



8011-01p
SECURITIES AND EXCHANGE COMMISSION
Release No. 34-85656; File No. SR-CboeBZX-2019-023

April 16, 2019

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change Amend Exchange Rule 14.11(c), Index Fund Shares, to Adopt Generic Listing Standards for Index Fund Shares Based on an Index of Municipal Bond Securities

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 April 3, 2019, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend Exchange Rule 14.11(c) (“Index Fund Shares”) to adopt generic listing standards for Index Fund Shares based on an index of municipal bond securities.

The text of the proposed rule change is also available on the Exchange’s website (http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 aspects of such statements.

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

1. Purpose

Rule 14.11(c) permits the Exchange to list a series of Index Fund Shares based on an index or portfolio of underlying securities. Currently, Rule 14.11(c) includes generic listing standards for Index Fund Shares based on an index or portfolio of equity or fixed income securities or a combination thereof. The Exchange proposes to amend Rule 14.11(c) to add a new Rule 14.11(c)(4)(B)(ii) to provide quantitative generic listing standards for Index Fund Shares based on an index or portfolio of Municipal Securities³ that do not meet the generic listing standards under Rule 14.11(c)(4)(B)(i).⁴ All other standards not included in Rule 14.11(c)(4)(B)(i) applicable to series of Index Fund Shares based on an index composed of fixed income securities will continue to apply to a series of Index Fund Shares based on an index or portfolio of Municipal Securities listed pursuant to Rule 14.11(c)(4)(B)(ii).

³ The term "Municipal Securities" has the definition given to it in Section 3(a)(29) of the Act.

⁴ The Exchange notes that this proposal is substantively identical to a proposal recently submitted by NYSE Arca, Inc. See Securities Exchange Act Release No. 85170 (February 21, 2019), 84 FR 6451 (February 27, 2019) (SR-NYSEArca-2019-04).

An index of Municipal Securities typically does not meet the generic listing requirements for Index Fund Shares based on an index of fixed income securities.⁵ Nonetheless, the Commission has previously approved proposed rule changes relating to listing and trading on the Exchange of Index Fund Shares based on an index of Municipal Securities.⁶ Given the large number of prior

⁵ See Exchange Rule 14.11(c)(4)(A)(ii). Municipal Securities are typically issued in with individual maturities of relatively small size, although they generally are constituents of a much larger municipal bond offering. Therefore, an index of Municipal Securities will typically be unable to satisfy the requirement that component fixed income securities that, in the aggregate, account for at least 75% of the weight of the index each shall have a minimum principal amount outstanding of \$100 million or more.

⁶ The Exchange notes that the Commission has approved or published immediately effective filings allowing the listing and trading of a large number of series of Index Fund Shares based on Municipal Securities. See Securities Exchange Act Release Nos. 84107 (September 13, 2018), 83 FR 47210 (September 18, 2018) (SR-CboeBZX-2018-070) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To List and Trade Shares of the iShares iBonds Dec 2025 Term Muni Bond ETF of iShares Trust Under BZX Rule 14.11(c)(4) (Index Fund Shares)); 79381 (November 22, 2016), 81 FR 86044 (November 29, 2016) (SR-BatsBZX-2016-48) (Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendments No. 1 and No. 2 Thereto, To List and Trade Shares of the iShares iBonds Dec 2023 Term Muni Bond ETF and iShares iBonds Dec 2024 Term Muni Bond ETF of the iShares U.S. ETF Trust Pursuant to BZX Rule 14.11(c)(4); 67985 (October 4, 2012), 77 FR 61804 (October 11, 2012) (SR-NYSEArca-2012-92) (order approving proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 67729 (August 24, 2012), 77 FR 52776 (August 30, 2012) (SR-NYSEArca-2012-92) (notice of proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 72523, (July 2, 2014), 79 FR 39016 (July 9, 2014) (SR-NYSEArca-2014-37) (order approving proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary.02); 72172 (May 15, 2014), 79 FR 29241 (May 21, 2014) (SR-NYSEArca-2014-37)(notice of proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary.02); 72464 (June 25, 2014), 79 FR 37373 (July 1, 2014) (File No. SR-NYSEArca-2014-45) (order approving proposed rule change governing the continued listing and trading of shares of the PowerShares Insured California Municipal Bond Portfolio, PowerShares Insured National Municipal Bond Portfolio, and PowerShares Insured New York Municipal Bond Portfolio); 75468 (July 16, 2015), 80 FR 43500 (July 22, 2015) (SR-NYSEArca-2015-25) (order approving proposed rule change relating to the listing and trading of iShares iBonds Dec 2021

approvals by the Commission, the Exchange now proposes to adopt generic listing standards for Index Fund Shares based on an index of Municipal Securities that do not meet the generic listing standards for Index Fund Shares based on an index of fixed income securities.

In the Exchange's experience, indices of Municipal Securities are able to satisfy all of the generic listing requirements applicable to fixed income indices contained in Rule 14.11(c)(4) except the requirement that component securities in an index have a minimum original principal amount outstanding. Specifically, Municipal Securities are generally issued with individual maturities of relatively small size, although they generally are constituents of a much larger municipal bond offering. Therefore, Municipal Securities are unable to satisfy the rule's requirement that "at least 75% of the Fixed Income Securities portion of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more." Notwithstanding the inability of a Municipal Securities index to meet this aspect of the generic listing standards, the Commission has previously approved for listing and trading a series of Index Fund Shares based on such indices where the Exchange has demonstrated an index is not susceptible to manipulation.⁷

The Exchange would apply existing Rule 14.11(c)(4) and proposed Rule 14.11(c)(4)(B)(ii) in a "waterfall" manner. Specifically, every series of Index Fund Shares based on an index of fixed income securities and cash (including an index that contains Municipal Securities) would initially be evaluated against the generic listing standards of Rule 14.11(c)(4)(b)(i). If the index underlying a

AMT-Free Muni Bond ETF and iShares iBonds Dec2022 AMT-Free Muni Bond ETF under NYSE Arca Equities Rule 5.2(j)(3)); 74730 (April 15, 2015), 76 [sic] FR 22234 (April 21, 2015) (notice of proposed rule change relating to the listing and trading of iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 74730 75376 (July 7, 2015), 80 FR 40113 (July 13, 2015) (SR-NYSEArca-2015-18) (order approving proposed rule change relating to the listing and trading of Vanguard Tax-Exempt Bond Index Fund under NYSE Arca Equities Rule 5.2(j)(3)).

⁷ See supra note 6.

series of Index Fund Shares satisfied the existing criteria of Rule 14.11(c)(4)(b)(i), the Exchange would proceed with listing the Index Fund Shares. The Exchange would apply proposed Rule 14.11(c)(4)(B)(ii) only if: (i) an index did not meet the requirements of Rule 14.11(c)(4)(b)(i); and (ii) such index contained only Municipal Securities and cash.

The Exchange believes that if an index of fixed income securities and cash (including one that contains Municipal Securities) satisfies the existing requirements of Rule 14.11(c)(4)(B)(i), its constituent securities are sufficiently liquid to deter manipulation of the index. Further, the proposed alternative listing standard, which would only be applicable to an index consisting entirely of Municipal Securities and cash, includes many requirements that are more stringent than those applicable to an index of fixed income securities and cash. The Exchange believes these heightened requirements would deter potential manipulation of such Municipal Securities indices even though the index may include securities that have smaller original principal amounts outstanding.

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

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

Original Principal Amount Outstanding:

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

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

The Exchange does not believe that reducing the minimum original principal amount outstanding requirement for component securities will make an index more susceptible to manipulation. The Exchange believes that the requirement that component securities in a fixed income index have a minimum principal amount outstanding, in concert with the other requirements of Rule 14.11(c)(4)(B)(i), is to ensure that such index is sufficiently broad-based in scope as to minimize potential manipulation of the index.⁸ However, based on empirical analysis, the Exchange does not believe that an index of Municipal Securities with lower original principal amounts outstanding is necessarily more susceptible to manipulation.⁹ In 2016, Blackrock, Inc. analyzed the potential manipulation of Municipal Securities and found that such manipulation “may be

⁸ The Commission approved BZX Rule 14.11(c) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018).

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

uneconomical and is unsupported in practice.”¹⁰ In addition, the Exchange believes that its proposal to require that 90% of the weight of a Municipal Securities index meet the original principal amount outstanding requirement (as opposed to 75% for fixed income indices) will further deter potential manipulation by ensuring that a greater portion of the index meet this minimum size requirement.

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

Maximum Weight of Component Securities:

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

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

¹¹ See, e.g., Securities Exchange Act Release No. 84049 (September 6, 2018), 83 FR 46228 (September 12, 2018) (SR-NYSEArca-2018-38) (order approving, among other things, revisions to the continued listing criteria applicable to the iShares New York AMT-Free Muni Bond ETF).

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

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

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

Diversification of Issuers:

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

The current generic listing rules for Index Fund Shares based on an index of fixed income securities require that such index must include securities from at least thirteen non-affiliated¹²

¹² Rule 405 under the Securities Act of 1933 defines an affiliate as a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under

issuers. Notably, the current rules exempt indices consisting entirely of exempted securities from complying with this diversification requirement. Municipal Securities are included in the definition of exempted securities.¹³ Therefore, an index of Municipal Securities that otherwise met the requirements of Rule 14.11(c)(4) would not be required to satisfy any minimum issuer diversification requirement.

Nonetheless, the Exchange proposes that a Municipal Securities index be required to include securities from at least 13 non-affiliated issuers. The Exchange believes that requiring such diversification will reduce the likelihood that an index can be manipulated by ensuring that securities from a variety of issuers are represented in an index of Municipal Securities.

Number of Components:

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

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

common control with such person. Control, for this purpose, is the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

¹³ See Section 3(a)(12) of the Act.

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

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

The Exchange proposes to amend Exchange Rule 14.11(c)(5) to specify that the Exchange may approve a series of Index Fund Shares for listing based on a combination of indexes, including an index of Municipal Securities. To the extent that an index of Municipal Securities is included in a combination, amended Rule 14.11(c)(5) will specify that the Municipal Securities index must meet all requirements of Rule 14.11(c)(4)(B)(ii). In addition, amended Rule 14.11(c)(5) will specify that requirements related to index dissemination and related continued listing standards will apply to indexes of Municipal Securities. The Exchange notes that a combination index that includes an index of Municipal Securities will not be permitted to seek to provide investment results in a multiple of the direct or inverse performance of such combination index.

Additional Requirements

As noted above, the Exchange proposes that existing rules applicable to Index Fund Shares based on fixed income securities will continue to apply to any series of Index Fund Shares listed pursuant to Rule 14.11(c)(4)(B)(ii), including: (i) index methodology and calculation;¹⁴ (ii) dissemination of information;¹⁵ (iii) initial shares outstanding;¹⁶ (iv) hours of

¹⁴ See Rule 14.11(c)(4)(C).

¹⁵ See Rule 14.11(c)(6)(A).

¹⁶ See Rule 14.11(c)(6)(B).

trading;¹⁷ (v) surveillance procedures;¹⁸ and (vi) all continued listing requirements under Rule 14.11(c)(9)(B).

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹⁹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²⁰ requirements that the rules of an exchange be 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 regulating, clearing, settling, processing information with respect to, and 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²¹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that Index Fund Shares listed pursuant to proposed Exchange Rule 14.11(c)(4)(B)(ii) will be subject to the existing trading surveillances, administered by FINRA on behalf of the Exchange, which are designed to detect violations of

¹⁷ See Rule 14.11(c)(7).

¹⁸ See Rule 14.11(c)(6)(C).

¹⁹ 15 U.S.C. 78f(b).

²⁰ 15 U.S.C. 78f(b)(5).

²¹ Id.

Exchange rules and applicable federal securities laws. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares with other markets that are members of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. FINRA also can access data obtained from the MSRB relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares. FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by a Fund reported to FINRA's TRACE.

The Exchange believes that the proposed listing standard will ensure that indices underlying a series of Index Fund Shares are sufficiently well-diversified to protect against index manipulation. On an initial and continuous basis, each index will contain at least 500 component securities. In addition, on an initial and continued basis, at least 90% of the Municipal Securities portion of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of at least \$5 million and have been issued as part of a transaction of at least \$20 million. Further, on an initial and continued basis, no component Municipal Security shall represent more than 10% of the Municipal Securities portion of the weight of the index or portfolio, and the five most heavily weighted component Municipal Securities in an index or portfolio shall not in the aggregate account for more than 30% of the Municipal Securities portion of the weight of such index or portfolio. Lastly, on an initial and continued basis, an underlying index or portfolio must include a minimum of 13 non-affiliated issuers. The Exchange believes that this significant diversification and the lack of concentration among constituent securities provides [sic] a strong degree of protection against index manipulation.

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

The Exchange believes that its proposed amendments to Rule 14.11(c)(5) are consistent with the Act because any index of Municipal Securities included in a combination index will be required to meet the requirements of proposed Rule 14.11(c)(4)(B)(ii). In addition, such index will be required to meet the index dissemination and continued listing requirements of Rule 14.11(c)(5). Lastly, a combination index that includes an index of Municipal Securities will not be permitted to seek to provide investment results in a multiple of the direct or inverse performance of such combination index.

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

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest. The Exchange believes that a large amount of information will be publicly available regarding Index Fund Shares listed pursuant to the proposed rule, thereby promoting market transparency. As described above, the Intraday Indicative Value (the “IIV”) will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange’s Regular Trading Hours. The current value of an index underlying a series of Index Fund Shares will be disseminated by one or more major market data vendors at least once per day. Information regarding market price and trading volume of the Index Fund Shares will be continually available on a real-time basis throughout the day on brokers’ computer screens and other electronic services, and quotation and last sale information will be available via the CTA high-speed line. Prior to the commencement of trading, the Exchange will inform its Members in an Information Circular of the special characteristics and risks associated with trading the Index Fund Shares. If the Exchange becomes aware that the net asset value of a series of Index Fund Shares (the “NAV”) is not being disseminated to all market participants at the same time, it will halt trading in the Index Fund Shares until such time as the NAV is available to all market participants. With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Index Fund Shares. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Index Fund Shares inadvisable. If the IIV or the index values are not being disseminated as required, the Exchange may halt trading during the day in which the interruption to the dissemination of the applicable IIV or an index value occurs. If the interruption to the dissemination of the applicable IIV or an index value persists past the trading day in which it occurred, the Exchange will halt

trading. Trading in Shares of the Funds will be halted if the circuit breaker parameters in Exchange Rule 11.18 have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Index Fund Shares inadvisable. In addition, investors will have ready access to information regarding the IIV, and quotation and last sale information for the Index Fund Shares.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of additional types of exchange-traded products based on municipal bond indexes that will enhance competition among market participants, to the benefit of investors and the marketplace. The Exchange has in place surveillance procedures relating to trading in the Index Fund 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, investors will have ready access to information regarding the IIV and quotation and last sale information for the Index Fund Shares. Trade price and other information relating to municipal bonds is available through the MSRB's EMMA system.

As required under Rule 14.11(c)(4)(C)(i) and (iii), if the index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor shall erect and maintain a "firewall" around the personnel who have access to information concerning changes and adjustments to the index. Further, any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or that makes decisions on the index composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non- public information regarding the applicable index.

Further, the index value of a series of Index Fund Shares listed pursuant to proposed Rule 14.11(c)(4)(B)(ii) will be widely disseminated by one or more major market data vendors at least once per day and if the index value does not change during some or all of the period when trading is occurring on the Exchange, the last official calculated index value must remain available throughout Exchange trading hours. In addition, the IIV for the Index Fund Shares will be disseminated by one or more major market data vendors, updated at least every 15 seconds during the Exchange's Regular Trading Hours as required under Rule 14.11(c)(4)(C)(ii).

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 Exchange notes that the proposed rule change will facilitate the listing and trading of Index Fund Shares based on an index of Municipal Securities which will enhance competition among market participants, to the benefit of investors and the marketplace.

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

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

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

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

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeBZX-2019-023 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-2019-023. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments

are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeBZX-2019-023, 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.²²

Jill M. Peterson
Assistant Secretary

²² 17 CFR 200.30-3(a)(12).

