

May 14, 2014

Via Electronic Mail

Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: File No. SR-NYSEArca-2014-10 / Managed Portfolio Shares Issued by the Precidian
ETF Trust

NYSE Arca, Inc. (the “Exchange”) welcomes the opportunity to respond to the comment letter submitted by Gary Gastineau on March 18, 2014 (the “Comment Letter”) regarding SR-NYSEArca-2014-10 (the “Filing”) to permit the listing and trading on the Exchange of Managed Portfolio Shares (the “Shares”) issued by the Precidian ETF Trust (the “Trust”).

It is the Exchange’s view that many of the points raised in the Comment Letter are not relevant to the Commission’s determination of whether the Filing is consistent with the applicable provisions of the Securities Exchange Act of 1934 (“Exchange Act”) and, thus, the Commission’s approval of the Filing. Those comments relevant to the Commission’s consideration under Section 19(b) of the Exchange Act are addressed below.

Secondary Market Trading Efficiency

The Comment Letter correctly notes that a core characteristic of ETFs is the importance of arbitrage to ETFs’ pricing. We agree with the Comment Letter that arbitrage serves to narrow the difference between an ETF’s NAV and its share price, and the absence of such arbitrage may impact trading in ETF shares. The Comment Letter, however, goes on to question the efficiency of secondary market trading in the Shares given the absence of daily portfolio disclosure. The commenter acknowledges that the Exchange has been informed by various lead market makers (“LMMs”) that they will be able to make efficient and liquid markets in the Shares despite the absence of daily portfolio disclosure, provided that certain information is available, such as an accurate PIV¹ as well as knowledge regarding a fund’s means of achieving its investment objective.

¹ Capitalized and defined terms not otherwise defined herein are used as defined in the Filing.

The commenter, however, questions the veracity of these LMMs' statements. The commenter offers no direct support for his doubts regarding the LMMs' assertions about efficient secondary market trading. Instead, the study contributed to and referenced by the commenter merely states that premiums/discounts and the volatility inherent in those values are greater in ETFs where the NAVs are difficult to calculate in real-time.

The Exchange submits that market makers in ETFs are uniquely suited to prospectively assess the effectiveness of arbitrage in the fund shares. If market makers are not comfortable with their ability to manage their risks, they will choose to not make markets in said security. The Exchange reiterates that market makers have indicated that the available information regarding the Shares will be sufficient for arbitrage and hedging purposes. Additionally, based on discussions with market makers, the Exchange expects that a market maker will act as LMM in the Shares and believes that no market maker would accept an LMM assignment if they were not entirely comfortable in their ability to hedge their positions.

The Exchange reiterates that its existing trading surveillance procedures will be applied to trading in the Shares and that such procedures are adequate to properly deter and detect violations of Exchange Rules and federal securities laws applicable to trading on the Exchange.

Reliance on PIV

The commenter argues that secondary market trading efficiency is dependent on a reliable PIV and questions whether an accurate PIV will be available. Indicative values, commonly known as intraday indicative values, intraday optimized portfolio values or PIVs, are disseminated by all ETFs and serve as an estimate value of an ETF's portfolio holdings. Similar to indicative values for other ETFs, the Exchange indicated in the filing that the PIV may not be calculated in the same manner as the NAV and therefore should not be viewed as a "real-time" update of the NAV.

Based upon discussions with market makers, the Exchange agrees with the commenter that an accurate PIV is essential for trading in the Shares. The Exchange reiterates that market makers have indicated that, after the first few days of trading, there will be sufficient data to run a statistical analysis that will lead to differences between the Share price of the ETF and the PIV being tightened substantially. The commenter offers no support for his assertion regarding the unreliability of the PIV. The Exchange has no reason to believe that the PIV, which is calculated using methodology substantially similar to that used in the calculation of all other ETF indicative values, will be inherently unreliable. The Exchange reiterates its view that market participants are expected to accept the PIV as a reliable, indicative real-time value because (1) the PIV will be calculated and disseminated based on a Fund's actual portfolio holdings, (2) the securities in which the Funds plan to invest are generally highly liquid and actively traded and therefore generally have accurate real time pricing available, and (3) market participants will have a daily opportunity to evaluate whether the PIV at or near the close of trading is indeed predictive of the actual NAV.

Erroneous Share Trades

The commenter suggests that the Exchange be required to institute a program to monitor the timeliness and accuracy of disseminated PIVs and to adopt appropriate procedures for the treatment of trades executed during periods when erroneous PIVs are determined to have been disseminated. The commenter further speculates that there will be an inordinate number of trade cancellations in the Shares as a result of errors in the PIV if such program is instituted. The Exchange reiterates that it has no reason to believe that the PIVs will be inherently unreliable, therefore, does not propose to institute any additional monitoring programs but rather rely on its existing surveillance systems to monitor trading in the Shares. Furthermore, all exchanges may only cancel trades according to their respective rules. The Exchange's rules applicable to trade cancellations, NYSE Arca Equities Rule 7.10 (Clearly Erroneous Executions) would apply to trading in the Shares, however, the Exchange notes that NYSE Arca Equities Rule 7.10 does not address trade cancellations in the event erroneous PIVs are disseminated. Additionally, said rule does not provide the Exchange discretion to cancel trades.

Market Trading Hours

The commenter questions the adequacy of the risks included in the Exchange's Information Bulletin (the "Bulletin") with regard to the timing of the trading sessions on which the Shares will trade and the dissemination of the PIV. Based on his conclusion that the prices of Shares traded during off-Core Trading Sessions will vary widely from the value of the underlying portfolio because of the lack of a real-time PIV, the commenter asserts that trading in the Shares should be limited to the Core Trading Session.

The Exchange reiterates that its surveillance procedures are adequate to monitor trading in the Shares and that such procedures are operative during all trading sessions. The Exchange also reiterates that it has no reason to discount the assertions of market makers regarding their ability to make efficient markets during all trading sessions. The Exchange will ensure that the information in the Bulletin will adequately address the special characteristics and risks associated with trading in the Shares.

Reverse Engineering of Portfolio Holdings and Consequent Select Disclosure

The commenter expresses concern that market professionals, based on the PIV, could reverse engineer the holdings underlying the Shares and, thus, have an advantage over retail customers. As discussed in the Filing, the publicly available information will be a PIV disseminated every 15 seconds and a NAV disseminated daily after the close. In addition, the national best bid and offer and last trade for the Shares will be disseminated real time through the Consolidated Quotation System and the Consolidated Tape. This same public information will be available and accessible to market professionals and retail investors. Like other ETFs, any independent view that market participants may have about the composition of the fund holdings and the value of these holdings would be included in the prices at which those participants are willing to trade the product.

Direct Share Purchases and Retail Redemption Facility

The Comment Letter recommends that the Funds extend eligibility for the Retail Redemption Facility to all shareholders and the Order Cut-off Times for direct purchases of Shares and redemption under the Retail Redemption Facility should be established as the close of the Exchange's Regular Trading Session. In addition, the Comment Letter recommends that trading in the Shares be limited to broker-dealers that make certain representations to the Exchange regarding direct purchases and redemptions. The Exchange believes that the process proposed by the Issuer is consistent with the applicable provisions of the Exchange Act.

Real time PIV Dissemination on Web Site

The commenter recommends that the PIV be posted on each Fund's web site in real time, along with other information. As the Commission is aware, such real time web site disclosure of an indicative value is not required of other ETFs. The indicative value, or PIV, is designed to provide guidance regarding variances between the prior day's closing prices and intraday changes in value of the underlying portfolio. The pricing of the Shares, themselves, is disseminated real time through the Consolidated Quotation System.

Other Comments

The Exchange believes that the following comments in the Comment Letter are not relevant to the Commission's determination under Section 19(b) of the Exchange Act whether the Exchange's proposal is consistent with the Exchange Act.

- **Tax Treatment of In-Kind Distributions.** The commenter's concerns about the tax treatment of the Shares are not relevant to the Commission's consideration under Section 19(b) of the Exchange Act.
- **Early Order Cut-Off times for Redemption.** The commenter asserts that the early cut-off times for creations and redemptions are contrary to the Investment Company Act. The Exchange does not believe this comment is relevant to the Commission's determination under Section 19(b) of the Exchange Act.
- **Cost Considerations.** The Funds have a responsibility to disclose the fees associated with the Shares in the prospectus. The Comment Letter raises no concerns about the adequacy of this disclosure. The commenter also recommends that broker-dealer processing fees on direct purchases and redemptions of Shares should be regulated and that limiting the processing fees of broker-dealers should be a condition to approval of this proposal. Limiting broker-dealer fees would require Commission rulemaking and is not required for the Commission to find that the proposal is consistent with the Exchange Act.
- **Scope of Proposal.** The commenter recommends that the permitted investments of the Fund be significantly curtailed. The permissible universe of fund holdings will be vetted through the exemptive application process and the Exchange submits that this comment is not relevant to the Commission's consideration under Exchange Act Section 19(b).

- Prospectus Disclosures. The Exchange submits that this discussion is not relevant to the Commission's determination under Section 19(b) of the Exchange Act.

Conclusion

The Exchange has attempted to address those points raised by the commenter that are relevant to the 19b-4 process and would like to emphasize those concerns of the commenter that are driven by competitive motives should not impact the listing decision. The Exchange notes that there has been a flurry of recent interest in relatively similar products and that all such products should be assessed on their individual merits and risks, and assuming investor protection concerns are adequately addressed, investors and the marketplace can only benefit from listing and trading of a variety of products with differing structures. Competitive forces will ultimately decide the success or failure of such initiatives.

Feel free to contact Sudhir Bhattacharyya at 212-656-2920 or myself with any questions or concerns.

Sincerely,

A handwritten signature in blue ink, appearing to be 'S. Bhattacharyya' or similar, written in a cursive style.