350 Main Street, Suite 9
Bedminster, NJ 07921
+1908.781.0560 (Office)
+1908.781.0601 (Fax)
+44 (0) 208.432.6138 (London)
www.precidian.com

October 12, 2017

VIA ELECTRONIC SUBMISSION

Brent J. Fields

Secretary

U.S. Securities and Exchange Commission

100 F Street, N.E.

Washington, DC 20549-1090

Re: SR-NYSEArca-2017-36

Dear Mr. Fields:

The purpose of this letter is to be to responsive to concerns raised by the "commenters" and to provide the Commission with the background of the structure that is at the core of the proposed rule change request, while allowing us to explain how that structure would be beneficial for investors, asset managers, and the market as a whole.

Over the course of the last several years, as we attempted to be responsive to the Commission staff (the "Staff"), as these conflicted "commenters" have endeavored to stifle innovation in the hopes of protecting a perceived market advantage given to them by previous exemptive approvals. The staff of a public company has been utilized to coordinate with an outside "commenter" to aid in the effort to dissuade approval of this request.[1] In an unprecedented maneuverer, that same competitor employed a Freedom of Information Request (FOIA) to attain our correspondence with the Staff, afterward, calling a press conference to release that information, again in the hope to gain competitive market advantage. Precidian has and will remain above the fray, as we, and others alongside of us, endeavor to procure the necessary approvals from the Commission in order to be able to better serve our investment community.

[1] See comment letter from Gary Gastineau, footnote 1 (May 24, 2017).

Background

Precidian has requested exemptive relief to allow it to launch, operate and list actively managed exchange-traded funds (each an "ETF") that would not, unlike all currently existing actively managed ETFs, disclose their portfolio holdings every day. The purpose of the proposed Precidian ETF is to allow active managers to manage ETFs without disclosing their proprietary trading strategies. We believe, in many cases, such daily disclosure of portfolio securities could provoke predatory trading practices by third-party investors, such as "front running" and "free riding," and in those cases, could result in the manager of the ETF breaching his fiduciary duty to the ETF and its shareholders. Instead, the Precidian ETF would disclose, every second throughout the business day, a verified intraday indicative value, per share ("VIIV"), that would provide all market participants an extremely accurate estimate of the current value per share of the ETF throughout the day. This information would allow all market participants to determine whether shares trading on the market are trading at a premium or discount throughout the day, thus facilitating an arbitrage mechanism that would keep the ETF shares trading at a market price at or close to its underlying net asset value.

In addition, because many of the efficiencies of the ETF structure are related to purchases from and redemptions to the ETF being done "in-kind," rather than for cash, and because the Precidian ETF would not disclose daily portfolio holdings, investors transacting directly with the ETF ("Authorized Participants") would do so through a confidential brokerage account ("Confidential Account") with an AP Representative, such as State Street Bank and Trust, JP Morgan, or Bank of New York Mellon ("AP Representative") for the benefit of the Authorized Participant. For purposes of creations or redemptions, all transactions will be effected through that Confidential Account, for the benefit of the Authorized Participant without disclosing the identity of such securities to the Authorized Participant.

Outstanding Issues

The "commenters" have raised a number concerns over the last several years. We believe, based on conversations we have had with senior members of the exchanges, market-making entities, asset managers and broker dealers that we collectively can address their concerns. We have attempted to paraphrase those concerns below, as well as how Precidian has addressed them.

- Making an Efficient Market

"Commenters" have raised concerns regarding whether market makers would be able to make an efficient market in the ETF shares of an ActiveShares product.

RESPONSE: Precidian believe that an efficient market can be made in shares of the Precidian ETFs. We note that in the July 1, 2016, comment letter filed by Bats Global Markets, Inc. ("Bats") on the rule proposal filed by NYSE Arca (Exchange Act Release No. 77117, File No. SR-NYSEArca-2016-08), Bats reported on the results of conversations they had with numerous market makers as follows:

> Based on their feedback, the record is clear that market makers can make a market in these products and are absolutely willing to make a market in these products. Furthermore, market makers clearly stated that making a market in these products is similar and perhaps simpler than making markets in foreign-based ETPs that hold instruments without reliable pricing information available during U.S. market hours. Others noted that making a market in Semi-Transparent Active ETFs would be analogous to existing daily disclosed portfolio actively managed products because such funds are able to make large position changes intraday that would cause the portfolio (and thus NAV) to diverge significantly from the previous day's disclosed portfolio.

Precidian, Bats, NYSE/Arca, JP Morgan Asset Management and others have attested in letters to the commission about the viability of the structure, as proposed, and we will continue to engage with the Staff to address any concerns around market making. As recently as two months ago, we brought a team of experts from KCG (Virtu), NYSE/Arca, JPMorgan, Legg Mason, State Street Bank, Columbia Graduate School of Business, Morgan Lewis and Precidian Investments to answer these directly while affording both the Staff and Commission the opportunity to verify the opinions of these experts. We know of no better means of attesting to our strongly held viewpoints than to state them clearly, directly and in person.

- Protecting Portfolio Information

  The "commenters" have also raised apprehensions that the level of information provided to the public about a Precidian ETF would allow market participants to effectively determine the portfolio holdings and their weightings, which they referred to as "reverse engineering" the portfolio.

RESPONSE: Precidian has engaged leading economists and mathematicians who have confirmed that it is not possible to determine portfolio holdings and their weightings with any precision, given Precidian's structure. Specifically, in July 2015, Precidian filed, as exhibits to its request for exemptive relief, three papers supporting this conclusion, one authored by Dr. Craig M. Lewis, Madison S. Wigginton Professor of Finance at the Owen Graduate School of Management and the Commission's former Chief Economist, and two authored by Dr. Rick A. Cooper, Assistant Professor of Finance at IIT Stuart School of Business and a former Senior Partner and Director of Analytics for Harris Investment Management. To further expound on these findings, Precidian engaged a third expert, Dr. Lawrence R. Glosten, the S. Sloan Colt Professor of Banking and International Finance at the Columbia Graduate School of Business, who concluded that "using a sophisticated regression technique, 1) analysts can do a little bit better than random guessing of the portfolio constituents; 2) cannot determine changes in weights as the estimated portfolio constituents change from day to day; and 3) nonetheless, the regression has a very tight fit allowing the construction of very good hedge portfolios." Further, Precidian has confirmed with some of

the largest most sophisticate asset managers[2] in the world that they believe that the proposed Precidian ETF structure would effectively protect their proprietary trading strategies from being reverse engineered.

* * *

Precidian would very much like to thank the Commission and the Staff of Trading and Markets for the ability to answer the questions of these commenters. Precidian will continuously provide the necessary insights into the operational workings of these and other ETFs, in an effort to better our markets and those that we serve, as it is our duty to do.

Sincerely,

Daniel J. McCabe

Chief Executive

[2] See JPMorgan Asset Management's letter.

July 7, 2017

Mr. David W. Grim
Director, Division of Investment Management
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: J.P. Morgan Exchange-Traded Fund Trust, et al., File No. 812-14790

Dear Mr. Grim:

On behalf of J.P. Morgan Asset Management ("JPMAM")[1], I write to express our support for, and encourage the issuance of an SEC order permitting the structure described in the above referenced Application (the "Application"). We believe the ActiveShares methodology developed by Precidian offers an effective model for delivering certain actively managed strategies in an ETF format.[2] The Application is based on Precidian's ActiveShares methodology.

JPMAM provides investment management services for 223 mutual funds, closed-end funds, and exchange-traded funds ("ETFs," and collectively, "funds") in the U.S. (excluding money market funds), with a total of over $300 billion in assets under management at the end of March, 2017. JPMAM has a long history of delivering "active" investment strategies to investors who value hands-on, professional investment management grounded in fundamental research. As you are aware, only a small fraction (<1%) of the approximately $10 trillion[3] that investors have invested in long term actively managed registered products is delivered in ETF format, depriving investors of benefits provided by an ETF vehicle (e.g., intraday trading, tax and expense efficiencies). A key impediment holding JPMAM back from offering more actively managed ETFs is concern about the potential negative consequences associated with daily ETF portfolio disclosure, as current regulatory standards require. Daily portfolio disclosure presents two potential risks for active strategies that could negatively impact both investors and managers:

1) Market participants may use daily portfolio information to predict and "front run" managers' future trades, thereby decreasing investors' realized returns.

2) A manager's ability to sustainably generate excess returns ("alpha") could be diminished if proprietary market insights and trading strategies are reconstructed and potentially replicated by others ("free-riding").

[1] J.P. Morgan Asset Management is a marketing name for the investment management subsidiaries of JPMorgan.
[2] The Application is based on Precidian's most recent amended application for exemptive relief (Precidian ETFs Trust, et al., File 812-14405).
[3] Sources: ETFGI, Strategic Insight Simfund.

Until these risks are effectively addressed and mitigated, it will be difficult for JPMAM, and indeed most active managers, to deliver actively managed strategies more broadly in an ETF format. In turn, investors in active strategies will largely be unable to benefit from the unique features of ETF vehicles.

JPMAM believes that, with regard to the products contemplated by the Application, the proposed methodology offers an appealing solution to address the risks described above, while maintaining key features and benefits of an ETF vehicle. Nevertheless, we are aware that the SEC has expressed concerns about a similar structure described in earlier applications. We are hopeful that the modifications that have been made to the methodology described in the Application address such concerns.

Some of the SEC's previously stated concerns related to ActiveShares' proposed methodology include that it: 1) may potentially disclose too much information, thereby allowing some market participants to "reverse-engineer" portfolios and engage in front running to the detriment of investors and 2) may offer insufficient information to facilitate effective ETF arbitrage and support efficient markets. We do not share either concern, as discussed below.

JPMAM believes that it is highly improbable that the portfolios of the proposed funds contemplated by the Application could be practically and consistently "reverse-engineered" such that front running would materially harm a fund's investors. The net asset value (NAV) "scaling" methodology listed in the Application is expected to effectively mask portfolio holdings and weightings, making it impractical to determine holdings with enough specificity to support either front-running or free-riding. Given our desire to protect our active strategies (i.e., not offer them in a fully transparent ETF), JPMAM takes the risks associated with portfolio disclosure seriously and does not declare lightly that we are comfortable with protections afforded by the proposed methodology for the funds contemplated by the Application.

JPMAM also believes that the proposed methodology would provide sufficient information to enable market makers to effectively arbitrage and maintain efficient markets in the funds contemplated by the Application. Our discussions with ETF trading desks, as well as statements submitted to the public record as recently as last year by various ETF market participants, support the view that there is both the ability and appetite from ETF liquidity providers to make markets in products contemplated by the Application.[4] With two separate data feeds, overseen by a pricing verification agent, the proposed Verified Intraday Indicative Value ("VIIV") model should offer a reliable cross-check for ETF traders' internal models. Oversight by a fund Board

[4] BATS July 1, 2016 letter to the SEC (RE: Exchange Act Release No. 77117, File No. SR-NYSEArca-2016-08) "the record is clear that market makers can make a market in these products and are absolutely willing to make a market in these products." https://www.sec.gov/comments/sr-nysearca-2016-08/nysearca201608-11.pdf

and fund chief compliance officer would further reinforce confidence in the robustness of VIIV data.

* * *

JPMAM appreciates the opportunity to share our perspectives on the proposed methodology in the Application. We would be pleased to provide further information or respond to any questions that you may have.

Very truly yours,

Christopher P. Willcox

cc: The Honorable Walter J. Clayton III
The Honorable Michael S. Piwowar
The Honorable Kara M. Stein