

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-MRX-2019-26 and should be submitted on or before January 10, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

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*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87763; File No. SR-NYSEArca-2019-91]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Permit the Continued Listing and Trading of Shares Under NYSE Arca Rule 8.600-E of the Cambria Core Equity ETF, a Series of Cambria ETF Trust

December 16, 2019.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on December 11, 2019, NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to permit the continued listing and trading of shares under NYSE Arca Rule 8.600-E of the Cambria Core Equity ETF, a series of Cambria ETF Trust, following its reorganization into the Core Alternative ETF, a series of Listed Funds Trust, notwithstanding that its investments do not meet the requirements of Commentary .01(d)(2) to Rule 8.600-E. The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of

the Exchange, and at the Commission’s Public Reference Room.

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

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

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

###### 1. Purpose

The Exchange proposes to permit the continued listing and trading of shares (“Shares”) under NYSE Arca Rule 8.600-E (“Managed Fund Shares”)<sup>4</sup> of the Cambria Core Equity ETF, a series of Cambria ETF Trust (the “Cambria Trust”), following its reorganization into the Core Alternative ETF (the “Fund”), which will be a series of the Listed Funds Trust (the “LF Trust” or “Trust”). Shares of the Cambria Core Equity ETF commenced trading on the Exchange on May 24, 2017, pursuant to the generic listing criteria in Commentary .01 to NYSE Arca Rule 8.600-E.

The LF Trust has filed a combined prospectus and proxy statement (the “Proxy Statement”) with the Commission on Form N-14 describing a reorganization plan (“Reorganization”)<sup>5</sup> pursuant to which, following approval of the Cambria Core Equity ETF’s shareholders, all or substantially all of the assets and all of the stated liabilities included in the financial statements of the Cambria Core Equity ETF would be transferred to the Fund. According to the Proxy Statement, the investment

objective of the Fund will be the same as that of the Cambria Core Equity ETF following implementation of the Reorganization. Following shareholder approval and closing of the Reorganization, investors in the Cambria Core Equity ETF will receive shares of beneficial interest of the Fund with an aggregate net asset value equal to the aggregate net asset value of the Shares of the Cambria Core Equity ETF calculated as of the close of business on the business day before the closing of the Reorganization. The closing date of the Reorganization and the first day of trading of the Fund under its new name is expected to be on or about December 18, 2019.

The Shares are offered by the LF Trust, which is registered with the Commission as an open-end management investment company consisting of multiple investment series.<sup>6</sup> The Fund is a series of the LF Trust. U.S. Bancorp Fund Services, LLC, doing business as U.S. Bank Global Fund Services, LLC, will be the administrator (the “Administrator”) for the Trust. U.S. Bank N.A. will serve as the custodian for the Fund.<sup>7</sup> Core Alternative Capital, LLC (the “Adviser”) will be the investment adviser to the Fund.

As discussed below, the Fund does not currently meet the requirements of Commentary .01(d)(2) to Rule 8.600-E. The Exchange proposes to permit the listing and trading of Shares of the Fund notwithstanding that the Fund’s investments do not meet requirements of Commentary .01(d)(2) to Rule 8.600-E.

Commentary .06 to Rule 8.600-E provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect and maintain a “fire wall”

<sup>6</sup> The Trust is registered under the 1940 Act. On August 23, 2019, the Trust filed with the Securities and Exchange Commission (“SEC” or “Commission”) a post-effective amendment to its registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a), and under the 1940 Act relating to the Fund (File Nos. 333-215588 and 811-23226) (“Registration Statement”). Description of the operation of the Trust and of the Fund and Shares herein is based, in part, on the Registration Statement. There are no permissible holdings for the Fund that are not described in this proposal. The Commission has issued an order granting certain exemptive relief to the Cambria Trust under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”). See Investment Company Act Release No. 30340 (January 4, 2013) (File No. 812-13959). The LF Trust intends to operate in conformity with such order following the implementation of the Reorganization.

<sup>7</sup> The Administrator to the Cambria Core Equity ETF was SEI Investments Global Funds Services and the custodian to the Cambria Core Equity ETF was Brown Brothers Harriman & Co.

<sup>15</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> A Managed Fund Share is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Investment Company Units, listed and traded on the Exchange under NYSE Arca Rule 5.2-E(j)(3), seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

<sup>5</sup> See registration statement on Form N-14 under the 1933 Act, dated September 27, 2019 (File No. 333-233973) (“Proxy Statement”).

between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.<sup>8</sup> In addition, Commentary .06 further requires that personnel who make decisions on the investment company's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable investment company portfolio.

The Adviser is not a registered broker-dealer and is not affiliated with a broker-dealer. In addition, Adviser personnel who make decisions regarding a Fund's portfolio are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Fund's portfolio. In the event that (a) the Adviser becomes registered as a broker-dealer or newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, it will implement and maintain a fire wall with respect to its relevant personnel or such broker-dealer affiliate, as applicable, regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

#### Principal Investments of the Fund

According to the Registration Statement, the Fund is an actively managed exchange-traded fund ("ETF") that seeks capital appreciation and

<sup>8</sup> An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the "Advisers Act"). As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

capital preservation with a low correlation to the broader U.S. equity market. To achieve its investment objective, the Fund uses a combination of several strategies to produce capital appreciation while reducing risk exposure across market conditions.

Under normal market conditions,<sup>9</sup> at least 80% of the value of the Fund's net assets will be invested in exchange-traded equity securities that tend to offer current dividends and/or exchange traded index call and put options on the S&P 500 Index ("S&P 500 Index Options"). According to the Registration Statement, writing index call options reduces the Fund's volatility, provides steady cash flow and is an important source of the Fund's return. The Fund's purchase of index put options also protects the Fund from a significant market decline that may occur over a short period of time.

#### Non-Principal Investments

In addition to the principal investments described above, the Fund may invest in fixed income securities issued by various U.S. public-sector or corporate entities and obligations issued or guaranteed by the U.S. Government.

The Fund may also hold cash and/or cash equivalents.<sup>10</sup>

#### Application of Generic Listing Requirements

The Exchange submits this proposal in order to list and trade Shares of the Fund and to allow the Fund to hold listed derivatives, in particular call and put options on the S&P 500 Index, in a manner that does not comply with Commentary .01(d)(2) to Rule 8.600-E.<sup>11</sup> Otherwise, the Fund will comply with all other listing requirements of the

<sup>9</sup> The term "normal market conditions" is defined in NYSE Arca Rule 8.600-E(c)(5).

<sup>10</sup> For purposes of this filing, cash equivalents include the securities included in Commentary .01(c) to NYSE Arca Rule 8.600-E.

<sup>11</sup> Commentary .01(d)(2) to Rule 8.600-E provides that "the aggregate gross notional value of listed derivatives based on any five or fewer underlying reference assets shall not exceed 65% of the weight of the portfolio (including gross notional exposures), and the aggregate gross notional value of listed derivatives based on any single underlying reference asset shall not exceed 30% of the weight of the portfolio (including gross notional exposures)." The Fund does not meet the generic listing standards because its fails to meet the requirement of Commentary .01(d)(2) that prevents the aggregate gross notional value of listed derivatives based on any single underlying reference asset from exceeding 30% of the weight of the portfolio (including gross notional exposures) and the requirement that the aggregate gross notional value of listed derivatives based on any five or fewer underlying reference assets shall not exceed 65% of the weight of the portfolio (including gross notional exposures).

Generic Listing Standards<sup>12</sup> for Managed Fund Shares on an initial and continued listing basis.<sup>13</sup>

The market for S&P 500 Index Options is highly liquid.<sup>14</sup> In September 2019, approximately 1.35 million options contracts on the S&P 500 Index were traded per day, which is more than \$430 billion in notional volume traded on a daily basis. The Exchange believes that the liquidity in the S&P 500 Index Options markets mitigates the concerns that Commentary .01(d)(2) to Rule 8.600-E is intended to address and that such liquidity would prevent the Shares from being susceptible to manipulation.

In addition, the Exchange believes that sufficient protections are in place to protect against market manipulation of the Shares and S&P 500 Index Options for several reasons: (i) The diversity, liquidity, and market cap of the securities underlying the S&P 500 Index; (ii) the significant liquidity in the market for S&P 500 Index Options; and (iii) surveillance by the Exchange, options exchanges<sup>15</sup> and the Financial Industry Regulatory Authority ("FINRA") designed to detect violations of the federal securities laws and self-

<sup>12</sup> For purposes of this proposal, the term "Generic Listing Standards" means the generic listing rules for Managed Fund Shares under Commentary .01 to Rule 8.600-E.

<sup>13</sup> The Exchange notes that this proposed rule change is similar to previous rule changes involving Managed Fund Shares with similar exposures to listed derivatives based on a single underlying reference asset. See Securities Exchange Act Release No. 87556 (November 18, 2019), 84 FR 64589 (November 22, 2019) (SR-NYSEArca-2019-82); Securities Exchange Act Release No. 86773 (August 27, 2019), 84 FR 46051 (September 3, 2019) (SR-CboeBZX-2019-077); Securities Exchange Act Release No. 83146 (May 1, 2018), 83 FR 20103 (May 7, 2018) (SR-CboeBZX-2018-029) (permitted up to 50% of the weight of its portfolio including gross notional exposure in S&P 500 Index options); Securities Exchange Act Release No. 80529 (April 26, 2017), 82 FR 20506 (May 2, 2017) (SR-BatsBZX-2017-14). See also Securities Exchange Act Release Nos. 82906 (March 20, 2018), 83 FR 12992 (March 26, 2018) (SR-CboeBZX-2017-012) (order approving the listing and trading of the LHA Market State Tactical U.S. Equity ETF); 83679 (July 20, 2018), 83 FR 35505 (July 26, 2018) (SR-BatsBZX-2017-72) (Notice of Filing of Amendment No. 4 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 4 Thereto, to List and Trade Shares of the Innovator S&P 500 Buffer ETF Series, Innovator S&P 500 Power Buffer ETF Series, and Innovator S&P 500 Ultra Buffer ETF Series Under Rule 14.11(i)).

<sup>14</sup> S&P 500 Index options are traded on the Cboe Exchange, Inc. ("Cboe Options"). The Exchange, Cboe Options and all other national securities exchanges are members of the Intermarket Surveillance Group ("ISG").

<sup>15</sup> The Exchange and all nine U.S. options exchanges are members of the Options Regulatory Surveillance Authority, which was established in 2006 to provide efficiencies in looking for insider trading and serves as a central organization to facilitate cooperation in insider trading investigations for the U.S. options exchanges.

regulatory organization (“SRO”) rules. The Exchange has in place a surveillance program for transactions in ETFs to ensure the availability of information necessary to detect and deter potential manipulations and other trading abuses, thereby making the Shares less readily susceptible to manipulation. Further, the Exchange believes that because the S&P 500 Index Options in the Fund’s portfolio will be acquired in extremely liquid and highly regulated markets,<sup>16</sup> the Shares are less readily susceptible to manipulation.

As noted above, S&P 500 Index Options are among the most liquid options in the world and derive their value from the actively traded S&P 500 Index components. The contracts are cash-settled with no delivery of stocks or ETFs, and trade in competitive auction markets with price and quote transparency. The Exchange believes the highly regulated options markets and the broad base and scope of the S&P 500 Index make securities that derive their value from that index less susceptible to market manipulation in view of market capitalization and liquidity of the S&P 500 Index components, price and quote transparency, and arbitrage opportunities.

The Exchange believes that the liquidity of the markets for securities in the S&P 500 Index and S&P 500 Index Options is sufficiently great to deter fraudulent or manipulative acts associated with the Fund’s Share price. Coupled with the extensive surveillance programs of the Exchange and other SROs described herein, the Exchange does not believe that trading in the Shares would present manipulation concerns.

#### Availability of Information

The Fund’s website (<https://www.corealtdfunds.com>) will include the Fund’s prospectus that may be downloaded. The Fund’s website will include ticker and exchange information, along with additional quantitative information updated on a daily basis, including, for the Fund: (1) The prior business day’s net asset value (“NAV”) per Share and the market closing price or mid-point of the bid/ask spread at the time of calculation of such NAV per Share (the “Bid/Ask Price”),<sup>17</sup>

<sup>16</sup> All exchange-listed securities that the Fund may hold will trade on a market that is a member of the ISG and the Fund will not hold any non-exchange-listed equities or options. For a list of the current members of ISG, see [www.isgportal.org](http://www.isgportal.org). See also notes 14 and 15, *supra*.

<sup>17</sup> The Bid/Ask Price of the Fund’s Shares will be determined using the mid-point of the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund’s NAV. The records

and a calculation of the premium or discount of the market closing price or Bid/Ask Price against such NAV per Share; and (2) a table showing the number of days of such premium or discount for the most recently completed calendar year, and the most recently completed calendar quarters since that year (or the life of Fund, if shorter). On each business day, before commencement of trading in Shares in the Core Trading Session<sup>18</sup> on the Exchange, the Fund will disclose on its website the Disclosed Portfolio as defined in NYSE Arca Rule 8.600–E(c)(2) (the “Disclosed Portfolio”) that forms the basis for the Fund’s calculation of NAV at the end of the business day.

On a daily basis, the Fund will disclose the information required under NYSE Arca Rule 8.600–E(c)(2) to the extent applicable. The website information will be publicly available at no charge.

Investors can also obtain the Trust’s Statement of Additional Information (“SAI”), the Fund’s Shareholder Reports, and the Fund’s Forms N–CSR and Forms N–CEN. The Fund’s SAI and Shareholder Reports will be available free upon request from the Trust, and those documents and the Form N–CSR, Form N–PX, Form N–PORT and Form N–CEN may be viewed on-screen or downloaded from the Commission’s website at [www.sec.gov](http://www.sec.gov).

Quotation and last sale information for the Shares and other U.S. exchange traded equities will be available via the Consolidated Tape Association (“CTA”) high-speed line. In addition, the Portfolio Indicative Value as defined in NYSE Arca Rule 8.600–E(c)(3) (the “PIV”), will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session.

The intra-day, closing and settlement prices of S&P 500 Index Options will be readily available from the Options Price Reporting Authority (“OPRA”), Cboe Options’ website, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Additionally, FINRA’s Trade Reporting and Compliance Engine (“TRACE”) will be a source of price information for

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

<sup>18</sup> The Core Trading Session begins for each security at 9:30 a.m. Eastern time and ends at the conclusion of Core Trading Hours or the Core Closing Auction, whichever comes later. See NYSE Arca Rule 7.34–E. “Core Trading Hours” is defined as the hours of 9:30 a.m. Eastern time through 4:00 p.m. (Eastern Time) or such other hours as may be determined by the Exchange from time to time. See Rule 1.1(j).

certain fixed income securities to the extent transactions in such securities are reported to TRACE. For fixed income securities that are not reported to TRACE, (i) intraday price quotations will generally be available from broker-dealers and trading platforms (as applicable) and (ii) price information will be available from feeds from market data vendors, published or other public sources, or online information services.

Price information regarding U.S. government securities and cash equivalents generally may be obtained from brokers and dealers who make markets in such securities or through nationally recognized pricing services through subscription agreements.

Quotation and last sale information for equity securities of non-U.S. companies will be available from the exchanges on which they trade and from major market data vendors, as applicable.

#### Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund.<sup>19</sup> Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Rule 7.12–E 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. Trading in the Fund’s Shares also will be subject to Rule 8.600–E(d)(2)(D) (“Trading Halts”).

#### Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange’s existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4 a.m. to 8 p.m., E.T. in accordance with NYSE Arca Rule 7.34–E (Early, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Rule 7.6–E, the minimum price variation (“MPV”) for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

With the exception of the requirements of Commentary .01(d)(2) (with respect to listed derivatives) as described above, the Shares of the Fund will conform to the initial and continued listing criteria under NYSE

<sup>19</sup> See NYSE Arca Rule 7.12–E.

Arca Rule 8.600–E. Consistent with Commentary .06 of NYSE Arca Rule 8.600–E, the Adviser 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 continued listing, the Fund will be in compliance with Rule 10A–3<sup>20</sup> under the Act, as provided by NYSE Arca Rule 5.3–E. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.

#### Surveillance

The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by FINRA on behalf of the Exchange, or by regulatory staff 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.<sup>21</sup>

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

The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares, exchange traded equity securities, and S&P 500 Index Options with other markets and other entities that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading

information regarding trading in such securities from such markets and other entities. The Exchange may obtain information regarding trading in such securities from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

All statements and representations made in this filing regarding (a) the description of the portfolio or reference assets, (b) limitations on portfolio holdings or reference assets, or (c) the applicability of Exchange listing rules specified in this rule filing shall constitute continued listing requirements for listing the Shares of the Fund on the Exchange.

The issuer must notify the Exchange of any failure by the Fund to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under NYSE Arca Rule 5.5–E(m).

#### Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders<sup>22</sup> in an Information Bulletin (“Bulletin”) of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) The procedures for purchases and redemptions of Shares in creation unit aggregations (and that Shares are not individually redeemable); (2) NYSE Arca Rule 9.2–E(a), which imposes a duty of due diligence on its Equity Trading Permit Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) the risks involved in trading the Shares during the Early and Late Trading Sessions when an updated PIV will not be calculated or publicly disseminated; (4) how information regarding the PIV and the Disclosed Portfolio is disseminated; (5) the requirement that Equity Trading Permit Holders deliver a prospectus to investors purchasing newly issued Shares prior to or

concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Bulletin will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Bulletin will discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act. The Bulletin will also disclose that the NAV for the Shares will be calculated after 4:00 p.m., Eastern time each trading day.

#### 2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>23</sup> that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices, 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 in that the Shares will meet each of the initial and continued listing criteria in Commentary .01 to NYSE Arca Rule 8.600–E, with the exception of Commentary .01(d)(2) to NYSE Arca Rule 8.600–E, which requires that the aggregate gross notional value of listed derivatives based on any five or fewer underlying reference assets shall not exceed 65% of the weight of the portfolio (including gross notional exposures), and the aggregate gross notional value of listed derivatives based on any single underlying reference asset shall not exceed 30% of the weight of the portfolio (including gross notional exposures).<sup>24</sup> Commentary .01(d)(2) to

<sup>23</sup> 15 U.S.C. 78f(b)(5).

<sup>24</sup> As noted above, the Exchange is submitting this proposal because the Fund would not meet the requirements of Commentary .01(d)(2) to Rule 8.600–E which prevents the aggregate gross notional value of listed derivatives based on any single underlying reference asset from exceeding 30% of the weight of the portfolio (including gross notional exposures) and the aggregate gross notional value of listed derivatives based on any five or fewer underlying reference assets from exceeding 65% of the weight of the portfolio (including gross notional exposures).

<sup>20</sup> 17 CFR 240.10A–3.

<sup>21</sup> FINRA conducts cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services agreement.

<sup>22</sup> An “ETP Holder” means a sole proprietorship, partnership, corporation, limited liability company or other organization in good standing that is a registered broker-dealer and has been issued an Equity Trading Permit (“ETP”) by the Exchange. See Rules 1.1(n) and (o).

NYSE Arca Rule 8.600–E is intended to ensure that a fund is not subject to manipulation by virtue of significant exposure to a manipulable underlying reference asset by establishing concentration limits among the underlying reference assets for listed derivatives held by a particular fund. The Exchange notes that this proposed rule change is similar to previous rule changes involving Managed Fund Shares with similar exposures to a single underlying reference asset.<sup>25</sup>

The market for S&P 500 Index Options is highly liquid. In September 2019, approximately 1.35 million options contracts on the S&P 500 Index were traded per day, which is more than \$430 billion in notional volume traded on a daily basis. The Exchange believes that the liquidity in the S&P 500 Index Options markets mitigates the concerns that Commentary .01(d)(2) to Rule 8.600–E is intended to address and that such liquidity would prevent the Shares from being susceptible to manipulation.

In addition, the Exchange believes that sufficient protections are in place to protect against market manipulation of the Shares and S&P 500 Index Options for several reasons: (i) The diversity, liquidity, and market cap of the securities underlying the S&P 500 Index; (ii) the significant liquidity in the market for S&P 500 Index Options; and (iii) surveillance by the Exchange, options exchanges and FINRA designed to detect violations of the federal securities laws and SRO rules. The Exchange has in place a surveillance program for transactions in ETFs to ensure the availability of information necessary to detect and deter potential manipulations and other trading abuses, thereby making the Shares less readily susceptible to manipulation. Further, the Exchange believes that because the S&P 500 Index Options in the Fund's portfolio will be acquired in extremely liquid and highly regulated markets, the Shares are less readily susceptible to manipulation.

The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares, exchange-traded options and equities with other markets and other entities that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading

information regarding trading in such securities and financial instruments from such markets and other entities. The Exchange may obtain information regarding trading in such securities and financial instruments from markets and other entities that are members of ISG. In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

As noted above, S&P 500 Index Options are highly liquid and derive their value from the actively traded S&P 500 Index components. The Exchange believes the highly regulated options markets and the broad base and scope of the S&P 500 Index make securities that derive their value from the S&P 500 Index less susceptible to market manipulation in view of market capitalization and liquidity of the components of the S&P 500 Index, price and quote transparency, and arbitrage opportunities.

The Exchange believes that the liquidity of the markets for securities in the S&P 500 Index, S&P 500 Index Options, and other related derivatives is sufficiently great to deter fraudulent or manipulative acts associated with the Fund's Shares price. The Exchange also believes that such liquidity is sufficient to support the creation and redemption mechanism. Coupled with the extensive surveillance programs of the SROs described above, the Exchange does not believe that trading in the Fund's Shares would present manipulation concerns.

The Exchange represents that, except as described above, the Fund will meet and be subject to all other requirements of the Generic Listing Standards and other applicable continued listing requirements for Managed Fund Shares under Rule 8.600–E, including those requirements regarding the Disclosed Portfolio, PIV, suspension of trading or removal, trading halts, disclosure, and firewalls. The Trust is required to comply with Rule 10A–3 under the Act for the initial and continued listing of the Shares of the Fund.

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

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act. The Exchange notes that the proposed rule change will permit the listing and trading of an additional type of Managed Fund Shares that will enhance competition among

market participants, to the benefit of investors and the marketplace.

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

No written comments were solicited or received with respect to the proposed rule change.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>26</sup> and Rule 19b–4(f)(6) thereunder.<sup>27</sup>

A proposed rule change filed pursuant to Rule 19b–4(f)(6) under the Act<sup>28</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b–4(f)(6)(iii)<sup>29</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposal may become operative upon filing. The Exchange states that waiver of the operative delay would permit the Fund to immediately employ its index options strategy, which the Exchange believes will allow the Fund to adapt to changing market environments and shifts in the underlying holdings of the Fund. The Exchange states that the proposal is generally consistent with previous rule changes involving Managed Fund Shares with similar exposures to listed derivatives based on a single underlying reference asset.<sup>30</sup> In addition, the Exchange represents that the closing date of the Reorganization and the first day of trading of the Fund under its new name is expected to be on or about December 18, 2019. The Commission believes that the proposal raises no new or novel regulatory issues

<sup>26</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>27</sup> 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>28</sup> 17 CFR 240.19b–4(f)(6).

<sup>29</sup> 17 CFR 240.19b–4(f)(6)(iii).

<sup>30</sup> See *supra* note 13.

<sup>25</sup> See note 13, *supra*.

and waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission designates the proposed rule change to be operative upon filing.<sup>31</sup>

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. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

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

##### Electronic Comments

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2019-91 on the subject line.

##### Paper Comments

- Send paper comments in triplicate to: Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2019-91. 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 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

<sup>31</sup> For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-NYSEArca-2019-91 and should be submitted on or before January 10, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>32</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

[FR Doc. 2019-27459 Filed 12-19-19; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87761; File No. SR-NYSEAMER-2019-41]

### Self-Regulatory Organizations; NYSE American LLC; Order Approving a Proposed Rule Change Regarding the Applicability and Functionality of Certain Order Types on the Exchange

December 16, 2019.

#### I. Introduction

On October 22, 2019, NYSE American LLC ("Exchange") filed with the Securities and Exchange Commission ("Commission") 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> a proposed rule change to amend its rules to clarify the applicability and functionality of certain order types on the Exchange. The proposed rule change was published for comment in the **Federal Register** on November 7, 2019.<sup>3</sup> 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 Rule 900.3NY (Orders Defined) to

clarify the applicability and functionality of certain order types. Specifically, the Exchange proposes to amend the definitions of Stop Orders, Stop Limit Orders and All-or None ("AON") Orders, as set forth in Rule 900.3NY(d), which describes Contingency Orders or Working Orders. The Exchange states it is not proposing to change or alter any obligations, rights, policies or practices. Rather, the Exchange states that its proposal is designed to reduce potential investor confusion as to the functionality and applicability of certain order types presently available on the Exchange.<sup>4</sup>

#### Proposed Changes to Order Type Definitions

Rule 900.3NY (the "Rule") contains certain definitions of options order types available on the Exchange. Paragraph (d) of the Rule defines Contingency Orders or Working Orders as orders that are "contingent upon a condition being satisfied or an order with a conditional or undisplayed price and/or size." The Exchange proposes to add language regarding the handling of such orders to state that Contingency Orders and Working Orders are maintained in the Working Order File of the Consolidated Book until they are eligible for execution and/or display.<sup>5</sup> As discussed below, the Exchange also proposes to amend the definitions of Stop Orders, Stop Limit Orders and AON Orders, which are Contingency Orders/Working Orders.

*Rule 900.3NY(d)(1)-(2): Stop Orders and Stop Limit Orders.* A Stop Order is an order that becomes a Market Order when the market for a particular option contract reaches a specified price.<sup>6</sup> A Stop Limit Order is an order that becomes a Limit Order when the market for a particular option contract reaches a specified price.<sup>7</sup> Stop Orders and Stop Limit Orders (collectively, "Stop Orders" herein unless otherwise specified) track the price of an option and are generally used to limit losses as prices move up, in the case of buy orders, or down in the case of sell orders. In each case, the "triggering event," which converts the order type (to a Market Order or Limit Order, as applicable) occurs once the option

<sup>4</sup> See Notice, *supra* note 3, 84 FR at 60126.

<sup>5</sup> See Rule 900.3NY(d). See Rule 964NY(b)(2)(E) (regarding priority of orders in the Working Order File once eligible for execution and stating that such orders "do not have any priority or standing until they are eligible for execution and/or display") and Rule 964NY(a) (providing, in relevant part, that the Exchange will display "all non-marketable limit orders in the Display Order Process, unless indicated otherwise").

<sup>6</sup> See Rule 900.3NY(d)(1).

<sup>7</sup> See Rule 900.3NY(d)(2).

<sup>32</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> See Securities Exchange Act Release No. 87442 (November 1, 2019), 84 FR 60125 ("Notice").