

May 25, 2017

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Proposed Rule Change To Adopt a New NYSE Arca Equities Rule 8.900 and To List and Trade Shares of the Royce Pennsylvania ETF; Royce Premier ETF; and Royce Total Return ETF Under Proposed NYSE Arca Equities Rule 8.900 [File No. SR-NYSEArca-2017-36] (Filing)¹

Dear Mr. Fields:

I am writing to express my view that the proposed less-transparent active ETF structure described in the Filing (Proposal) is seriously flawed, does not meet the statutory standard to be necessary or appropriate in the public interest and consistent with the protection of investors, and should not be approved².

Among the principal reasons the Proposal should not be approved are:

(a) the proposed selective disclosure of confidential Fund holdings information to Trusted Agents for trading on behalf of Confidential Account holders in violation of federal securities law;

(b) the unreliability of the Funds' proposed method for ensuring secondary market trading efficiency and the likelihood that the Shares will trade at significantly wider bid-ask spreads and/or more variable premiums/discounts than existing ETFs that themselves demonstrate trading deficiencies;

¹ The Filing relates to a request by the Precidian ETFs Trust (Trust) and other parties for exemptive relief from various provisions of the Investment Company Act of 1940, as amended (Exemptive Application) (File No. 812-14405 dated September 21, 2015) and a registration statement for the Funds on Form N-1A (File Nos. 333-171987 and 811-22524 dated April 4, 2017) (Registration Statement). Subsequent to the Filing, the Trust and other parties filed a revised request for exemptive relief (File No. 812-14405 dated May 2, 2017). Capitalized terms used in this letter have the same meanings as in the Filing, Exemptive Application and/or Registration Statement.

² As background, I am a co-author with James J. Angel and Gary L. Gastineau of "ETF Transaction Costs Are Often Higher Than Investors Realize," published in *The Journal of Portfolio Management*, Spring 2016, pp. 65-75. This paper discusses the high costs of trading ETFs, an issue that will continue to be important as new types of ETFs are proposed. Among other interests, I am co-founder and a managing member of Managed ETFs™ LLC (Managed ETFs). Intellectual property developed by Managed ETFs and subsequently sold to an affiliate of Eaton Vance Corp. (Eaton Vance) forms much of the basis for the NextShares™ exchange-traded managed funds (NextShares), the first of which were launched in 2016 by Eaton Vance, Ivy Investments, and Gabelli Funds. Because NextShares may be competitive with the Shares and because I have a retained economic interest, my views may be considered subject to a conflict of interest. My comments are made in the public interest and, to the best of my ability, are not influenced by any conflict.

- (c) the likelihood that the Funds' trading performance will be especially poor during periods of market stress and volatility;
- (d) concerns that the security of confidential Fund information disseminated to a potentially broad network of Trusted Agents cannot be assured;
- (e) potentially significant added Fund costs and risks in connection with the proposed calculation, verification and dissemination of VIIVs and associated Fund warranties;
- (f) the potential for frequent Share trading halts;
- (g) the likely incidence of erroneous Share trades and the absence of an Exchange program to detect and appropriately remediate erroneous trades;
- (h) the potential for reverse engineering of a Fund's portfolio holdings through analysis of VIIVs and other Fund information;
- (i) the significant risk that the Internal Revenue Service will deny the purported tax benefits of the Funds' distinctive in-kind redemption program; and
- (j) the costs, risks and uncertainties of broker-dealers serving as Fund Authorized Participants and Non-Authorized Participant Market Makers in meeting their compliance obligations with respect to securities traded on their behalf through Confidential Accounts.

My views and opinions on the Proposal match those I expressed in a comment letter submitted last June³ on a previous version of the Proposal (File No. SR-NYSEARCA-2016-08), which the applicants have not addressed.

I wish to thank the Commissioners and staff of the SEC for considering my views and opinions.

Sincerely,

[TJ Broms](#)

Todd J. Broms, Chief Executive Officer
Broms & Company LLC

³See <https://www.sec.gov/comments/sr-nysearca-2016-08/nysearca201608-10.pdf>