the Fund's total assets may be invested in securities rated below investment grade (junk bonds). Junk bonds are rated in the fifth or lower rated categories (for example, BB+ or lower by Standard & Poor's Ratings Services and Ba1 or lower by Moody's). Under normal circumstances, the Fund invests in a portfolio of municipal bonds with an average weighted maturity of two years or less. Average weighted maturity is the average of all the current maturities (that is, the term of the securities) of the individual bonds in a Fund calculated so as to count most heavily those securities with the highest dollar value.

Municipal securities ("Municipal Securities") are debt securities issued by or on behalf of states, territories and possessions of the United States, including the District of Columbia, and

³² According to the Adviser, the Adviser may determine that unrated securities are of "equivalent quality" based on such credit quality factors that it deems appropriate, which may include among other things, performing an analysis similar, to the extent possible, to that performed by a nationally recognized statistical ratings organization when rating similar securities and issuers. In making such a determination, the Adviser may consider internal analyses and risk ratings, third party research and analysis, and other sources of information, as deemed appropriate by the Adviser. The Adviser notes that the Fund may hold up to 10% of its net assets in fixed-rate Municipal Securities that are not investment-grade.

their respective authorities, political subdivisions, agencies and instrumentalities and other groups with the authority to act for the municipalities, the interest on which is exempt from federal income tax and will include only the following instruments: general obligation bonds,³³ revenue bonds,³⁴ municipal notes,³⁵ municipal tax exempt commercial paper,³⁶ tender option bonds,³⁷ private activity and industrial development bonds, variable rate demand obligations (“VRDOs”),³⁸ variable rate demand preferred securities, municipal mortgage-backed securities and other asset-backed securities, municipal lease obligations,³⁹ stripped securities,⁴⁰ structured

³³ General obligation bonds are obligations involving the credit of an issuer possessing taxing power and are payable from such issuer’s general revenues and not from any particular source.

³⁴ Revenue bonds are bonds that are secured by a pledge of revenues derived from the operations of a revenue producing institution (i.e. a hospital or a university), a system (i.e. a water system or an airport), a project, or from a special tax levy. Industrial development bonds are generally considered revenue bonds, and they are typically payable from the revenues of a corporation.

³⁵ Municipal notes are shorter-term municipal debt obligations that may provide interim financing in anticipation of tax collection, receipt of grants, bond sales, or revenue receipts. These include tax anticipation notes, bond anticipation notes and revenue anticipation notes.

³⁶ Municipal tax exempt commercial paper is generally unsecured debt that is issued to meet short-term financing needs.

³⁷ Tender option bonds are synthetic floating-rate or variable-rate securities issued when long-term bonds are purchased in the primary or secondary market and then deposited into a trust. Custodial receipts are then issued to investors, such as the Fund, evidencing ownership interests in the trust.

³⁸ VRDOs are tax-exempt obligations that contain a floating or variable interest rate adjustment formula and a right of demand on the part of the holder thereof to receive payment of the unpaid principal balance plus accrued interest upon a short notice period not to exceed seven days.

³⁹ Municipal lease obligations include certificates of participation issued by government authorities or entities to finance the acquisition or construction of equipment, land, and/or facilities.

⁴⁰ Stripped securities are created when an issuer separates the interest and principal components of an instrument and sells them as separate securities. In general, one security is entitled to receive the interest payments on the underlying assets and the other

securities,⁴¹ deferred payment securities, when issued securities,⁴² and zero coupon securities.⁴³

The Fund may invest more than 25% of its total assets in municipal obligations, the interest upon which is paid from revenues of projects within a single sector, such as housing or healthcare.

Requirements for Fund Holdings

The Fund will hold a minimum of 40 different Municipal Securities diversified among issuers in at least 8 different states with no more than 30% of the Fund's assets comprised of Municipal Securities that provide exposure to any single state (collectively, "Minimum Requirement 1"). The Fund will hold a minimum of 75 different Municipal Securities when at least four creation units are outstanding ("Trigger Number 1A"). The Fund will hold a minimum of 100 different Municipal Securities diversified among issuers in at least 20 different states when at least eight creation units are outstanding ("Trigger Number 1B"). No single Municipal Security held by the Fund will exceed 4% of the weight of the Fund's portfolio and no single issuer of Municipal Securities will account for more than 10% of the weight of the Fund's portfolio (collectively, "Minimum Requirement 2"). The Fund will hold Municipal Securities of at least 20 non-affiliated issuers ("Minimum Requirement 3"). The Fund will hold Municipal

to receive the principal payments.

⁴¹ Structured securities are privately negotiated debt obligations where the principal and/or interest is determined by reference to the performance of an underlying investment, index, or reference obligation, and may be issued by governmental agencies. While structured securities are part of the principal holdings of the Fund, the Issuer represents that such securities, when combined with those instruments held as part of the other portfolio holdings described below, will not exceed 20% of the Fund's net assets.

⁴² The Fund may purchase or sell securities that it is entitled to receive on a when issued or delayed delivery basis as well as through a forward commitment.

⁴³ Zero coupon securities are securities that are sold at a discount to par value and do not pay interest during the life of the security. The discount approximates the total amount of interest the security will accrue and compound over the period until maturity at a rate of interest reflecting the market rate of the security at the time of issuance. Upon maturity, the holder of a zero coupon security is entitled to receive the par value of the security.

Securities of at least 30 non-affiliated issuers when at least four creation units are outstanding (“Trigger Number 2”).⁴⁴ To the extent that the Fund at one point has sufficient creation units outstanding necessary to trigger a diversity requirement laid out above (each of Trigger Numbers 1A, 1B and 2, a “Trigger Number”), but subsequently has fewer creation units outstanding than the applicable Trigger Number, the Fund may no longer comply with the applicable diversity requirement.⁴⁵

In the absence of normal circumstances, the Fund may temporarily depart from its normal investment process, provided that such departure is, in the opinion of the Adviser, consistent with the Fund’s investment objective and in the best interest of the Fund. For example, the Fund may hold a higher than normal proportion of its assets in cash in response to adverse market, economic or political conditions.

Other Portfolio Holdings

The Fund may also, to a limited extent (under normal circumstances, less than 20% of the Fund’s net assets), engage in transactions in United States bond futures contracts, exchange traded treasury and debt futures options, interest rate swaps and zero coupon swaps, interest rate futures, interest rate options, and swaps on Municipal Securities indexes.⁴⁶ The Fund may also

⁴⁴ For purposes of this filing, each state and each separate political subdivision, agency, authority, or instrumentality of such state, each multi-state agency or authority, and each guarantor, if any, will be treated as separate issuers of Municipal Securities.

⁴⁵ While the Fund may no longer comply with the diversity requirements applicable to the previously applicable Trigger Number, the Fund will continue to comply with any diversity requirement for which the number of creation units outstanding continues to exceed the Trigger Number (i.e., Trigger Number 1A), as well as each of Minimum Requirements 1, 2 and 3.

⁴⁶ Derivatives might be included in the Fund’s investments to serve the investment objectives of the Fund. Such derivatives include only the following: interest rate futures, interest rate options, interest rate swaps, and swaps on Municipal Securities indexes. The derivatives will be centrally cleared and they will be collateralized. Derivatives are not a

invest to a limited extent (under normal circumstances, less than 20% of the Fund’s net assets) in auction rate securities, commercial paper (other than the municipal tax exempt commercial paper described above), corporate debt securities (bonds and other debt securities of domestic and foreign issuers), exchange traded and non-exchange traded investment companies (including investment companies advised by the Adviser or its affiliates),⁴⁷ inflation linked debt securities, inverse floating rate instruments, loan assignments and participations, short term funding agreements, Treasury receipts, United States Government Obligations, when-issued securities, delayed delivery securities, forward commitments, and deferred payment securities. The Fund’s investments will be consistent with its investment objective and will not be used to achieve leveraged returns (i.e. two times or three times the Fund’s benchmark, as described in the Registration Statement).

The Fund may also enter into repurchase and reverse repurchase agreements (collectively, “Repurchase Agreements”). Repurchase Agreements involve the sale of securities with an agreement to repurchase the securities at an agreed-upon price, date and interest payment and have the characteristics of borrowing as part of the Fund’s principal holdings.⁴⁸

The Fund may also invest in cash and Cash Equivalents,⁴⁹ which includes shares of

principal investment strategy of the Fund.

⁴⁷ The Fund currently anticipates investing in only registered open-end investment companies, including mutual funds and the open-end investment company funds described in Rule 14.11. The Fund may invest in the securities of other investment companies to the extent permitted by law.

⁴⁸ The Fund’s exposure to reverse repurchase agreements will be covered by liquid assets having a value equal to or greater than such commitments. The use of reverse repurchase agreements is a form of leverage because the proceeds derived from reverse repurchase agreements may be invested in additional securities. As further stated below, the Fund’s investments will be consistent with its investment objective and will not be used to achieve leveraged returns.

⁴⁹ As defined in Exchange Rule 14.11(i)(4)(C)(iii)(b), Cash Equivalents are short-term

exchange traded and non-exchange traded investment companies (including investment companies advised by the Adviser or its affiliates) that invest principally in money market instruments.

Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), as deemed illiquid by the Adviser⁵⁰ under the 1940 Act.⁵¹

instruments with maturities of less than three months, which includes only the following: (i) U.S. Government securities, including bills, notes, and bonds differing as to maturity and rates of interest, which are either issued or guaranteed by the U.S. Treasury or by U.S. Government agencies or instrumentalities; (ii) certificates of deposit issued against funds deposited in a bank or savings and loan association; (iii) bankers acceptances, which are short-term credit instruments used to finance commercial transactions; (iv) repurchase agreements and reverse repurchase agreements; (v) bank time deposits, which are monies kept on deposit with banks or savings and loan associations for a stated period of time at a fixed rate of interest; (vi) commercial paper, which are short-term unsecured promissory notes; and (vii) money market funds.

⁵⁰ In reaching liquidity decisions, the Adviser may consider factors including: the frequency of trades and quotes for the security; the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; 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); any legal or contractual restrictions on the ability to transfer the security or asset; significant developments involving the issuer or counterparty specifically (*e.g.*, default, bankruptcy, etc.) or the securities markets generally; and settlement practices, registration procedures, limitations on currency conversion or repatriation, and transfer limitations (for foreign securities or other assets).

⁵¹ 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

The 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 the 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.

The Fund may also invest up to 100% of its net assets in Municipal Securities that pay interest which may be subject to the Alternative Minimum Tax for individuals.

Discussion

Based on the characteristics of the Funds and the representations made in each of the Requirements for Fund Holdings sections above, the Exchange believes it is appropriate to allow the listing and trading of the Shares. The Funds satisfy all of the generic listing requirements for Managed Fund Shares that hold fixed income securities, except for the minimum principal amount outstanding requirement in 14.11(i)(4)(C)(ii)(a). The Exchange notes that the representations in the Requirements for Fund Holdings for the Funds are identical to the representations made regarding the iShares iBonds Dec 2024 AMT Free Muni Bond ETF, iShares iBonds Dec 2025 AMT Free Muni Bond ETF, and iShares iBonds Dec 2026 AMT Free Muni Bond ETF (collectively, the “Comparable Funds”), which were previously approved for listing and trading by the Commission.⁵² In the Approval Order, the Commission highlighted the representations that holdings of the Comparable Funds would meet Minimum Requirement 1 at

under the Securities Act of 1933).

⁵² See Securities Exchange Act Release No. 80399 (April 7, 2017), 82 FR 17913 (April 13, 2017) (SR-BatsBZX-2017-10) (the “Approval Order”).

all times and, as the applicable trigger numbers were hit, Minimum Requirement 2 and Minimum Requirement 3. The Exchange believes that because these representations regarding diversification and the lack of concentration among constituent securities provides a strong degree of protection against manipulation that is consistent with other proposals that have been approved for listing and trading by the Commission.

In addition, the Exchange represents that: (1) except for Rule 14.11(i)(4)(C)(ii)(a), the Funds will satisfy all of the generic listing standards under Rule 14.11(i)(4); (2) the continued listing standards under Rule 14.11(i), as applicable to Managed Fund Shares that hold fixed income securities, will apply to the shares of the Funds; and (3) the issuer of the Funds is required to comply with Rule 10A-3⁵³ under the Act for the initial and continued listing of the Shares. In addition, the Exchange represents that the Funds will meet and be subject to all other requirements of the Generic Listing Rules and other applicable continued listing requirements for Managed Fund Shares under Exchange Rule 14.11(i), including those requirements regarding the Disclosed Portfolio (as defined in the Exchange rules) and the requirement that the Disclosed Portfolio and the net asset value (“NAV”) will be made available to all market participants at the same time,⁵⁴ intraday indicative value,⁵⁵ suspension of trading or removal,⁵⁶ trading halts,⁵⁷ disclosure,⁵⁸ and firewalls.⁵⁹ Further, at least 100,000 Shares will be outstanding upon the

⁵³ 17 CFR 240.10A-3.

⁵⁴ See Exchange Rules 14.11(i)(4)(A)(ii) and 14.11(i)(4)(B)(ii).

⁵⁵ See Exchange Rule 14.11(i)(4)(B)(i).

⁵⁶ See Exchange Rule 14.11(i)(4)(B)(iii).

⁵⁷ See Exchange Rule 14.11(i)(4)(B)(iv).

⁵⁸ See Exchange Rule 14.11(i)(6).

⁵⁹ See Exchange Rule 14.11(i)(7).

commencement of trading of each Fund.⁶⁰

The Shares

Each Fund will issue and redeem Shares on a continuous basis at the NAV per Share only in large blocks of a specified number of Shares or multiples thereof (“Creation Units”) in transactions with authorized participants who have entered into agreements with the Distributor. Each Fund currently anticipates that a Creation Unit will consist of 50,000 Shares, though this number may change from time to time, including prior to listing of the Funds. The exact number of Shares that will constitute a Creation Unit will be disclosed in the respective Registration Statement of each Fund. Once created, Shares of each Fund trade on the secondary market in amounts less than a Creation Unit.

Additional information regarding the Shares and each Fund, including investment strategies, risks, creation and redemption procedures, fees and expenses, portfolio holdings disclosure policies, distributions, taxes and reports to be distributed to beneficial owners of the Shares can be found in the Registration Statement or on the website for the Funds (www.JPMorgan.com), as applicable.

Availability of Information

The Funds’ website, which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for each Fund that may be downloaded. The website will include additional quantitative information updated on a daily basis, including, for each Fund: (1) daily trading volume, the prior business day’s reported closing price, NAV and mid-point of the bid/ask spread at the time of calculation of such NAV (the “Bid/Ask Price”),⁶¹

⁶⁰ See Exchange Rule 14.11(i)(4)(A)(i).

⁶¹ The Bid/Ask Price of the Fund will be determined using the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund’s NAV. The records

and a calculation of the premium and discount of the Bid/Ask Price against the NAV, and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. On each business day, before commencement of trading in Shares during Regular Trading Hours⁶² on the Exchange, each Fund will disclose on its website the identities and quantities of the portfolio of securities and other assets (the “Disclosed Portfolio”) held by the Fund that will form the basis for the Fund’s calculation of NAV at the end of the business day.⁶³ The Disclosed Portfolio will include, as applicable, the names, quantity, percentage weighting and market value of securities and other assets held by the Fund and the characteristics of such assets. The website and information will be publicly available at no charge.

In addition, for each Fund, an estimated value, defined in Rule 14.11(i)(3)(C) as the “Intraday Indicative Value,” that reflects an estimated intraday value of the Fund’s portfolio, will be disseminated. Moreover, the Intraday Indicative Value will be based upon the current value for the components of the Disclosed Portfolio and will be updated and widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange’s Regular Trading Hours.⁶⁴

relating to Bid/Ask Prices will be retained by the Fund or its service providers.

⁶² As defined in Rule 1.5(w), the term “Regular Trading Hours” means the time between 9:30 a.m. and 4:00 p.m. Eastern Time.

⁶³ Under accounting procedures to be followed by each Fund, trades made on the prior business day (“T”) will be booked and reflected in NAV on the current business day (“T+1”). Accordingly, each Fund will be able to disclose at the beginning of the business day the portfolio that will form the basis for the NAV calculation at the end of the business day.

⁶⁴ Currently, it is the Exchange’s understanding that several major market data vendors display and/or make widely available Intraday Indicative Values published via the Consolidated Tape Association (“CTA”) or other data feeds.

The dissemination of the Intraday Indicative Value, together with the Disclosed Portfolio, will allow investors to determine the value of the underlying portfolio of each Fund on a daily basis and provide a close estimate of that value throughout the trading day.

Intraday, executable price quotations on assets held by each Fund are available from major broker-dealer firms and for exchange-traded assets, including shares of exchange traded investment companies, such intraday information is available directly from the applicable listing exchange. All such intraday price information is available through subscription services, such as Bloomberg, Thomson Reuters and International Data Corporation, which can be accessed by authorized participants and other investors. Pricing information for Repurchase Agreements and securities not listed on an exchange or national securities market will be available from major broker-dealer firms and/or subscription services, such as Bloomberg, Thomson Reuters and International Data Corporation. Trade price and other information relating to Municipal Securities is available through the Municipal Securities Rulemaking Board's (the "MSRB") Electronic Municipal Market Access ("EMMA") system. Quotation and last sale information for U.S. exchange-listed options contracts cleared by The Options Clearing Corporation will be available via the Options Price Reporting Authority.

Information regarding market price and volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. The previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers and publicly available sources. Quotation and last sale information for the Shares will be available on the facilities of the CTA. Price information relating to all other securities held by the Funds will be available from major market data vendors. Quotations and last sale information for the underlying

exchange traded investment companies will be available through CTA.

Investors can also obtain the Trust’s Statement of Additional Information (“SAI”), the Fund’s Shareholder Reports, and its Form N-CSR and Form N-SAR, filed twice a year. The Trust’s SAI and Shareholder Reports are available free upon request from the Trust, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission’s website at www.sec.gov.

Initial and Continued Listing

The Shares will be subject to Rule 14.11(i), which sets forth the initial and continued listing criteria applicable to Managed Fund Shares. The Exchange represents that, for initial and/or continued listing, each Fund must be in compliance with Rule 10A-3 under the Act.⁶⁵ A minimum of 100,000 Shares of each Fund will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.

Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of each Fund. The Exchange will halt trading in the Shares under the conditions specified in Rule 11.18. Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in the securities and/or the financial instruments composing the Disclosed Portfolio of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and

⁶⁵ See 17 CFR 240.10A-3.

orderly market are present. Trading in the Shares also will be subject to Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which trading in the Shares of a Fund may be halted.

Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. The Exchange will allow trading in the Shares from 8:00 a.m. until 5:00 p.m. Eastern Time. The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in Rule 11.11(a), the minimum price variation for quoting and entry of orders in Managed Fund Shares traded on the Exchange is \$0.01, with the exception of securities that are priced less than \$1.00, for which the minimum price variation for order entry is \$0.0001.

Surveillance

The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Managed Fund Shares. The Exchange may obtain information regarding trading in the Shares and the underlying shares in exchange traded equity securities via the Intermarket Surveillance Group ("ISG"), from other exchanges that are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement.⁶⁶ In addition, the Exchange, or FINRA, on behalf of the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to FINRA's Trade

⁶⁶ 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 the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

Reporting and Compliance Engine (“TRACE”) and Municipal Securities reported to MSRB. FINRA also can access data obtained from the MSRB relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares.

As it relates to exchange traded investment companies, the Funds will only invest in investment companies that trade on markets that are a member of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

The Exchange prohibits the distribution of material non-public information by its employees.

Information Circular

Prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) Rule 3.7, which imposes suitability obligations on Exchange members with respect to recommending transactions in the Shares to customers; (3) how information regarding the Intraday Indicative Value is disseminated; (4) the risks involved in trading the Shares during the Pre-Opening⁶⁷ and After Hours Trading Sessions⁶⁸ when an updated Intraday Indicative Value will not be calculated or publicly disseminated; (5) the requirement that members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Information Circular will advise members, prior to the commencement of

⁶⁷ The Pre-Opening Session is from 8:00 a.m. to 9:30 a.m. Eastern Time.

⁶⁸ The After Hours Trading Session is from 4:00 p.m. to 5:00 p.m. Eastern Time.

trading, of the prospectus delivery requirements applicable to the Funds. Members purchasing Shares from the Funds for resale to investors will deliver a prospectus to such investors. The Information Circular will also discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act.

In addition, the Information Circular will reference that each Fund is subject to various fees and expenses described in the Registration Statement. The Information Circular will also disclose the trading hours of the Shares of the Funds and the applicable NAV Calculation Time for the Shares. The Information Circular will disclose that information about the Shares of the Funds will be publicly available on the Funds' website. In addition, the Information Circular will reference that the Trust is subject to various fees and expenses described in each Fund's Registration Statement.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act⁶⁹ in general and Section 6(b)(5) of the Act⁷⁰ in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in Rule 14.11(i). The Exchange believes that

⁶⁹ 15 U.S.C. 78f.

⁷⁰ 15 U.S.C. 78f(b)(5).

its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio. The Adviser is not a registered broker-dealer, but is affiliated with multiple broker-dealers and has implemented “fire walls” with respect to such broker-dealers regarding access to information concerning the composition and/or changes to a Fund’s portfolio. In addition, Adviser personnel who make decisions regarding a Fund’s portfolio are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Fund’s portfolio. The Exchange may obtain information regarding trading in the Shares and the underlying shares in exchange traded equity securities via the ISG, from other exchanges that are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, the Exchange, or FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income instruments reported to TRACE and Municipal Securities reported to MSRB. FINRA also can access data obtained from the MSRB relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares. Each Fund’s investments will be well-diversified in that each Fund will hold a minimum of 40 different Municipal Securities diversified among issuers in at least 8 different states with no more than 30% of the Fund’s assets comprised of Municipal Securities that provide exposure to any single state; each Fund will hold a minimum of 75 different Municipal Securities when at least four creation units are

outstanding for that Fund; each Fund will hold a minimum of 100 different Municipal Securities diversified among issuers in at least 20 different states when at least eight creation units are outstanding for that Fund; no single Municipal Security held by a Fund will exceed 4% of the weight of that Fund’s portfolio and no single issuer of Municipal Securities will account for more than 10% of the weight of a Fund’s portfolio; each Fund will hold Municipal Securities of at least 20 non-affiliated issuers; and each Fund will hold Municipal Securities of at least 30 non-affiliated issuers when at least four creation units are outstanding.

According to the Registration Statement, each Fund will invest, under normal circumstances,⁷¹ at least 80% of its net assets in Municipal Securities such that the interest on each security is exempt from U.S. federal income taxes. Additionally, each Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), as deemed illiquid by the Adviser⁷² under the 1940 Act.⁷³ 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

⁷¹ See supra note 9.

⁷² See supra note 29.

⁷³ 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 Securities Act of 1933).

circumstances, more than 15% of the 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.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time. In addition, a large amount of information is publicly available regarding the Funds and the Shares, thereby promoting market transparency. Moreover, the Intraday Indicative Value will be disseminated by one or more major market data vendors at least every 15 seconds during Regular Trading Hours. On each business day, before commencement of trading in Shares during Regular Trading Hours, each Fund will disclose on its website the Disclosed Portfolio that will form the basis for the Fund’s calculation of NAV at the end of the business day. Pricing information will include additional quantitative information updated on a daily basis, including, for the Fund: (1) the prior business day’s NAV and the market closing price or mid-point of the Bid/Ask Price,⁷⁴ and a calculation of the premium or discount of the market closing price or Bid/Ask Price against the NAV; and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily market closing price or Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. Additionally, information regarding market price and trading of the Shares will be continually available on a real-time basis throughout the day on brokers’ computer screens and other

⁷⁴ The Bid/Ask Price of a Fund will be determined using the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund’s NAV. The records relating to Bid/Ask Prices will be retained by the Fund or its service providers.

electronic services, and quotation and last sale information for the Shares will be available on the facilities of the CTA. The website for each Fund will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Trading in Shares of a Fund will be halted under the conditions specified in Rule 11.18. Trading may also be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Finally, trading in the Shares will be subject to Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which Shares may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

Intraday, executable price quotations on assets held by the Funds are available from major broker-dealer firms and for exchange-traded assets, including investment companies, such intraday information is available directly from the applicable listing exchange. All such intraday price information is available through subscription services, such as Bloomberg, Thomson Reuters and International Data Corporation, which can be accessed by authorized participants and other investors.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of an additional type of actively-managed exchange traded product that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG, from other exchanges that are members of ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In

addition, the Exchange, or FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income instruments reported to TRACE and Municipal Securities reported to MSRB. FINRA also can access data obtained from the MSRB relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares. As noted above, investors will also have ready access to information regarding each Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

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

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of additional actively-managed exchange-traded products that will enhance competition among market participants, to the benefit of investors and the marketplace.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule

Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act⁷⁵ and Rule 19b-4(f)(6) thereunder.⁷⁶ Because the proposed rule change does not: (i)

⁷⁵ 15 U.S.C. 78s(b)(3)(A)(iii).

significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 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 Act and Rule 19b-4(f)(6)(iii) thereunder.⁷⁷

A proposed rule change filed under Rule 19b-4(f)(6)⁷⁸ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b4(f)(6)(iii),⁷⁹ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. As the Exchange states, the Funds raise no new or novel issues and are consistent with funds whose shares the Commission has previously approved for listing and trading. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposed rule change operative upon filing.⁸⁰

⁷⁶ 17 CFR 240.19b-4(f)(6).

⁷⁷ 17 CFR 240.19b-4(f)(6) (iii). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of 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.

⁷⁸ 17 CFR 240.19b-4(f)(6).

⁷⁹ 17 CFR 240.19b-4(f)(6)(iii).

⁸⁰ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)⁸¹ of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeBZX-2018-072 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-CboeBZX-2018-072. 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

⁸¹ 15 U.S.C. 78s(b)(2)(B).

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 this filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeBZX-2018-072 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.⁸²

Eduardo A. Aleman,

Assistant Secretary.

⁸² 17 CFR 200.30-3(a)(12).

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