

coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange proposes to add specificity regarding the general description in its rules regarding market maker obligations of an electronic ROT. The Commission finds that the changes it is making in this regard are consistent with the Act and notes that, as the Exchange maintains, the changes are consistent with the rules of another options exchange.<sup>42</sup>

The Exchange proposes to reduce the specific quoting requirements for electronic ROTs of the various types. SQTs and RSQTs associated with the same member organization would be collectively required to provide two-sided quotations in 60% of the cumulative number of seconds for which that member organization's assigned option series are open for trading. Specialists (including Remote Specialists) associated with the same member organization would be collectively required to provide two-sided quotations in 90% of the cumulative number of seconds for which that member organization's assigned option series are open for trading. Similarly, Directed SQTs and Directed RSQTs associated with the same member organization would be collectively required to provide two-sided quotations in 90% of the cumulative number of seconds for which that member organization's assigned option series are open for trading. The Exchange would be able to designate a higher percentage for any of these quoting requirements by announcing such percentage in advance.

These quoting requirements would apply to all of an electronic ROT's assigned options on a daily basis. These quoting requirements would be reviewed on a monthly basis, and would allow the Exchange to review the electronic ROT'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. The Commission notes that the proposed rules provide that determining compliance with the continuous quoting requirements on a monthly basis would not relieve the electronic ROT of the obligation to provide continuous two-sided quotes on a daily basis, nor would it prohibit the Exchange from taking

disciplinary action against an electronic ROT for failing to meet the continuous quoting requirements each trading day.

The Commission finds that the proposed changes to the quoting requirements of electronic ROTs are consistent with the Act. The Exchange believes that the revised requirements will enable electronic ROTs to focus on the options series that need and consume more liquidity than others. To the extent this is true, the proposal will enhance trading opportunities on the Exchange. Moreover, the Commission believes that, although the proposal would reduce the quoting requirements for the various electronic ROTs from their current levels, the proposed changes are consistent, as the Exchange argues, with the market maker quoting requirements in place on other markets.<sup>43</sup> The Commission further notes that, notwithstanding the proposed changes to the quoting requirements for Specialists, Directed SQTs, and Directed RSQTs, the revised quoting requirements continue to reflect meaningful market making obligations. Additionally, the proposed rules reflect a balance of rights and obligations consistent with the balance reflected in the rules of other exchanges for market participants fulfilling a similar role.<sup>44</sup> In addition, the Commission believes that the proposed changes to provide additional detail about how the Exchange will apply these quoting requirements adds further clarity to the rules.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>45</sup> that the proposed rule change (SR-Phlx-2018-22), be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>46</sup>

**Eduardo A. Aleman,**  
*Assistant Secretary.*

[FR Doc. 2018-10379 Filed 5-15-18; 8:45 am]

**BILLING CODE 8011-01-P**

<sup>43</sup> See, e.g., BX Rules, Chapter VII, Sections 6, 14, and 15; NYSE American Rules 925.1NY and 964.1NY; NYSE Arca Rules 6.37B-O and 6.88-O.

<sup>44</sup> See, e.g., Nasdaq GEMX Rules 713 and 804; Nasdaq ISE Rules 713 and 804; Nasdaq MRX Rules 713 and 804. See also *supra* notes 26 and 31 and accompanying text.

<sup>45</sup> *Id.*

<sup>46</sup> 17 CFR 200.30-3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 33095; File No. 812-14819]

### Franklin Alternative Strategies Funds, et al.

May 10, 2018.

**AGENCY:** Securities and Exchange Commission ("Commission").

**ACTION:** Notice.

Notice of an application for an order pursuant to: (a) Section 6(c) of the Investment Company Act of 1940 ("Act") granting an exemption from sections 18(f) and 21(b) of the Act; (b) section 12(d)(1)(J) of the Act granting an exemption from section 12(d)(1) of the Act; (c) sections 6(c) and 17(b) of the Act granting an exemption from sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Act; and (d) section 17(d) of the Act and rule 17d-1 under the Act to permit certain joint arrangements and transactions. Applicants request an order that would supersede a prior order and that would permit certain registered management investment companies to participate in a joint lending and borrowing facility.<sup>1</sup>

**APPLICANTS:** Franklin Alternative Strategies Funds, Franklin California Tax-Free Income Fund, Franklin California Tax-Free Trust, Franklin Custodian Funds, Franklin ETF Trust, Franklin Federal Tax-Free Income Fund, Franklin Floating Rate Master Trust, Franklin Fund Allocator Series, Franklin Global Trust, Franklin Gold and Precious Metals Fund, Franklin High Income Trust, Franklin Investors Securities Trust, Franklin Managed Trust, Franklin U.S. Government Money Fund, Franklin Municipal Securities Trust, Franklin Mutual Series Funds, Franklin New York Tax-Free Income Fund, Franklin New York Tax-Free Trust, Franklin Real Estate Securities Trust, Franklin Strategic Mortgage Portfolio, Franklin Strategic Series, Franklin Tax-Free Trust, Franklin Templeton ETF Trust, Franklin Templeton Global Trust, Franklin Templeton International Trust, Franklin Templeton Money Fund Trust, Franklin Templeton Variable Insurance Products Trust, Franklin Value Investors Trust, Institutional Fiduciary Trust, Templeton China World Fund, Templeton Developing Markets Trust, Templeton Funds, Templeton Global Investment Trust, Templeton Global Opportunities Trust, Templeton Global Smaller Companies Fund, Templeton Growth

<sup>1</sup> Franklin Gold Fund, et al., Investment Company Act Release Nos. 24016 (Sept. 16, 1999) and 24080 (Oct. 13, 1999).

<sup>42</sup> See BX Rules, Chapter VII, Section 5.

Fund, Inc., Templeton Income Trust, Templeton Institutional Funds, and The Money Market Portfolios, each an investment company organized as a Delaware statutory trust or a Maryland corporation and registered under the Act as an open-end management investment company, on behalf of all existing series<sup>2</sup> (the "Open-End Funds"); Franklin Limited Duration Income Trust, Franklin Universal Trust, Templeton Dragon Fund, Inc., Templeton Emerging Markets Fund, Templeton Emerging Markets Income Fund, and Templeton Global Income Fund, each organized as a Delaware statutory trust or a Massachusetts business trust and registered under the Act as a closed-end investment management investment company (the "Closed-End Funds,"<sup>3</sup> and together with the Open-End Funds, the "Funds"); Franklin Advisers, Inc., a California corporation; Franklin Templeton Investment Management Limited, a United Kingdom company; K2/D&S Management Co., L.L.C., FASA LLC, Franklin Templeton Institutional, LLC, Franklin Advisory Services, LLC, Franklin Mutual Advisers, LLC, and Templeton Investment Counsel, LLC, each a Delaware limited liability company; Templeton Asset Management Ltd., a Singapore public company, and Templeton Global Advisors Limited, a Bahamas company; each registered as an investment adviser under the Investment Advisers Act of 1940 (each an "Adviser").

**FILING DATES:** The application was filed on September 14, 2017, and amended on March 9, 2018.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on June 4, 2018, and should be accompanied by proof of service on the applicants, in the form of an affidavit, or, for lawyers, a certificate of service. Pursuant to Rule 0–5 under the Act, hearing requests should state the nature of the writer's interest, any facts bearing upon the desirability of a

<sup>2</sup> Certain Funds (as defined below) are, and future Funds may be, money market funds that comply with rule 2a–7 of the Act (each a "Money Market Fund"). Money Market Funds will not participate as borrowers under the interfund lending facility because they do not need to borrow cash to meet redemptions.

<sup>3</sup> The requested order will not permit Closed-End Funds to participate as borrowers in the interfund lending facility.

hearing on the matter, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

**ADDRESSES:** Secretary, U.S. Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090; Applicants: Craig S. Tyle, Esq., Franklin Templeton Investments, One Franklin Parkway, San Mateo, CA 94403 and Bruce G. Leto, Esq., Stradley Ronon Stevens & Young, LLP, 2600 One Commerce Square, Philadelphia, PA 19103.

**FOR FURTHER INFORMATION CONTACT:** Jean E. Minarick, Senior Counsel, at (202) 551–6811, or Kaitlin C. Bottock, Branch Chief, at (202) 551–6821 (Division of Investment Management, Chief Counsel's Office).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained via the Commission's website by searching for the file number, or an applicant using the Company name box, at <http://www.sec.gov/search/search.htm> or by calling (202) 551–8090.

#### Summary of the Application

1. Applicants request an order that would permit the applicants to participate in an interfund lending facility where each Fund could lend money directly to and borrow money directly from other Funds to cover unanticipated cash shortfalls, such as unanticipated redemptions or trade fails.<sup>4</sup> The Funds will not borrow under the facility for leverage purposes and the loans' duration will be no more than 7 days.<sup>5</sup>

2. Applicants anticipate that the proposed facility would provide a borrowing Fund with a source of liquidity at a rate lower than the bank borrowing rate at times when the cash position of the Fund is insufficient to meet temporary cash requirements. In addition, Funds making short-term cash loans directly to other Funds would earn interest at a rate higher than they

<sup>4</sup> Applicants request that the order apply to the applicants and to any other registered open-end or closed-end management investment company or series thereof (each a "Fund" and collectively, the "Funds") for which the Advisers or any successors-in-interest thereto or an investment adviser controlling, controlled by, or under common control with any Adviser or any successor-in-interest thereto serves as investment adviser (each such investment adviser, an "Adviser"). For purposes of the requested order, "successor-in-interest" is limited to any entity that results from a reorganization into another jurisdiction or a change in the type of a business organization.

<sup>5</sup> Any Fund, however, will be able to call a loan on one business day's notice.

otherwise could obtain from investing their cash in repurchase agreements or certain other short term money market instruments. Thus, applicants assert that the facility would benefit both borrowing and lending Funds.

3. Applicants agree that any order granting the requested relief will be subject to the terms and conditions stated in the application. Among others, each Adviser, through a designated committee, would administer the facility as a disinterested fiduciary as part of its duties under the investment advisory and administrative agreements with the Funds and would receive no additional fee as compensation for its services in connection with the administration of the facility. The facility would be subject to oversight and certain approvals by the Funds' Board, including, among others, approval of the interest rate formula and of the method for allocating loans across Funds, as well as review of the process in place to evaluate the liquidity implications for the Funds. A Fund's aggregate outstanding interfund loans will not exceed 15% of its net assets, and the Fund's loans to any one Fund will not exceed 5% of the lending Fund's net assets.<sup>6</sup>

4. Applicants assert that the facility does not raise the concerns underlying section 12(d)(1) of the Act given that the Funds are part of the same group of investment companies and there will be no duplicative costs or fees to the Funds.<sup>7</sup> Applicants also assert that the proposed transactions do not raise the concerns underlying sections 17(a)(1), 17(a)(3), 17(d) and 21(b) of the Act as the Funds would not engage in lending transactions that unfairly benefit insiders or are detrimental to the Funds. Applicants state that the facility will offer both reduced borrowing costs and enhanced returns on loaned funds to all participating Funds and each Fund would have an equal opportunity to borrow and lend on equal terms based on an interest rate formula that is objective and verifiable. With respect to the relief from section 17(a)(2) of the Act, applicants note that any collateral pledged to secure an interfund loan would be subject to the same conditions imposed by any other lender to a Fund that imposes conditions on the quality of or access to collateral for a borrowing (if the lender is another Fund) or the

<sup>6</sup> Under certain circumstances, a borrowing Fund will be required to pledge collateral to secure the loan.

<sup>7</sup> Applicants state that the obligation to repay an interfund loan could be deemed to constitute a security for the purposes of sections 17(a)(1) and 12(d)(1) of the Act.

same or better conditions (in any other circumstance).<sup>8</sup>

5. Applicants also believe that the limited relief from section 18(f)(1) of the Act that is necessary to implement the facility (because the lending Funds are not banks) is appropriate in light of the conditions and safeguards described in the application and because the open-end Funds would remain subject to the requirement of section 18(f)(1) that all borrowings of the open-end Fund, including combined interfund loans and bank borrowings, have at least 300% asset coverage.

6. Section 6(c) of the Act permits the Commission to exempt any persons or transactions from any provision of the Act if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Section 12(d)(1)(j) of the Act provides that the Commission may exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision of section 12(d)(1) if the exemption is consistent with the public interest and the protection of investors. Section 17(b) of the Act authorizes the Commission to grant an order permitting a transaction otherwise prohibited by section 17(a) if it finds that (a) the terms of the proposed transaction are fair and reasonable and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policies of each registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act. Rule 17d-1(b) under the Act provides that in passing upon an application filed under the rule, the Commission will consider whether the participation of the registered investment company in a joint enterprise, joint arrangement or profit sharing plan on the basis proposed is consistent with the provisions, policies and purposes of the Act and the extent to which such participation is on a basis different from or less advantageous than that of the other participants.

For the Commission, by the Division of Investment Management, under delegated authority.

**Eduardo A. Aleman,**  
Assistant Secretary.

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**BILLING CODE 8011-01-P**

<sup>8</sup> Applicants state that any pledge of securities to secure an interfund loan could constitute a purchase of securities for purposes of section 17(a)(2) of the Act.

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83206; File No. SR-CboeBZX-2018-033]

### Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To List and Trade Under BZX Rule 14.11(c)(4) Shares of the iShares Long-Term National Muni Bond ETF of iShares Trust

May 10, 2018.

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

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

The Exchange filed a proposal to list and trade under BZX Rule 14.11(c)(4) the shares of the iShares Long-Term National Muni Bond ETF (the “Fund”) of iShares Trust (the “Trust”).

The text of the proposed rule change is available at the Exchange’s website at [www.markets.cboe.com](http://www.markets.cboe.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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

the most significant parts of such statements.

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

##### 1. Purpose

The Exchange proposes to list and trade shares (“Shares”) of the Fund under BZX Rule 14.11(c)(4),<sup>5</sup> which governs the listing and trading of index fund shares based on fixed income securities indexes.<sup>6</sup> The Shares will be offered by the Trust, which was established as a Delaware statutory trust on December 16, 1999. The Trust is registered with the Commission as an open-end investment company and has filed a registration statement on behalf of the Fund on Form N-1A (“Registration Statement”) with the Commission.<sup>7</sup>

Rule 14.11(c)(4)(B)(i)(b) requires that component fixed income securities that, in the aggregate, account for at least 75% of the weight of the index or portfolio shall have a minimum principal amount outstanding of \$100 million or more. The Exchange submits this proposal because the Underlying

<sup>5</sup> 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).

<sup>6</sup> The Commission previously has approved proposed rule changes relating to listing and trading of funds based on municipal bond indexes. See Securities Exchange Act Release Nos. 78329 (July 14, 2016), 81 FR 47217 (July 20, 2016) (SR-BatsBZX-2016-01) (order approving the listing and trading of the following series of VanEck Vectors ETF Trust: VanEck Vectors AMT-Free 6-8 Year Municipal Index ETF; VanEck Vectors AMT-Free 8-12 Year Municipal Index ETF; and VanEck Vectors AMT-Free 12-17 Year Municipal Index ETF); 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, Inc. (“NYSE Arca”) 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 Rule 5.2(j)(3), Commentary .02); and 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 the iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF under NYSE Arca Rule 5.2(j)(3), Commentary .02).

<sup>7</sup> See Registration Statement on Form N-1A for the Trust, dated January 9, 2018 (File Nos. 333-92935 and 811-09729). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order granting certain exemptive relief to the Trust under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) (the “Exemptive Order”). See Investment Company Act Release No. 28021 (October 24, 2007) (File No. 812-13426).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(6)(iii).