



December 3, 2018

Brent J. Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090

Re: File No. SR-CboeBZX-2018-076, Amendment No. 1

Dear Mr. Fields:

On November 8, 2018, Cboe BZX Exchange, Inc. (the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) Amendment No. 1 to SR-CboeBZX-2018-076 in order to clarify certain points and add additional details. Amendment No. 1 to SR-CboeBZX-2018-076 amended and replaced in its entirety the proposal as originally submitted on October 2, 2018. The Exchange submitted proposal SR-CboeBZX-2018-076 list and trade shares of the FormulaFolios Sector Rotation ETF, a series of the Northern Lights Fund Trust IV, under Rule 14.11(i), Managed Fund Shares. In order to provide notice for public review of this Amendment No. 1, in addition to posting on the Exchange’s public website, the Exchange is filing this comment letter with the Commission.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Kyle Murray', with a large, stylized loop at the end.

Kyle Murray  
Assistant General Counsel

## OMB APPROVAL

OMB Number: 3235-0045  
 Estimated average burden  
 hours per response.....38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 34

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549  
 Form 19b-4

File No.\* SR - 2018 - \* 076

Amendment No. (req. for Amendments \*) 1

Filing by Cboe BZX Exchange, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pilot	Extension of Time Period for Commission Action *	Date Expires *	Rule		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Security-Based Swap Submission pursuant  
to the Securities Exchange Act of 1934

Section 806(e)(1) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>

Section 3C(b)(2) \*

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Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document



### Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

### Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name *	Kyle	Last Name *	Murray
Title *	Assistant General Counsel		
E-mail *	<input type="text"/>		
Telephone *	<input type="text"/>	Fax	<input type="text"/>

### Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date 11/08/2018

By Kyle Murray

(Name \*)

Assistant General Counsel

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFT website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> Bats BZX Exchange, Inc. (the “Exchange” or “BZX”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to list and trade shares of the FormulaFolios Sector Rotation ETF (the “Fund”), a series of the Northern Lights Fund Trust IV (the “Trust”), under Rule 14.11(i) (“Managed Fund Shares”). The shares of the Fund are referred to herein as the “Shares.”

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on October 2, 2018.

(b) Please refer questions and comments on the proposed rule change to Pat Sexton, Executive Vice President, General Counsel and Corporate Secretary, (312) 786-7467, or Kyle Murray, Assistant General Counsel, (913) 815-7121.

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

(a) Purpose

This Amendment No. 1 to SR-CboeBZX-2018-076 amends and replaces in its entirety the proposal as originally submitted on October 2, 2018. The Exchange submits this Amendment No. 1 in order to clarify certain points and add additional details about

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

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

the Fund.

The Exchange proposes to list and trade the Shares under Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange.<sup>3</sup> The Fund will be an actively managed exchange-traded fund that seeks to provide a long-term total return which exceeds the total return of its Primary Benchmark Index, as further described below. The Exchange submits this proposal in order to allow the Fund to hold over-the-counter (“OTC”) derivatives, in a manner that may not comply with Rule 14.11(i)(4)(C)(v),<sup>4</sup> as further described below. Otherwise, the Fund will comply with all other listing requirements on an initial and continued listing basis under Rule 14.11(i).

The Shares will be offered by the Trust, which was established as a Delaware statutory trust on June 2, 2015. FormulaFolio Investments, LLC (the “Adviser”) is the investment adviser to the Fund. 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>5</sup>

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<sup>3</sup> The Commission originally approved BZX Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018) and subsequently approved generic listing standards for Managed Fund Shares under Rule 14.11(i) in Securities Exchange Act Release No. 78396 (July 22, 2016), 81 FR 49698 (July 28, 2016) (SR-BATS-2015-100).

<sup>4</sup> Rule 14.11(i)(4)(C)(v) provides that “the portfolio may, on both an initial and continuing basis, hold OTC derivatives, including forwards, options, and swaps on commodities, currencies and financial instruments (e.g., stocks, fixed income, interest rates, and volatility) or a basket or index of any of the foregoing, however the aggregate gross notional value of OTC Derivatives shall not exceed 20% of the weight of the portfolio (including gross notional exposures).” The Exchange is proposing that the Fund may hold up to 75% of the weight of its portfolio in OTC Derivatives, including gross notional exposures, as described below.

<sup>5</sup> See Registration Statement on Form N-1A for the Trust, dated July 27, 2018 (File Nos. 333-204808 and 811-23066). The descriptions of the Fund and the Shares

Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect and maintain a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.<sup>6</sup> In addition, Rule 14.11(i)(7) further requires that personnel who make decisions on the investment company’s portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable investment company portfolio. Rule 14.11(i)(7) is similar to Rule 14.11(b)(5)(A)(i), however, Rule 14.11(i)(7) in connection with the establishment of a “fire wall” between the investment

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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. 29571 (May 16, 2017) (File No. 812-32367).

<sup>6</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.

adviser and the broker-dealer reflects the applicable open-end fund's portfolio, not an underlying benchmark index, as is the case with index-based funds. The Adviser is not a registered broker-dealer and is not currently affiliated with any broker-dealers. In addition, Adviser personnel who make decisions regarding the 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.

The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended.

#### FormulaFolios Sector Rotation ETF

According to the Registration Statement, the Fund will be an actively managed exchange-traded fund that will seek to provide a long-term total return which exceeds the total return of its Primary Benchmark Index.<sup>7</sup> The Fund will seek to achieve its

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<sup>7</sup> The Fund's Primary Benchmark Index is the S&P 500 Index.

investment objective, under Normal Market Conditions,<sup>8</sup> by utilizing derivatives, or a combination of derivatives and direct investments, to gain 100% equity exposure.

The Adviser will allocate the Fund's assets based on two proprietary investment models. The Adviser's first investment model will identify trends for the individual sectors within its Primary Benchmark Index. Each month, the model will analyze the strength of the US economy and rank the sectors of its Primary Benchmark Index based on a blend of various technical momentum indicators, volatility gauges, and valuation multiples. When the economy appears healthy, sectors with the highest risk-adjusted returns (lower volatility and higher price momentum) and the lowest valuations (lower price ratios) are ranked higher. When the economy appears unhealthy, sectors with more stable price movements and lower volatility are ranked higher. The Fund will invest in the top four sectors in an equal weight. In order to achieve such exposure, the Fund will use OTC swap contracts that reference each applicable sector index ("Sector Swaps").<sup>9</sup> In

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<sup>8</sup> As defined in Rule 14.11(i)(3)(E), the term "Normal Market Conditions" includes, but is not limited to, the absence of trading halts in the applicable financial markets generally; operational issues causing dissemination of inaccurate market information or system failures; or force majeure type events such as natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption, or any similar intervening circumstance.

<sup>9</sup> The Fund will attempt to limit counterparty risk in non-cleared swap contracts by entering into such contracts only with counterparties the Adviser believes are creditworthy and by limiting the Fund's exposure to each counterparty. The Adviser will monitor the creditworthiness of each counterparty and the Fund's exposure to each counterparty on an ongoing basis. The Sector Swaps will reference the individual sector indices that underlie the Primary Benchmark Index, which include S&P 500 Consumer Discretionary, S&P 500 Consumer Staples, S&P 500 Health Care, S&P 500 Industrials, S&P 500 Information Technology, S&P 500 Materials, S&P 500 Real Estate, S&P 500 Telecommunication Services, S&P 500 Utilities, S&P 500 Financials, and S&P 500 Energy (each a "Primary Benchmark Sector Index" and, collectively, the "Primary Benchmark Sector Indexes").



the event that such Sector Swaps are unavailable or the pricing for such contracts are unfavorable, the Fund may attempt to replicate the desired equity exposure by purchasing some or all of the equity securities that are listed on a U.S. national securities exchange, including ETFs,<sup>10</sup> comprising the top four sectors at the time.<sup>11</sup> If the model indicates the market is doing poorly, and if not enough sectors pass the screening criteria, the Fund can invest a portion or all of its assets in cash or Cash Equivalents.<sup>12</sup> The Exchange is proposing to allow the Fund to hold up to 75% of the weight of its portfolio (including gross notional exposure) in Sector Swaps, collectively, in a manner that may not comply with 14.11(i)(4)(C)(v),<sup>13</sup> as discussed above.

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<sup>10</sup> For purposes of this proposal, the term ETF includes Portfolio Depositary Receipts, Index Fund Shares, and Managed Fund Shares as defined in Rule 14.11(b), (c), and (i), respectively, and their equivalents on other national securities exchanges.

<sup>11</sup> Such equity securities may include either component securities of the Primary Benchmark Index, ETFs based on the Primary Benchmark Index, or ETFs based on the sectors underlying the Primary Benchmark Index. Any such holdings will meet the listing requirements for U.S. Component Stocks as provided in Rule 14.11(i)(4)(C)(i)(a).

<sup>12</sup> As defined in Exchange Rule 14.11(i)(4)(C)(iii)(b), Cash Equivalents are short-term instruments with maturities of less than three months, which includes only the following: (i) U.S. Government securities, including bills, notes, and bonds differing as to maturity and rates of interest, which are either issued or guaranteed by the U.S. Treasury or by U.S. Government agencies or instrumentalities; (ii) certificates of deposit issued against funds deposited in a bank or savings and loan association; (iii) bankers acceptances, which are short-term credit instruments used to finance commercial transactions; (iv) repurchase agreements and reverse repurchase agreements; (v) bank time deposits, which are monies kept on deposit with banks or savings and loan associations for a stated period of time at a fixed rate of interest; (vi) commercial paper, which are short-term unsecured promissory notes; and (vii) money market funds.

<sup>13</sup> See supra note 4.

The Adviser's second investment model is used to manage an active bond allocation exclusively through holding fixed income ETFs. This model analyzes various major fixed income asset classes (U.S. treasuries, investment grade U.S. bonds, high-yield U.S. bonds, high-yield municipal bonds, and floating rate bonds) based on a blend of yield spreads, interest rates, and price momentum. Following the ranking process, the Fund will invest in ETFs based on the highest-ranked asset classes, with the lowest ranked asset classes left out of the Fund.<sup>14</sup> When not enough of the asset classes meet the model's criteria, the Fund may invest heavily in cash or Cash Equivalents until more asset classes become favorable for investing.

The Fund's investments, including derivatives, will be consistent with the 1940 Act and the Fund's investment objective and policies and will not be used to enhance leverage (although certain derivatives and other investments may result in leverage).<sup>15</sup>

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<sup>14</sup> All of the Fund's investments made pursuant to this second investment model will meet the listing requirements for U.S. equity securities as provided in Rule 14.11(i)(4)(C)(i)(a).

<sup>15</sup> The 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. The Fund's investments in derivative instruments will be made in accordance with the 1940 Act and consistent with the Fund's investment objective and policies. To mitigate leveraging risk, the Fund will segregate or earmark liquid assets determined to be liquid by the Adviser in accordance with procedures established by the Trust's Board and in accordance with the 1940 Act (or, as permitted by applicable regulations, 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. See 15 U.S.C. 80a-18; Investment Company Act Release No. 10666 (April 18, 1979), 44 FR 25128 (April 27, 1979); Dreyfus Strategic Investing, Commission No-Action Letter (June 22, 1987); Merrill Lynch Asset Management, L.P., Commission No-Action Letter (July 2, 1996).

That is, while the Fund will be permitted to borrow as permitted under the 1940 Act, the Fund's investments will not be used to seek performance that is the multiple or inverse multiple (i.e., 2Xs and 3Xs) of the Fund's primary broad-based securities benchmark index (as defined in Form N-1A). The Fund will only use those derivatives included in the defined term Sector Swaps. The Fund's use of derivative instruments will be collateralized.

As noted above, the Fund may also hold certain equity securities and cash and Cash Equivalents in compliance with Rules 14.11(i)(4)(C)(i)(a) and 14.11(i)(4)(C)(iii).

The Exchange represents that, except for the exception to BZX Rule 14.11(i)(4)(C)(v) described above, the Fund's proposed investments will satisfy, on an initial and continued listing basis, all of the generic listing standards under BZX Rule 14.11(i)(4)(C) and all other applicable requirements for Managed Fund Shares under Rule 14.11(i). 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. In addition, the Exchange represents that the Shares of the Fund will comply with all other requirements applicable to Managed Fund Shares including, but not limited to, requirements relating to the dissemination of key information such as the Disclosed Portfolio, Net Asset Value, and the Intraday Indicative Value, rules governing the trading of equity securities, trading hours, trading halts, surveillance, firewalls, and the information circular, as set forth in Exchange rules applicable to Managed Fund Shares and the orders approving such rules. At least 100,000 Shares will be outstanding upon the commencement of trading.

Moreover, all of the equity securities held by the Fund will trade on markets that are a member of Intermarket Surveillance Group ("ISG") or affiliated with a member of

ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.<sup>16</sup> Additionally, the Exchange or FINRA, on behalf of the Exchange, are able to access, as needed, trade information for certain Cash Equivalents reported to FINRA's Trade Reporting and Compliance Engine ("TRACE"). All statements and representations made in this filing regarding the description of the portfolio or reference assets, limitations on portfolio holdings or reference assets, dissemination and availability of index, reference asset, and intraday indicative values, and the applicability of Exchange rules specified in this filing shall constitute continued listing requirements for the Fund. The issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund or the Shares to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will surveil for compliance with the continued listing requirements. If the Fund or the Shares are not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under Exchange Rule 14.12.

#### Availability of Information

As noted above, the Fund will comply with the requirements for Managed Fund Shares related to Disclosed Portfolio, Net Asset Value, and the Intraday Indicative Value. Additionally, the intra-day, closing and settlement prices of exchange-traded portfolio assets, including equity securities, will be readily available from the securities exchanges trading such securities, automated quotation systems, published or other public sources,

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<sup>16</sup> For a list of the current members and affiliate members of ISG, see [www.isgportal.com](http://www.isgportal.com). 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.

or online information services such as Bloomberg or Reuters. Intraday price quotations on OTC swaps and fixed income instruments are available from major broker-dealer firms and from third-parties, which may provide prices free with a time delay or in real-time for a paid fee. Price information for Cash Equivalents will be available from major market data vendors. The Disclosed Portfolio will be available on the issuer's website free of charge. The Fund's website includes a form of the prospectus for the Fund and additional information related to NAV and other applicable quantitative information. Information regarding market price and trading volume of the Shares will be continuously available throughout the day on brokers' computer screens and other electronic services. Quotation and last sale information on the Shares will be available through the Consolidated Tape Association. Information regarding the previous day's closing price and trading volume for the Shares will be published daily in the financial section of newspapers. Trading in the Shares may be halted for market conditions or for reasons that, in the view of the Exchange, make trading inadvisable. The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. The Exchange has appropriate rules to facilitate trading in the shares during all trading sessions.

#### Information Circular

Prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) BZX Rule 3.7, which imposes suitability

obligations on Exchange members with respect to recommending transactions in the Shares to customers; (3) how information regarding the Intraday Indicative Value and the Disclosed Portfolio is disseminated; (4) the risks involved in trading the Shares during the Pre-Opening<sup>17</sup> and After Hours Trading Sessions<sup>18</sup> when an updated Intraday Indicative Value and Underlying Index value will not be calculated or publicly disseminated; (5) the requirement that members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Information Circular will advise members, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Fund. Members purchasing Shares from the Fund for resale to investors will deliver a prospectus to such investors. The Information Circular will also discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the Act. In addition, the Information Circular will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Information Circular will also disclose the trading hours of the Shares of the Fund and the applicable NAV calculation time for the Shares. The Information Circular will disclose that information about the Shares of the Fund will be publicly available on the Fund's website.

b. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the

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<sup>17</sup> The Pre-Opening Session is from 8:00 a.m. to 9:30 a.m. Eastern Time.

<sup>18</sup> The After Hours Trading Session is from 4:00 p.m. to 5:00 p.m. Eastern Time.

Act<sup>19</sup> in general and Section 6(b)(5) of the Act<sup>20</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices, 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 BZX Rule 14.11(i) except that the Fund may not comply with Rule 14.11(i)(4)(C)(v).<sup>21</sup> The Exchange believes that the size and liquidity of the securities underlying the Primary Benchmark Index and each of the Primary Benchmark Index Sectors mitigates manipulation concerns relating to Sector Swaps held by the Fund.<sup>22</sup> Further, the Fund will attempt to limit counterparty risk in Sector Swaps by entering into such contracts only with counterparties the Adviser believes are creditworthy and by

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<sup>19</sup> 15 U.S.C. 78f.

<sup>20</sup> 15 U.S.C. 78f(b)(5).

<sup>21</sup> See supra note 4.

<sup>22</sup> The Exchange notes that the Primary Benchmark Index and each Primary Benchmark Sector Index separately meet the generic listing standards applicable to Index Fund Shares under Rule 14.11(c)(3)(A)(i).

limiting the Fund's exposure to each counterparty. The Adviser will monitor the creditworthiness of each counterparty and the Fund's exposure to each counterparty on an ongoing basis. The Exchange also notes that notional principal never changes hands in such swaps transactions, and it is a theoretical value used to base the exchanged payments. A more accurate representation of the swaps value in order to monitor total counterparty risk would be the mark-to market value of the swap since inception, which the Adviser generally expects to remain at around 10% of the Fund's net assets.<sup>23</sup>

Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Managed Fund Shares. All of the equity securities held by the Fund will trade on markets that are a member of ISG or affiliated with a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. The Exchange, FINRA, on behalf of the Exchange, or both will communicate regarding trading in the Shares and the underlying equity securities held by the Fund with the ISG, other markets or entities who are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement.<sup>24</sup> The Exchange, FINRA, on behalf of the Exchange, or both may obtain information regarding trading in the Shares and the underlying equity securities held by the Fund via the ISG from other markets or entities

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<sup>23</sup> The Exchange notes that the Trust, on behalf of the Fund, will file a notice of eligibility for exclusion from the definition of the term "commodity pool operator" in accordance with CFTC Rule 4.5, and, therefore, the Fund would not be subject to registration or regulation as a commodity pool operator under the Commodity Exchange Act ("CEA") to the extent that it complies with the requirements of the rule. To the extent that the Fund makes investments regulated by the CFTC, it will do so in accordance with Rule 4.5 under the CEA.

<sup>24</sup> See note 19, *supra*.



who are members or affiliates of the ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement.<sup>25</sup> Additionally, the Exchange or FINRA, on behalf of the Exchange, may access, as needed, trade information for certain fixed income instruments reported to TRACE. The Exchange has a policy prohibiting the distribution of material non-public information by its employees.

The Exchange notes that 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 14.11(i), including those requirements regarding the Disclosed Portfolio and the requirement that the Disclosed Portfolio and the NAV will be made available to all market participants at the same time,<sup>26</sup> Intraday Indicative Value,<sup>27</sup> suspension of trading or removal,<sup>28</sup> trading halts,<sup>29</sup> disclosure,<sup>30</sup> and firewalls.<sup>31</sup> Further, at least 100,000 Shares will be outstanding upon the commencement of trading.<sup>32</sup>

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.

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

The Exchange does not believe that the proposed rule change will impose any

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<sup>25</sup> See note 19, supra.

<sup>26</sup> See Rules 14.11(i)(4)(A)(ii) and 14.11(i)(4)(B)(ii).

<sup>27</sup> See Rule 14.11(i)(4)(B)(i).

<sup>28</sup> See Rule 14.11(i)(4)(B)(iii).

<sup>29</sup> See Rule 14.11(i)(4)(B)(iv).

<sup>30</sup> See Rule 14.11(i)(6).

<sup>31</sup> See Rule 14.11(i)(7).

<sup>32</sup> See Rule 14.11(i)(4)(A)(i).

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, rather will facilitate the listing and trading of an additional actively-managed exchange-traded product that will enhance competition among both market participants and listing venues, to the benefit of investors and the marketplace.

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

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

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1: Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibit 2 – 5: Not applicable.

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-CboeBZX-2018-076 Amendment No. 1]

[Insert date]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change Relating to List and Trade Shares of the FormulaFolios Sector Rotation ETF, a Series of the Northern Lights Fund Trust IV, under Rule 14.11(i), Managed Fund Shares

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on [insert date], Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange filed a proposal to list and trade shares of the FormulaFolios Sector Rotation ETF (the “Fund”), a series of the Northern Lights Fund Trust IV (the “Trust”), under Rule 14.11(i) (“Managed Fund Shares”). The shares of the Fund are referred to herein as the “Shares.”

The text of the proposed rule change is also available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

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

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

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

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

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

1. Purpose

This Amendment No. 1 to SR-CboeBZX-2018-076 amends and replaces in its entirety the proposal as originally submitted on October 2, 2018. The Exchange submits this Amendment No. 1 in order to clarify certain points and add additional details about the Fund.

The Exchange proposes to list and trade the Shares under Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange.<sup>3</sup> The Fund will be an actively managed exchange-traded fund that seeks to provide a long-term total return which exceeds the total return of its Primary Benchmark Index, as further described below. The Exchange submits this proposal in order to allow the Fund to hold over-the-counter ("OTC") derivatives, in a manner that may not comply with Rule

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<sup>3</sup> The Commission originally approved BZX Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018) and subsequently approved generic listing standards for Managed Fund Shares under Rule 14.11(i) in Securities Exchange Act Release No. 78396 (July 22, 2016), 81 FR 49698 (July 28, 2016) (SR-BATS-2015-100).

14.11(i)(4)(C)(v),<sup>4</sup> as further described below. Otherwise, the Fund will comply with all other listing requirements on an initial and continued listing basis under Rule 14.11(i).

The Shares will be offered by the Trust, which was established as a Delaware statutory trust on June 2, 2015. FormulaFolio Investments, LLC (the “Adviser”) is the investment adviser to the Fund. 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>5</sup>

Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect and maintain a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.<sup>6</sup> In addition, Rule 14.11(i)(7)

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<sup>4</sup> Rule 14.11(i)(4)(C)(v) provides that “the portfolio may, on both an initial and continuing basis, hold OTC derivatives, including forwards, options, and swaps on commodities, currencies and financial instruments (e.g., stocks, fixed income, interest rates, and volatility) or a basket or index of any of the foregoing, however the aggregate gross notional value of OTC Derivatives shall not exceed 20% of the weight of the portfolio (including gross notional exposures).” The Exchange is proposing that the Fund may hold up to 75% of the weight of its portfolio in OTC Derivatives, including gross notional exposures, as described below.

<sup>5</sup> See Registration Statement on Form N-1A for the Trust, dated July 27, 2018 (File Nos. 333-204808 and 811-23066). 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. 29571 (May 16, 2017) (File No. 812-32367).

<sup>6</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

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

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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.

prevent the use and dissemination of material non-public information regarding such portfolio.

The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended.

FormulaFolios Sector Rotation ETF

According to the Registration Statement, the Fund will be an actively managed exchange-traded fund that will seek to provide a long-term total return which exceeds the total return of its Primary Benchmark Index.<sup>7</sup> The Fund will seek to achieve its investment objective, under Normal Market Conditions,<sup>8</sup> by utilizing derivatives, or a combination of derivatives and direct investments, to gain 100% equity exposure.

The Adviser will allocate the Fund's assets based on two proprietary investment models. The Adviser's first investment model will identify trends for the individual sectors within its Primary Benchmark Index. Each month, the model will analyze the strength of the US economy and rank the sectors of its Primary Benchmark Index based on a blend of various technical momentum indicators, volatility gauges, and valuation multiples. When the economy appears healthy, sectors with the highest risk-adjusted returns (lower volatility and higher price momentum) and the lowest valuations (lower price ratios) are ranked higher. When the economy appears unhealthy, sectors with more stable price movements and lower volatility are ranked higher. The Fund will invest in

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<sup>7</sup> The Fund's Primary Benchmark Index is the S&P 500 Index.

<sup>8</sup> As defined in Rule 14.11(i)(3)(E), the term "Normal Market Conditions" includes, but is not limited to, the absence of trading halts in the applicable financial markets generally; operational issues causing dissemination of inaccurate market information or system failures; or force majeure type events such as natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption, or any similar intervening circumstance.

the top four sectors in an equal weight. In order to achieve such exposure, the Fund will use OTC swap contracts that reference each applicable sector index (“Sector Swaps”).<sup>9</sup> In the event that such Sector Swaps are unavailable or the pricing for such contracts are unfavorable, the Fund may attempt to replicate the desired equity exposure by purchasing some or all of the equity securities that are listed on a U.S. national securities exchange, including ETFs,<sup>10</sup> comprising the top four sectors at the time.<sup>11</sup> If the model indicates the market is doing poorly, and if not enough sectors pass the screening criteria, the Fund can invest a portion or all of its assets in cash or Cash Equivalents.<sup>12</sup> The Exchange is

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<sup>9</sup> The Fund will attempt to limit counterparty risk in non-cleared swap contracts by entering into such contracts only with counterparties the Adviser believes are creditworthy and by limiting the Fund’s exposure to each counterparty. The Adviser will monitor the creditworthiness of each counterparty and the Fund’s exposure to each counterparty on an ongoing basis. The Sector Swaps will reference the individual sector indices that underlie the Primary Benchmark Index, which include S&P 500 Consumer Discretionary, S&P 500 Consumer Staples, S&P 500 Health Care, S&P 500 Industrials, S&P 500 Information Technology, S&P 500 Materials, S&P 500 Real Estate, S&P 500 Telecommunication Services, S&P 500 Utilities, S&P 500 Financials, and S&P 500 Energy (each a “Primary Benchmark Sector Index” and, collectively, the “Primary Benchmark Sector Indexes”).

<sup>10</sup> For purposes of this proposal, the term ETF includes Portfolio Depositary Receipts, Index Fund Shares, and Managed Fund Shares as defined in Rule 14.11(b), (c), and (i), respectively, and their equivalents on other national securities exchanges.

<sup>11</sup> Such equity securities may include either component securities of the Primary Benchmark Index, ETFs based on the Primary Benchmark Index, or ETFs based on the sectors underlying the Primary Benchmark Index. Any such holdings will meet the listing requirements for U.S. Component Stocks as provided in Rule 14.11(i)(4)(C)(i)(a).

<sup>12</sup> As defined in Exchange Rule 14.11(i)(4)(C)(iii)(b), Cash Equivalents are short-term instruments with maturities of less than three months, which includes only the following: (i) U.S. Government securities, including bills, notes, and bonds differing as to maturity and rates of interest, which are either issued or guaranteed by the U.S. Treasury or by U.S. Government agencies or instrumentalities; (ii) certificates of deposit issued against funds deposited in a bank or savings and loan association; (iii) bankers acceptances, which are short-term credit instruments



proposing to allow the Fund to hold up to 75% of the weight of its portfolio (including gross notional exposure) in Sector Swaps, collectively, in a manner that may not comply with 14.11(i)(4)(C)(v),<sup>13</sup> as discussed above.

The Adviser's second investment model is used to manage an active bond allocation exclusively through holding fixed income ETFs. This model analyzes various major fixed income asset classes (U.S. treasuries, investment grade U.S. bonds, high-yield U.S. bonds, high-yield municipal bonds, and floating rate bonds) based on a blend of yield spreads, interest rates, and price momentum. Following the ranking process, the Fund will invest in ETFs based on the highest-ranked asset classes, with the lowest ranked asset classes left out of the Fund.<sup>14</sup> When not enough of the asset classes meet the model's criteria, the Fund may invest heavily in cash or Cash Equivalents until more asset classes become favorable for investing.

The Fund's investments, including derivatives, will be consistent with the 1940 Act and the Fund's investment objective and policies and will not be used to enhance leverage (although certain derivatives and other investments may result in leverage).<sup>15</sup>

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used to finance commercial transactions; (iv) repurchase agreements and reverse repurchase agreements; (v) bank time deposits, which are monies kept on deposit with banks or savings and loan associations for a stated period of time at a fixed rate of interest; (vi) commercial paper, which are short-term unsecured promissory notes; and (vii) money market funds.

<sup>13</sup> See supra note 4.

<sup>14</sup> All of the Fund's investments made pursuant to this second investment model will meet the listing requirements for U.S. equity securities as provided in Rule 14.11(i)(4)(C)(i)(a).

<sup>15</sup> The 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. The Fund's investments in derivative instruments will be made in accordance with the 1940

That is, while the Fund will be permitted to borrow as permitted under the 1940 Act, the Fund's investments will not be used to seek performance that is the multiple or inverse multiple (i.e., 2Xs and 3Xs) of the Fund's primary broad-based securities benchmark index (as defined in Form N-1A). The Fund will only use those derivatives included in the defined term Sector Swaps. The Fund's use of derivative instruments will be collateralized.

As noted above, the Fund may also hold certain equity securities and cash and Cash Equivalents in compliance with Rules 14.11(i)(4)(C)(i)(a) and 14.11(i)(4)(C)(iii).

The Exchange represents that, except for the exception to BZX Rule 14.11(i)(4)(C)(v) described above, the Fund's proposed investments will satisfy, on an initial and continued listing basis, all of the generic listing standards under BZX Rule 14.11(i)(4)(C) and all other applicable requirements for Managed Fund Shares under Rule 14.11(i). 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. In addition, the Exchange represents that the Shares of the Fund will comply with all other requirements applicable to Managed Fund Shares including, but not limited to, requirements relating to the dissemination of key information such as the Disclosed Portfolio, Net Asset Value, and

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Act and consistent with the Fund's investment objective and policies. To mitigate leveraging risk, the Fund will segregate or earmark liquid assets determined to be liquid by the Adviser in accordance with procedures established by the Trust's Board and in accordance with the 1940 Act (or, as permitted by applicable regulations, 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. See 15 U.S.C. 80a-18; Investment Company Act Release No. 10666 (April 18, 1979), 44 FR 25128 (April 27, 1979); Dreyfus Strategic Investing, Commission No-Action Letter (June 22, 1987); Merrill Lynch Asset Management, L.P., Commission No-Action Letter (July 2, 1996).

the Intraday Indicative Value, rules governing the trading of equity securities, trading hours, trading halts, surveillance, firewalls, and the information circular, as set forth in Exchange rules applicable to Managed Fund Shares and the orders approving such rules. At least 100,000 Shares will be outstanding upon the commencement of trading.

Moreover, all of the equity securities held by the Fund will trade on markets that are a member of Intermarket Surveillance Group (“ISG”) or affiliated with a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.<sup>16</sup> Additionally, the Exchange or FINRA, on behalf of the Exchange, are able to access, as needed, trade information for certain Cash Equivalents reported to FINRA’s Trade Reporting and Compliance Engine (“TRACE”). All statements and representations made in this filing regarding the description of the portfolio or reference assets, limitations on portfolio holdings or reference assets, dissemination and availability of index, reference asset, and intraday indicative values, and the applicability of Exchange rules specified in this filing shall constitute continued listing requirements for the Fund. The issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund or the Shares to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will surveil for compliance with the continued listing requirements. If the Fund or the Shares are not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under Exchange Rule 14.12.

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<sup>16</sup> For a list of the current members and affiliate members of ISG, [see www.isgportal.com](http://www.isgportal.com). 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.

Availability of Information

As noted above, the Fund will comply with the requirements for Managed Fund Shares related to Disclosed Portfolio, Net Asset Value, and the Intraday Indicative Value. Additionally, the intra-day, closing and settlement prices of exchange-traded portfolio assets, including equity securities, will be readily available from the securities exchanges trading such securities, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Intraday price quotations on OTC swaps and fixed income instruments are available from major broker-dealer firms and from third-parties, which may provide prices free with a time delay or in real-time for a paid fee. Price information for Cash Equivalents will be available from major market data vendors. The Disclosed Portfolio will be available on the issuer's website free of charge. The Fund's website includes a form of the prospectus for the Fund and additional information related to NAV and other applicable quantitative information. Information regarding market price and trading volume of the Shares will be continuously available throughout the day on brokers' computer screens and other electronic services. Quotation and last sale information on the Shares will be available through the Consolidated Tape Association. Information regarding the previous day's closing price and trading volume for the Shares will be published daily in the financial section of newspapers. Trading in the Shares may be halted for market conditions or for reasons that, in the view of the Exchange, make trading inadvisable. The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. The Exchange has appropriate rules to facilitate trading in the shares during all trading sessions.

Information Circular

Prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) BZX Rule 3.7, which imposes suitability obligations on Exchange members with respect to recommending transactions in the Shares to customers; (3) how information regarding the Intraday Indicative Value and the Disclosed Portfolio is disseminated; (4) the risks involved in trading the Shares during the Pre-Opening<sup>17</sup> and After Hours Trading Sessions<sup>18</sup> when an updated Intraday Indicative Value and Underlying Index value will not be calculated or publicly disseminated; (5) the requirement that members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Information Circular will advise members, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Fund. Members purchasing Shares from the Fund for resale to investors will deliver a prospectus to such investors. The Information Circular will also discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the Act. In addition, the Information Circular will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Information Circular will

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<sup>17</sup> The Pre-Opening Session is from 8:00 a.m. to 9:30 a.m. Eastern Time.

<sup>18</sup> The After Hours Trading Session is from 4:00 p.m. to 5:00 p.m. Eastern Time.

also disclose the trading hours of the Shares of the Fund and the applicable NAV calculation time for the Shares. The Information Circular will disclose that information about the Shares of the Fund will be publicly available on the Fund's website.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act<sup>19</sup> in general and Section 6(b)(5) of the Act<sup>20</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices, 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 BZX Rule 14.11(i) except that the Fund may not comply with Rule 14.11(i)(4)(C)(v).<sup>21</sup> The Exchange believes that the size and liquidity of the securities underlying the Primary Benchmark Index and each of the Primary Benchmark Index

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<sup>19</sup> 15 U.S.C. 78f.

<sup>20</sup> 15 U.S.C. 78f(b)(5).

<sup>21</sup> See supra note 4.

Sectors mitigates manipulation concerns relating to Sector Swaps held by the Fund.<sup>22</sup>

Further, the Fund will attempt to limit counterparty risk in Sector Swaps by entering into such contracts only with counterparties the Adviser believes are creditworthy and by limiting the Fund's exposure to each counterparty. The Adviser will monitor the creditworthiness of each counterparty and the Fund's exposure to each counterparty on an ongoing basis. The Exchange also notes that notional principal never changes hands in such swaps transactions, and it is a theoretical value used to base the exchanged payments. A more accurate representation of the swaps value in order to monitor total counterparty risk would be the mark-to market value of the swap since inception, which the Adviser generally expects to remain at around 10% of the Fund's net assets.<sup>23</sup>

Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Managed Fund Shares. All of the equity securities held by the Fund will trade on markets that are a member of ISG or affiliated with a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. The Exchange, FINRA, on behalf of the Exchange, or both will communicate regarding trading in the Shares and the underlying equity securities held by the Fund with the ISG, other markets or entities who are

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<sup>22</sup> The Exchange notes that the Primary Benchmark Index and each Primary Benchmark Sector Index separately meet the generic listing standards applicable to Index Fund Shares under Rule 14.11(c)(3)(A)(i).

<sup>23</sup> The Exchange notes that the Trust, on behalf of the Fund, will file a notice of eligibility for exclusion from the definition of the term "commodity pool operator" in accordance with CFTC Rule 4.5, and, therefore, the Fund would not be subject to registration or regulation as a commodity pool operator under the Commodity Exchange Act ("CEA") to the extent that it complies with the requirements of the rule. To the extent that the Fund makes investments regulated by the CFTC, it will do so in accordance with Rule 4.5 under the CEA.

members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement.<sup>24</sup> The Exchange, FINRA, on behalf of the Exchange, or both may obtain information regarding trading in the Shares and the underlying equity securities held by the Fund via the ISG from other markets or entities who are members or affiliates of the ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement.<sup>25</sup> Additionally, the Exchange or FINRA, on behalf of the Exchange, may access, as needed, trade information for certain fixed income instruments reported to TRACE. The Exchange has a policy prohibiting the distribution of material non-public information by its employees.

The Exchange notes that 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 14.11(i), including those requirements regarding the Disclosed Portfolio and the requirement that the Disclosed Portfolio and the NAV will be made available to all market participants at the same time,<sup>26</sup> Intraday Indicative Value,<sup>27</sup> suspension of trading or removal,<sup>28</sup> trading halts,<sup>29</sup> disclosure,<sup>30</sup> and firewalls.<sup>31</sup> Further, at least 100,000 Shares will be outstanding upon the

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<sup>24</sup> See note 19, *supra*.

<sup>25</sup> See note 19, *supra*.

<sup>26</sup> See Rules 14.11(i)(4)(A)(ii) and 14.11(i)(4)(B)(ii).

<sup>27</sup> See Rule 14.11(i)(4)(B)(i).

<sup>28</sup> See Rule 14.11(i)(4)(B)(iii).

<sup>29</sup> See Rule 14.11(i)(4)(B)(iv).

<sup>30</sup> See Rule 14.11(i)(6).

<sup>31</sup> See Rule 14.11(i)(7).



commencement of trading.<sup>32</sup>

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, rather will facilitate the listing and trading of an additional actively-managed exchange-traded product that will enhance competition among both market participants and listing venues, to the benefit of investors and the marketplace.

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

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

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

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

A. by order approve or disapprove such proposed rule change, or

B. institute proceedings to determine whether the proposed rule change should be disapproved.

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<sup>32</sup> See Rule 14.11(i)(4)(A)(i).

#### IV. Solicitation of Comments

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

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeBZX-2018-07 Amendment No. 1 on the subject line.

##### Paper comments:

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

All submissions should refer to File Number SR-CboeBZX-2018-076 Amendment No. 1.

This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 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; 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-CboeBZX-2018-076 Amendment No. 1 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>33</sup>

Secretary

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<sup>33</sup> 17 CFR 200.30-3(a)(12).