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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A) [10] of the Act and Rule 19b–4(f)(4)(ii) [11] thereunder. At any time within 60 days of the filing of the 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.

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 email to *rule-comments@sec.gov.* Please include File No. SR–CME–2014–32 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–CME–2014–32. This file number should be included on the subject line if email 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 Web site (*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 Web site 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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of CME and on CME's Web site at *http://www.cmegroup.com/market-regulation/rule-filings.html.*

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–CME–2014–32 and should be submitted on or before September 16, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[12]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–20210 Filed 8–25–14; 8:45 am]

BILLING CODE 8011–01–P

[10] 15 U.S.C. 78s(b)(3)(A).

[11] 17 CFR 240.19b–4(f)(4)(ii).

[12] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–72882; File No. SR–NYSEArca–2014–58]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1 Thereto, Relating to Listing and Trading of Shares of PIMCO Short-Term Exchange-Traded Fund and PIMCO Municipal Bond Exchange-Traded Fund Under NYSE Arca Equities Rule 8.600

August 20, 2014.

I. Introduction

On June 25, 2014, NYSE Arca, Inc. (''NYSE Arca'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'' or ''Exchange Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to list and trade the shares (''Shares'') of PIMCO Short-Term Exchange-Traded Fund and PIMCO Municipal Bond Exchange-Traded Fund (individually, ''Fund,'' and collectively, ''Funds'') under NYSE Arca Equities Rule 8.600. The proposed rule change was published for comment in the **Federal Register** on July 8, 2014.[3] On July 16, 2014, NYSE Arca filed Amendment No. 1 to the proposal.[4] The Commission received no comments on the proposal. This order grants approval of the proposed rule change, as modified by Amendment No. 1 thereto.

II. Description of the Proposed Rule Change

The Exchange proposes to list and trade the Shares under NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares on the Exchange. The Shares will be offered by PIMCO ETF Trust (''Trust''). The Trust is registered with the Commission as an investment company.[5] The Funds are series of the Trust.

The investment manager to the Funds will be Pacific Investment Management Company LLC (''PIMCO'' or ''Adviser''). PIMCO Investments LLC will serve as the distributor for the Funds. State Street Bank & Trust Co. will serve as the custodian and transfer agent to the Funds. The Exchange represents that, while the Adviser is not registered as a broker-dealer, the Adviser is affiliated with a broker-dealer and will implement a fire wall with respect to its broker-dealer affiliate regarding access to information concerning the composition and changes to the portfolio.[6] The Exchange has made the following representations and statements describing the Funds and their respective investment strategies, including portfolio holdings and investment restrictions.[7]

[1] 15 U.S.C.78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 72509 (July 1, 2014), 79 FR 38605 (''Notice'').

[4] In Amendment No. 1, the Exchange amended the proposed rule change to: (a) clarify how certain Fund assets would be valued; and (b) specify where price information can be obtained for certain Fund holdings. Amendment No. 1 provided clarification to the proposed rule change, and because it does not materially affect the substance of the proposed rule change or raise novel or unique regulatory issues, Amendment No. 1 is not subject to notice and comment.

[5] According to the Exchange, the Trust filed an amendment to its registration statement on Form N–1A under the Securities Act of 1933 and the Investment Company Act of 1940 (''1940 Act'') relating to the Funds (File Nos. 333–155395 and 811–22250) (''Registration Statement''). In addition, the Exchange notes that the Trust has obtained certain exemptive relief under the 1940 Act. *See* Investment Company Act Release No. 28993 (November 10, 2009) (File No. 812–13571).

[6] *See* Commentary .06 to NYSE Arca Equities Rule 8.600. The Exchange represents that in the event (a) the Adviser becomes registered as a broker-dealer or newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, such Adviser, new adviser, or new sub-adviser will implement a fire wall with respect to its relevant personnel or its broker-dealer affiliate, as applicable, regarding access to information concerning the composition of and 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.

[7] Additional information regarding the Trust, the Funds, and the Shares, investment strategies, investment restrictions, risks, net asset value (''NAV'') calculation, creation and redemption

Characteristics of the Funds

In selecting investments for each Fund, PIMCO will develop an outlook for interest rates, currency exchange rates and the economy, analyze credit and call risks, and use other investment selection techniques. The proportion of each Fund's assets committed to investment in securities with particular characteristics (such as quality, sector, interest rate, or maturity) will vary based on PIMCO's outlook for the U.S. economy and the economies of other countries in the world, the financial markets, and other factors.

With respect to each Fund, in seeking to identify undervalued currencies, PIMCO may consider many factors, including but not limited to, longer-term analysis of relative interest rates, inflation rates, real exchange rates, purchasing power parity, trade account balances, and current account balances, as well as other factors that influence exchange rates such as flows, market technical trends, and government policies. With respect to fixed income investing, PIMCO will attempt to identify areas of the bond market that are undervalued relative to the rest of the market. PIMCO will identify these areas by grouping fixed income investments into sectors such as money markets, governments, corporates, mortgages, asset-backed, and international. Sophisticated proprietary software will then assist in evaluating sectors and pricing specific investments. Once investment opportunities are identified, PIMCO will shift assets among sectors depending upon changes in relative valuations, credit spreads, and other factors.

Fixed Income Instruments

Among other investments described in more detail herein, each Fund may invest in Fixed Income Instruments, which include:

- Securities issued or guaranteed by the U.S. Government, its agencies, or government-sponsored enterprises (''U.S. Government Securities'');
- corporate debt securities of U.S. and non-U.S. issuers, including convertible securities and corporate commercial paper; [8]
- mortgage-backed and other asset-backed securities; [9]
- inflation-indexed bonds issued both by governments and corporations; [10]
- structured notes, including hybrid or ''indexed'' securities and event-linked bonds; [11]
- bank capital and trust preferred securities; [12]
- loan participations and assignments; [13]
- delayed funding loans and revolving credit facilities;
- bank certificates of deposit, fixed time deposits, and bankers' acceptances;
- repurchase agreements on Fixed Income Instruments and reverse repurchase agreements on Fixed Income Instruments;
- debt securities issued by states or local governments and their agencies, authorities, and other government-sponsored enterprises (''Municipal Bonds'');
- obligations of non-U.S. governments or their subdivisions, agencies, and government-sponsored enterprises; and
- obligations of international agencies or supranational entities.

Use of Derivatives by the Funds

A Fund's investments in derivative instruments will be made in accordance with the 1940 Act and consistent with each Fund's investment objective and policies. With respect to each Fund, derivative instruments will include forwards; [14] exchange-traded and over-the-counter (''OTC'') options contracts; exchange-traded futures contracts; exchange-traded and OTC swap agreements; exchange-traded options on futures contracts; and OTC options on swap agreements.[15] Generally, a derivative is a financial contract whose value depends upon, or is derived from, the value of an underlying asset, reference rate, or index, and may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indexes. A Fund may, but is not required to, use derivative instruments for risk management purposes or as part of its investment strategies.[16]

According to the Exchange, each Fund will typically use derivative instruments as a substitute for taking a position in the underlying asset and/or as part of a strategy designed to reduce exposure to other risks, such as interest rate or currency risk. A Fund may also use derivative instruments to enhance returns. To limit the potential risk associated with such transactions, a Fund will segregate or ''earmark'' assets determined to be liquid by PIMCO in accordance with procedures established

procedures, fees, portfolio holdings, disclosure policies, distributions, and taxes, among other information, is included in the Notice and the Registration Statement, as applicable. *See* Notice and Registration Statement, *supra* notes 3 and 5, respectively.

[8] With respect to each of the Funds, while non-emerging markets corporate debt securities (excluding commercial paper) generally must have $100 million or more par amount outstanding and significant par value traded to be considered as an eligible investment for each of the Funds, at least 80% of issues of such securities held by a Fund must have $100 million or more par amount outstanding at the time of investment. *See also infra* note 22.

[9] Mortgage-related and other asset-backed securities include collateralized mortgage obligations (''CMO''s), commercial mortgage-backed securities, mortgage dollar rolls, CMO residuals, stripped mortgage-backed securities, and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. A to-be-announced (''TBA'') transaction is a method of trading mortgage-backed securities. In a TBA transaction, the buyer and seller agree upon general trade parameters such as agency, settlement date, par amount, and price. The actual pools delivered generally are determined two days prior to the settlement date.

[10] Inflation-indexed bonds (other than municipal inflation-indexed bonds and certain corporate inflation-indexed bonds) are fixed income securities whose principal value is periodically adjusted according to the rate of inflation (*e.g.,* Treasury Inflation Protected Securities (TIPS)). Municipal inflation-indexed securities are municipal bonds that pay coupons based on a fixed rate, plus the Consumer Price Index for All Urban Consumers (CPI). With regard to municipal inflation-indexed bonds and certain corporate inflation-indexed bonds, the inflation adjustment is reflected in the semi-annual coupon payment.

[11] The Funds may obtain event-linked exposure by investing in ''event-linked bonds'' or ''event-linked swaps'' or by implementing ''event-linked strategies.'' Event-linked exposure results in gains or losses that typically are contingent upon, or formulaically related to, defined trigger events. Examples of trigger events include hurricanes, earthquakes, weather-related phenomena, or statistics relating to such events. Some event-linked bonds are commonly referred to as ''catastrophe bonds.'' If a trigger event occurs, a Fund may lose all or a portion of its principal invested in the bond or notional amount on a swap.

[12] There are two common types of bank capital: Tier I and Tier II. Bank capital is generally, but not always, of investment grade quality. According to the Exchange, Tier I securities often take the form of trust preferred securities. Tier II securities are commonly thought of as hybrids of debt and preferred stock, are often perpetual (with no maturity date), callable, and, under certain conditions, allow for the issuer bank to withhold payment of interest until a later date. However, such deferred interest payments generally earn interest.

[13] The Funds may invest in fixed- and floating-rate loans, which investments generally will be in the form of loan participations and assignments of portions of such loans.

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

[15] In the future, in the event that there are exchange-traded options on swaps, the Fund may invest in these instruments. *See* Notice, *supra,* note 3 at 38607.

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

by the Trust's Board of Trustees (''Board'') and in accordance with the 1940 Act (or, as permitted by applicable regulation, enter into certain offsetting positions) to cover its obligations under derivative instruments. These procedures have been adopted consistent with Section 18 of the 1940 Act and related Commission guidance. In addition, each Fund will include appropriate risk disclosure in its offering documents, including leveraging risk. Leveraging risk is the risk that certain transactions of the Fund, including the Fund's use of derivatives, may give rise to leverage, causing the Fund to be more volatile than if it had not been leveraged.[17] The Exchange notes that the markets for certain securities, or the securities themselves, may be unavailable or cost prohibitive as compared to derivative instruments, so suitable derivative transactions may be an efficient alternative for a Fund to obtain the desired asset exposure.

PIMCO Short-Term Exchange-Traded Fund—Principal Investments

According to the Exchange, the PIMCO Short-Term Exchange-Traded Fund will seek maximum current income, consistent with preservation of capital and daily liquidity. This Fund will seek to achieve its investment objective by investing under normal circumstances [18] at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, and derivatives based on Fixed Income Instruments. The average portfolio duration of the Fund will vary based on PIMCO's forecast for interest rates and will normally not exceed one year. In addition, the dollar weighted average portfolio maturity of the Fund, under normal circumstances, is expected not to exceed three years.

According to the Exchange, the Fund will invest primarily in investment grade debt securities, but may invest up to 10% of its total assets in high yield securities rated B or higher by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality.[19]

In furtherance of the Fund's 65% policy, or with respect to the Fund's other investments, the Fund may invest in derivative instruments, subject to applicable law and any other restrictions described herein.

The Fund may invest up to 20% of its assets in mortgage-related and other asset-backed securities, although this 20% limitation does not apply to securities issued or guaranteed by Federal agencies and/or U.S. government sponsored instrumentalities.

According to the Exchange, the Fund may invest in securities and instruments that are economically tied to foreign (non-U.S.) countries.[20]

The Fund may invest up to 10% of its total assets in securities denominated in foreign currencies, and may invest beyond this limit in U.S. dollar-denominated securities of foreign issuers.[21] According to the Exchange, the Fund will normally limit its foreign currency exposure (from non-U.S. dollar-denominated securities or currencies) to 20% of its total assets. The Fund may invest up to 5% of its total assets in securities and instruments that are economically tied to emerging market countries.[22]

The Fund may engage in foreign currency transactions on a spot (cash) basis and forward basis, and invest in foreign currency futures and exchange-traded and OTC options contracts.[23] The Fund may enter into these contracts to hedge against foreign exchange risk, to increase exposure to a foreign currency, or to shift exposure to foreign currency fluctuations from one currency to another. Suitable hedging transactions may not be available in all circumstances, and there can be no assurance that the Fund will engage in such transactions at any given time or from time to time. The Fund may purchase or sell securities on a when-issued, delayed delivery, or forward

[17] To mitigate leveraging risk, the Adviser will segregate or ''earmark'' liquid assets or otherwise cover the transactions that may give rise to such risk.

[18] With respect to each Fund, the term ''under normal circumstances'' includes, but is not limited to, the absence of extreme volatility or trading halts in the fixed income markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption, or any similar intervening circumstance.

[19] With respect to each Fund, securities rated Ba or lower by Moody's, or equivalently rated by S&P or Fitch, are sometimes referred to as ''high yield securities'' or ''junk bonds,'' while securities rated Baa or higher are referred to as ''investment grade.'' Unrated securities may be less liquid than comparably rated securities and involve the risk that a Fund's portfolio manager may not accurately evaluate the security's comparative credit rating. To the extent that a Fund invests in unrated securities, a Fund's success in achieving its investment objective may depend more heavily on the portfolio manager's creditworthiness analysis than if that Fund invested exclusively in rated securities. In determining whether a security is of comparable quality, the Adviser will consider, for example, whether the issuer of the security has issued other rated securities; whether the obligations under the security are guaranteed by another entity and the rating of such guarantor (if any); whether and (if applicable) how the security is collateralized; other forms of credit enhancement (if any); the security's maturity date; liquidity features (if any); relevant cash flow(s); valuation features; other structural analysis; macroeconomic analysis; and sector or industry analysis.

[20] PIMCO will generally consider an instrument to be economically tied to a non-U.S. country if the issuer is a foreign government (or any political subdivision, agency, authority, or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. With respect to each Fund, in the case of certain money market instruments, such instruments will be considered economically tied to a non-U.S. country if either the issuer or the guarantor of such money market instrument is organized under the laws of a non-U.S. country. With respect to derivative instruments, PIMCO will generally consider such instruments to be economically tied to non-U.S. countries if the underlying assets are foreign currencies (or baskets or indexes of such currencies), or instruments or securities that are issued by foreign governments or issuers organized under the laws of a non-U.S. country (or if the underlying assets are certain money market instruments, if either the issuer or the guarantor of such money market instruments is organized under the laws of a non-U.S. country).

[21] According to the Exchange, the Fund may have greater exposure (*i.e.,* up to 20% of its total assets) to foreign currencies through: (i) investments in securities denominated in such currencies, and (ii) direct investments in foreign currencies, including currency forwards. *See* Notice, *supra,* note 3 at 38607.

[22] PIMCO will generally consider an instrument to be economically tied to an emerging market country if the security's ''country of exposure'' is an emerging market country, as determined by the criteria set forth in the Registration Statement. Alternatively, such as when a ''country of exposure'' is not available or when PIMCO believes the following tests more accurately reflect to which country the security is economically tied, PIMCO may consider an instrument to be economically tied to an emerging market country if the issuer or guarantor is a government of an emerging market country (or any political subdivision, agency, authority, or instrumentality of such government), if the issuer or guarantor is organized under the laws of an emerging market country, or if the currency of settlement of the security is a currency of an emerging market country. With respect to derivative instruments, PIMCO will generally consider such instruments to be economically tied to emerging market countries if the underlying assets are currencies of emerging market countries (or baskets or indices of such currencies), or instruments or securities that are issued or guaranteed by governments of emerging market countries or by entities organized under the laws of emerging market countries. While emerging markets corporate debt securities (excluding commercial paper) generally must have $200 million or more par amount outstanding and significant par value traded to be considered as an eligible investment for each of the Funds, at least 80% of issues of such securities held by a Fund must have $200 million or more par amount outstanding at the time of investment.

[23] The Fund will limit its investments in currencies to those currencies with a minimum average daily foreign exchange turnover of USD $1 billion as determined by the Bank for International Settlements (''BIS'') Triennial Central Bank Survey. As of the most recent BIS Triennial Central Bank Survey, at least 52 separate currencies had minimum average daily foreign exchange turnover of USD $1 billion. For a list of eligible currencies, *see www.bis.org.*

commitment basis and may engage in short sales.[24]

The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls).[25]

PIMCO Short-Term Exchange-Traded Fund—Other (Non-Principal) Investments

The PIMCO Short-Term Exchange-Traded Fund may invest up to 10% of its total assets in preferred stock, convertible securities, and other equity-related securities.[26]

The Fund may invest in variable and floating rate securities that are not Fixed Income Instruments. The Fund may invest in floaters and inverse floaters that are not Fixed Income Instruments and may engage in credit spread trades.

The Fund may invest in trade claims,[27] privately placed and unregistered securities, and exchange-traded and OTC-traded structured products, including credit-linked securities, commodity-linked notes, and structured notes. The Fund may invest in Brady Bonds.

The Fund may enter into repurchase agreements on instruments other than Fixed Income Instruments, in addition to repurchase agreements on Fixed Income Instruments mentioned above, in which the Fund purchases a security from a bank or broker-dealer, which agrees to purchase the security at the Fund's cost, plus interest within a specified time. Repurchase agreements maturing in more than seven days and which may not be terminated within seven days at approximately the amount at which the Fund has valued the agreements will be considered illiquid securities. The Fund may enter into reverse repurchase agreements on instruments other than Fixed Income Instruments, in addition to reverse repurchase agreements on Fixed Income Instruments mentioned above, subject to the Fund's limitations on borrowings.[28] The Fund will segregate or ''earmark'' assets determined to be liquid by PIMCO in accordance with procedures established by the Board to cover its obligations under reverse repurchase agreements.

PIMCO Municipal Bond Exchange-Traded Fund—Principal Investments

According to the Exchange, the PIMCO Municipal Bond Exchange-Traded Fund will seek high current income exempt from federal income tax, consistent with preservation of capital; capital appreciation is a secondary objective. This Fund will seek to achieve its investment objective by investing under normal circumstances at least 80% of its assets in debt securities (Municipal Bonds) whose interest is, in the opinion of bond counsel for the issuer at the time of the issuance, exempt from federal income tax. Municipal Bonds are generally issued by or on behalf of states and local governments and their agencies, authorities, and other instrumentalities. Municipal Bonds include municipal lease obligations, municipal general obligation bonds, municipal cash equivalents, and pre-refunded and escrowed to maturity bonds. The Fund may invest in industrial development bonds, which are Municipal Bonds issued by a government agency on behalf of a private sector company and, in most cases, are not backed by the credit of the issuing municipality. The Fund may also invest in securities issued by entities whose underlying assets are Municipal Bonds.

The Fund may invest more than 25% of its total assets in bonds of issuers in California and New York; may invest 25% of more of its total assets in Municipal Bonds that finance education, health care, housing, transportation, utilities, and other similar projects; and may invest 25% or more of its total assets in industrial development bonds. The average portfolio duration of the Fund will normally vary from three to twelve years based on PIMCO's forecast for interest rates.

According to the Exchange, the Fund will invest primarily in investment grade debt securities, but may invest up to 10% of its total assets in Municipal Bonds or private activity bonds that are high yield securities rated Ba or higher by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality.

The Fund may invest in residual interest bonds (''RIBs''), which brokers create by depositing a Municipal Bond in a trust. The trust in turn would issue a variable rate security and RIBs. The interest rate for the variable rate security will be determined by the remarketing broker-dealer, while the RIB holder will receive the balance of the income from the underlying municipal bond.

In furtherance of the Fund's 80% policy the Fund may invest in derivative instruments on Municipal Bonds, subject to applicable law and any other restrictions described herein.

The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls). The Fund may purchase or sell securities on a when-issued, delayed delivery, or forward commitment basis and may engage in short sales.

PIMCO Municipal Bond Exchange-Traded Fund—Other (Non-Principal) Investments

According to the Exchange, the PIMCO Municipal Bond Exchange-Traded Fund may invest up to 20% of its net assets in U.S. government securities, money market instruments, ''private activity'' bonds, and/or Fixed Income Instruments (other than Municipal Bonds), including derivative instruments related to such instruments, subject to applicable law and any other restrictions described herein.

[24] Each of the Funds may make short sales of securities: (i) To offset potential declines in long positions in similar securities; (ii) to increase the flexibility of the Fund; (iii) for investment return; and (iv) as part of a risk arbitrage strategy.

[25] A dollar roll is similar except that the counterparty is not obligated to return the same securities as those originally sold by the Fund but only securities that are ''substantially identical.''

[26] Convertible securities are generally preferred stocks and other securities, including fixed income securities and warrants, that are convertible into or exercisable for common stock at a stated price or rate. Equity-related investments may include investments in small-capitalization (''small-cap''), mid-capitalization (''mid-cap''), and large-capitalization (''large-cap'') companies. With respect to each Fund, a small-cap company will be defined as a company with a market capitalization of up to $1.5 billion, a mid-cap company will be defined as a company with a market capitalization of between $1.5 billion and $10 billion, and a large-cap company will be defined as a company with a market capitalization above $10 billion. Not more than 10% of the net assets of a Fund in the aggregate invested in exchange-traded equity securities shall consist of equity securities, including stocks into which a convertible security is converted, whose principal market is not a member of the Intermarket Surveillance Group (''ISG'') or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. Furthermore, not more than 10% of the net assets of a Fund in the aggregate invested in futures contracts or exchange-traded options contracts shall consist of futures contracts or exchange-traded options contracts whose principal market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

[27] Trade claims are non-securitized rights of payment arising from obligations that typically arise when vendors and suppliers extend credit to a company by offering payment terms for products and services. If the company files for bankruptcy, payments on these trade claims stop, and the claims are subject to compromise along with the other debts of the company. Trade claims may be purchased directly from the creditor or through brokers.

[28] With respect to each Fund, a reverse repurchase agreement involves the sale of a security by the Fund and its agreement to repurchase the instrument at a specified time and price.

The Fund may invest up to 10% of its total assets in preferred stock, convertible securities, and other equity-related securities.

The Fund may invest in variable and floating rate securities. The Fund may invest in floaters and inverse floaters and may engage in credit spread trades.

The Fund may invest in trade claims, privately placed and unregistered securities, and exchange-traded and OTC-traded structured products, including credit-linked securities, commodity-linked notes, and structured notes. The Fund may invest in Brady Bonds.

The Fund may enter into repurchase agreements on instruments other than Fixed Income Instruments, in addition to repurchase agreements on Fixed Income Instruments mentioned above, in which the Fund purchases a security from a bank or broker-dealer, which agrees to purchase the security at the Fund's cost, plus interest within a specified time. Repurchase agreements maturing in more than seven days and which may not be terminated within seven days at approximately the amount at which the Fund has valued the agreements will be considered illiquid securities. The Fund may enter into reverse repurchase agreements on instruments other than Fixed Income Instruments, in addition to reverse repurchase agreements on Fixed Income Instruments mentioned above, subject to the Fund's limitations on borrowings.

Other Investments (Both Funds)

The Funds may invest without limit, for temporary or defensive purposes, in U.S. debt securities, including taxable securities and short-term money market securities, if PIMCO deems it appropriate to do so. If PIMCO believes that economic or market conditions are unfavorable to investors, PIMCO may temporarily invest up to 100% of a Fund's assets in certain defensive strategies, including holding a substantial portion of a Fund's assets in cash, cash equivalents, or other highly rated short-term securities, including securities issued or guaranteed by the U.S. government, its agencies, or instrumentalities. The Funds may invest in, to the extent permitted by Section 12(d)(1)(A) of the 1940 Act, other affiliated and unaffiliated funds, such as open-end or closed-end management investment companies, including other exchange-traded funds, provided that each of a Fund's investment in units or shares of investment companies and other open-end collective investment vehicles will not exceed 10% of that Fund's total assets. Each Fund may invest in securities lending collateral in one or more money market funds to the extent permitted by Rule 12d1–1 under the 1940 Act, including series of PIMCO funds.

Investment Restrictions (Both Funds)

Each Fund's investments, including investments in derivative instruments, will be subject to all of the restrictions under the 1940 Act, including restrictions with respect to illiquid assets, that is, the limitation that a Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser, consistent with Commission guidance. Each Fund will monitor its respective portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of a Fund's net assets are held in illiquid assets. Illiquid assets include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.

Each Fund will be diversified within the meaning of the 1940 Act. Each Fund intends to qualify annually and elect to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code. None of the Funds will concentrate its investments in a particular industry, as that term is used in the 1940 Act, and as interpreted, modified, or otherwise permitted by a regulatory authority having jurisdiction from time to time. Each Fund's investments, including derivatives, will be consistent with that Fund's investment objective, and each Fund's use of derivatives may be used to enhance leverage. However, each Fund's investments will not be used to seek performance that is the multiple or inverse multiple (*i.e.,* 2Xs and 3Xs) of a Fund's broad-based securities market index (as defined in Form N–1A).[29]

The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600. Consistent with NYSE Arca Equities Rule 8.600(d)(2)(B)(ii), each Fund's Reporting Authority will implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material, non-public information regarding the actual components of the Fund's portfolio. The Exchange represents that, for initial and/or continued listing, the Funds will be in compliance with Rule 10A–3 under the Act,[30] as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares for 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 of each Fund 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.

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the requirements of Section 6 of the Act [31] and the rules and regulations thereunder applicable to a national securities exchange.[32] In particular, the Commission finds that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act,[33] which requires, among other things, that the Exchange's rules 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 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 Commission notes that the Funds and the Shares must comply with the requirements of NYSE Arca Rule 8.600 for the Shares to be listed and traded on the Exchange.

The Commission finds that the proposal to list and trade the Shares on the Exchange is consistent with Section 11A(a)(1)(C)(iii) of the Act,[34] which sets forth Congress' finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations for, and transactions in, securities. Quotation and last-sale information for the Shares

[29] According to the Exchange, each Fund's broad-based securities market index will be identified in a future amendment to the Registration Statement following a Fund's first full calendar year of performance. *See* Notice, *supra,* note 3 at 38610.

[30] 17 CFR 240.10A–3.

[31] 15 U.S.C. 78(f).

[32] In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[33] 15 U.S.C. 78f(b)(5).

[34] 15 U.S.C. 78k–1(a)(1)(C)(iii).

will be available via the Consolidated Tape Association (''CTA'') high-speed line.[35] In addition, the Portfolio Indicative Value (''PIV''), as defined in NYSE Arca Equities Rule 8.600 (c)(3), will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session.[36] On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, each of the Funds will disclose on the Trust's Web site the Disclosed Portfolio, as defined in NYSE Arca Equities Rule 8.600(c)(2), that will form the basis for such Fund's calculation of NAV at the end of the business day.[37] The NAV of each of the Funds will normally be determined as of the close of the regular trading session on the Exchange (ordinarily 4:00 p.m. Eastern time) on each business day.[38] In addition, a basket composition file, which includes the security names and share quantities, if applicable, required to be delivered in exchange for a Fund's Shares, together with estimates and actual cash components, will be publicly disseminated daily prior to the opening of the Exchange via the National Securities Clearing Corporation. 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. Information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers. Intra-day and closing price information regarding exchange-traded equity securities, including common stocks, preferred stocks, securities convertible into stocks, closed-end funds, exchange traded funds, exchange-traded structured products and other equity-related securities, will be available from the exchange on which such securities are traded. Intra-day and closing price information regarding exchange traded options (including options on futures), exchange-traded swaps and futures will be available from the exchange on which such instruments are traded. Intra-day and closing price information regarding Fixed Income Instruments also will be available from major market data vendors.[39] Price information relating to forwards, spot currency, OTC options, and swaps will be available from major market data vendors. Price information regarding RIBs, money market instruments, Brady Bonds, repurchase and reverse repurchase agreements other than those included in Fixed Income Instruments, private activity bonds, trade claims, privately placed and unregistered securities, and OTC structured products will be available from major market data vendors. Price information regarding other investment company securities will be available from on-line information services and from the Web site for the applicable investment company security. The Trust's Web site will include a form of the prospectus for each of the Funds and additional data relating to NAV and other applicable quantitative information.

The Commission further believes that the proposal to list and trade the Shares is reasonably designed to promote fair disclosure of information that may be necessary to price the Shares appropriately and to prevent trading when a reasonable degree of transparency cannot be assured. The Commission notes that the Exchange will obtain representation from the issuer of the Shares of each Fund 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. The Exchange may halt trading in the Shares if trading is not occurring in the securities or the financial instruments constituting the Disclosed Portfolio of the Fund, or if other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.[40] In addition, trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted. Further, the Commission notes that the Reporting Authority that provides the Disclosed Portfolio of each Fund must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material, non-public information regarding the actual components of the portfolio.[41] The Commission further notes that the Financial Industry Regulatory Authority (''FINRA''), on behalf of the Exchange,[42] will

[35] *See* Notice, *supra,* note 3 at 38613.

[36] According to the Exchange, several major market data vendors display and/or make widely available PIVs taken from the CTA or other data feeds.

[37] On a daily basis, the Funds will disclose the following information regarding each portfolio holding, as applicable to the type of holding: ticker symbol, CUSIP number or other identifier, if any; a description of the holding (including the type of holding, such as the type of swap); the identity of the security, commodity, index, or other asset or instrument underlying the holding, if any; for options, the option strike price; quantity held (as measured by, for example, par value, notional value or number of shares, contracts, or units); maturity date, if any; coupon rate, if any; effective date, if any; market value of the holding; and the percentage weighting of the holding in a Fund's portfolio. The Web site information will be publicly available at no charge.

[38] The Exchange represents that for purposes of calculating NAV, portfolio securities, and other assets for which market quotes are readily available will be valued at market value. Market value will generally be determined on the basis of last reported sales prices, or if no sales are reported, based on quotes obtained from a quotation reporting system, established market makers, or pricing services. Fixed Income Instruments, including those to be purchased under firm commitment agreements/delayed delivery basis, will generally be valued on the basis of quotes obtained from brokers and dealers or independent pricing services. Foreign fixed income securities will generally be valued on the basis of quotes obtained from brokers and dealers or pricing services using data reflecting the earlier closing of the principal markets for those assets. Short-term debt instruments having a remaining maturity of 60 days or less will generally be valued at amortized cost, which approximates market value. Derivatives will generally be valued on the basis of quotes obtained from brokers and dealers or pricing services using data reflecting the earlier closing of the principal markets for those assets. Local closing prices will be used for all instrument valuation purposes. Foreign currency-denominated derivatives will generally be valued as of the respective local region's market close. Exchange-traded equity securities will be valued at the official closing price or the last trading price on the exchange or market on which the security is primarily traded at the time of valuation. If no sales or closing prices are reported during the day, exchange-traded equity securities will generally be valued at the mean of the last available bid and ask quotation on the exchange or market on which the security is primarily traded, or using other market information obtained from quotation reporting systems, established market makers, or pricing services. Investment company securities that are not exchange-traded will be valued at NAV. Equity securities traded OTC will be valued based on price quotations obtained from a broker-dealer who makes markets in such securities or other equivalent indications of value provided by a third-party pricing service. OTC options on swaps will be valued by a third party pricing service. RIBs, money market instruments, trade claims, privately placed and unregistered securities, structured products, repurchase agreements, reverse repurchase agreements, private activity bonds and other types of debt securities will generally be valued on the basis of independent pricing services or quotes obtained from brokers and dealers.

[39] According to the Exchange, major market data vendors may include, but are not limited to: Thomson Reuters, JPMorgan Chase PricingDirect Inc., Markit Group Limited, Bloomberg, and Interactive Data Corporation, among other major data vendors.

[40] *See* NYSE Arca Equities Rule 8.600(d)(2)(C) (providing additional considerations for the suspension of trading in or removal from listing of Managed Fund Shares on the Exchange). 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. Trading in Shares of either Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable.

[41] *See* NYSE Arca Equities Rule 8.600(d)(2)(B)(ii).

[42] The Exchange states that, while FINRA surveils trading on the Exchange pursuant to a regulatory services agreement, the Exchange is responsible for

Continued

communicate as needed regarding trading in the Shares, exchange-traded equities, exchange-traded options, futures contracts, and options on futures contracts with other markets or other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares, exchange-traded equities, exchange-traded options, futures contracts, and options on futures contracts from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares, exchange-traded equities, exchange-traded options, futures contracts, and options on futures contracts from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.[43] FINRA, on behalf of the Exchange, also is able to access, as needed, trade information for certain fixed income securities held by the Fund reported to FINRA's Trade Reporting and Compliance Engine. FINRA also can access data obtained from the Municipal Securities Rulemaking Board relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares. The Exchange states that it has a general policy prohibiting the distribution of material, non-public information by its employees. The Exchange also states that the Adviser is not a registered broker-dealer, but is affiliated with a broker-dealer and will implement and maintain a fire wall with respect to its broker-dealer affiliate regarding access to information concerning the composition of or changes to the portfolios.[44]

FINRA's performance under this regulatory services agreement.

[43] For a list of the current members of ISG, *see http://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.

[44] *See supra* note 6. An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (''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.

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. In support of this proposal, the Exchange has made representations, including:

(1) The Shares will conform to the initial and continuing listing criteria under NYSE Arca Equities Rule 8.600.

(2) The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions.

(3) Trading in the Shares will be subject to the existing trading surveillances, administered by FINRA on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.

(4) Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit (''ETP'') Holders in an Information Bulletin (''Bulletin'') of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (a) The procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (b) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (c) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated PIV will not be calculated or publicly disseminated; (d) how information regarding the PIV and the Disclosed Portfolio is disseminated; (e) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (f) trading information.

(5) For initial and continued listing, each Fund must be in compliance with Rule 10A–3 under the Exchange Act.[45]

(6) While non-emerging markets corporate debt securities (excluding commercial paper) generally must have $100 million or more par amount outstanding and significant par value traded to be considered as an eligible investment for the Funds, at least 80% of issues of such securities held by the Funds must have $100 million or more par amount outstanding at the time of investment. While emerging markets corporate debt securities (excluding commercial paper) generally must have $200 million or more par amount outstanding and significant par value traded to be considered as an eligible investment for the Funds, at least 80% of issues of such securities held by the Funds must have $200 million or more par amount outstanding at the time of investment.

(7) Not more than 10% of the net assets of a Fund in the aggregate invested in exchange-traded equity securities shall consist of equity securities, including stocks into which a convertible security is converted, whose principal market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. Furthermore, not more than 10% of the net assets of a Fund in the aggregate invested in futures contracts or exchange-traded options contracts shall consist of futures contracts or exchange-traded options contracts whose principal market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

(8) The PIMCO Short-Term Exchange-Traded Fund may invest up to 20% of its assets in mortgage-related and other asset-backed securities, although this 20% limitation does not apply to securities issued or guaranteed by Federal agencies and/or U.S. government sponsored instrumentalities.

(9) Each Fund's investments, including investments in derivative instruments, will be subject to all of the restrictions under the 1940 Act, including restrictions with respect to investments in illiquid assets, that is, the limitation that a fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser, in accordance with Commission guidance.

(10) To limit the potential risk associated with such transactions, a Fund will segregate or ''earmark'' assets determined to be liquid by PIMCO in accordance with procedures established by the Trust's Board and in accordance with the 1940 Act (or, as permitted by applicable regulation, enter into certain

[45] 17 CFR 240.10A–3.

offsetting positions) to cover its obligations under derivative instruments. These procedures have been adopted consistent with Section 18 of the 1940 Act and related Commission guidance. In addition, each Fund will include appropriate risk disclosure in its offering documents, including leveraging risk. Leveraging risk is the risk that certain transactions of a Fund, including a Fund's use of derivatives, may give rise to leverage, causing a Fund to be more volatile than if it had not been leveraged. To mitigate leveraging risk, the Adviser will segregate or ''earmark'' liquid assets or otherwise cover the transactions that may give rise to such risk.

(11) The Funds will seek, where possible, to use counterparties whose financial status is such that the risk of default is reduced.

(12) A minimum of 100,000 Shares for each Fund will be outstanding at the commencement of trading on the Exchange.

(13) Each Fund's investments, including derivatives, will be consistent with each Fund's respective investment objective, and each Fund's use of derivatives may be used to enhance leverage. However, each Fund's investments will not be used to seek performance that is the multiple or inverse multiple (*i.e.,* 2Xs and 3Xs) of such Fund's broad-based securities market index (as defined in Form N–1A).

This approval order is based on all of the Exchange's representations and description of the Funds, including those set forth above and in the Notice.

For the foregoing reasons, the Commission finds that the proposed rule change, as modified by Amendment No. 1 thereto, is consistent with Section 6(b)(5) of the Act [46] and the rules and regulations thereunder applicable to a national securities exchange.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[47] that the proposed rule change (SR–NYSEArca–2014–58), as modified by Amendment No. 1 thereto, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[48]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–20208 Filed 8–25–14; 8:45 am]

BILLING CODE 8011–01–P

[46] 15 U.S.C. 78f(b)(5).

[47] 15 U.S.C. 78s(b)(2).

[48] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–72883; File No. SR–BX–2014–035]

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Order Approving Proposed Rule Change Relating to Market Maker Quoting Obligations and the Introduction of a Lead Market Maker

August 20, 2014.

I. Introduction

On June 19, 2014, NASDAQ OMX BX, Inc. (''BX'' or the ''Exchange''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] filed with the Securities and Exchange Commission (the ''Commission'') a proposed rule change relating to market maker quoting obligations and the introduction of a lead market maker. The proposed rule change was published for public comment in the **Federal Register** on July 8, 2014.[3] The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposal

The Exchange proposes to amend the current BX Market Maker quoting obligations and adopt rules to permit BX Market Makers to act as Lead Market Makers (''LMMs''), provided the LMM meets certain obligations and quoting requirements. In addition, the Exchange proposes to provide assigned LMMs with certain participation entitlements. Finally, the Exchange proposes to provide Public Customers with priority when the Price/Time execution algorithm is in effect.

A. BX Market Maker Quoting Obligations

Currently, Chapter VII, Section 6(d)(i) of the BX Options Rules provides that on a daily basis, a Market Maker must during regular market hours make markets consistent with the applicable quoting requirements specified in the BX Options Rules, on a continuous basis in at least sixty percent (60%) of the series in options in which the Market Maker is registered. Chapter VII, Section 6(d)(i)(1) of the BX Options Rules provides that, to satisfy this requirement with respect to quoting a series, a Market Maker must quote such series 90% of the trading day (as a percentage of the total number of minutes in such trading day).

BX proposes to reduce the quoting requirement for BX Options Market Makers so a Market Maker must quote the options in which it is registered 60% of the trading day (as a percentage of the total number of minutes in such trading day) or such higher percentage as BX may announce in advance. In addition, this quoting obligation would apply to all of a Market Maker's registered options collectively on a daily basis. This quoting obligation would be reviewed on a monthly basis, and would allow the Exchange to review the Market Maker's daily compliance in the aggregate and determine the appropriate disciplinary action for single or multiple failures to comply with the continuous quoting requirement during the month period. However, determining compliance with the continuous quoting requirement on a monthly basis would not relieve a Market Maker of the obligation to provide continuous two-sided quotes on a daily basis, nor would it prohibit the Exchange from taking disciplinary action against a Market Maker for failing to meet the continuous quoting obligation each trading day.

B. Lead Market Maker Allocation

Currently, there are two types of Options Participants on BX: Options Order Entry Firms and Options Market Makers. The Exchange proposes to add a third type of Options Participant: an LMM. An approved BX Options Market Maker [4] may become an LMM in one or more listed options. Under the proposal, initial application(s) to become an LMM would be in a form and/or format prescribed by the Exchange and would include: (1) Background information on the LMM, including experience in trading options; (2) the LMM's clearing arrangements; (3) adequacy of capital; and (4) adherence to Exchange rules and ability to meet the obligations of an LMM.[5] Subsequent applications would be in a form and/or format prescribed by the Exchange and would include the information requested therein, including, but not limited to, an account of the abilities and background of the applicant as well as any other special requirements that the Exchange may require.[6] Once an applicant is approved by the Exchange as an LMM, any material change in capital would be reported in writing to the Exchange within two business days after the

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Securities Exchange Act Release No. 72502 (Jul. 1, 2014), 79 FR 38620 (''Notice'').

[4] *See* Chapter VII, Section 2.

[5] *See* proposed BX Options Rules at Chapter VII, Section 13(A)(b).

[6] *See* proposed BX Options Rules at Chapter VII, Section 13(A)(c).