



Martha Redding
Associate General Counsel
Assistant Secretary

New York Stock Exchange
11 Wall Street
New York, NY 10005

May 9, 2017

VIA E-MAIL

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

Re: Securities Exchange Act Rel. 34-80541 (SR-NYSEArca-2017-48)

Dear Mr. Fields:

NYSE Arca, Inc. filed the attached Amendment No. 1 to the above-referenced filing on May 8, 2017.

Sincerely,

A handwritten signature in blue ink, appearing to be "BJF", written in a cursive style.

Encl. (Amendment No. 1 to SR-NYSEArca-2017-48)

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 62	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2017 - * 48	Amendment No. (req. for Amendments *) 1
Filing by NYSE Arca, Inc. Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
			Rule	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(5) <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) * <input type="checkbox"/>		Section 806(e)(2) * <input type="checkbox"/>	Section 3C(b)(2) * <input type="checkbox"/>	
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
Description				
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).				
<input type="text" value="Proposal to list and trade shares of the Franklin Liberty Intermediate Municipal Opportunities ETF and Franklin Liberty Municipal Bond ETF"/>				
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 *	<input type="text" value="Michael"/>	Last Name *	<input type="text" value="Cavalier"/>	
Title *	<input type="text" value="Counsel NYSE Group Inc"/>			
E-mail *	<input type="text" value="REDACTED"/>			
Telephone *	<input type="text" value="REDACTED"/>	Fax	<input type="text" value="REDACTED"/>	
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	<input type="text" value="05/08/2017"/>	Assistant Secretary		
By	<input type="text" value="Martha Redding"/>	<input type="text" value="REDACTED"/>		
(Name *)				
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.				
<input type="text" value="Martha Redding, REDACTED"/>				

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF 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

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

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 (“Act”)¹ and Rule 19b-4 thereunder,² NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”), through its wholly-owned subsidiary NYSE Arca Equities, Inc. (“NYSE Arca Equities” or the “Corporation”), proposes to list and trade shares of the Franklin Liberty Intermediate Municipal Opportunities ETF and Franklin Liberty Municipal Bond ETF (each a “Fund” and, collectively, the “Funds”) under NYSE Arca Equities Rule 8.600 (“Managed Fund Shares”).

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1.

- (b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the board of the Exchange. No further action is required under the Exchange’s governing documents. Therefore, the Exchange’s internal procedures with respect to the proposed rule change are complete.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule change is:

Michael Cavalier
Counsel
NYSE Group, Inc.


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

- (a) Purpose

The Exchange proposes to list and trade shares (“Shares”) of each Fund under

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

NYSE Arca Equities Rule 8.600,³ which governs the listing and trading of Managed Fund Shares.⁴ The Shares will be offered by the Franklin Templeton ETF Trust (the “Trust”), which is registered with the Commission as an open-end management investment company.⁵ Each Fund is a series of the Trust.

The investment adviser to each Fund will be Franklin Advisers, Inc. (the “Adviser”). Franklin Templeton Distributors, Inc. will serve as the distributor (the “Distributor”) of each Fund’s Shares on an agency basis. Franklin Templeton

³ The Securities and Exchange Commission (“Commission”) has approved for Exchange listing and trading shares of actively managed funds that principally hold municipal bonds. See, e.g., Securities Exchange Act Release Nos. 60981 (November 10, 2009), 74 FR 59594 (November 18, 2009) (SR-NYSEArca-2009-79) (order approving listing and trading of shares of the PIMCO Short-Term Municipal Bond Strategy Fund and PIMCO Intermediate Municipal Bond Strategy Fund); 79293 (November 10, 2016), 81 FR 81189 (November 17, 2016) (SR-NYSEArca-2016-107) (order approving listing and trading of shares of Cumberland Municipal Bond ETF under Rule 8.600). The Commission also has approved listing and trading on the Exchange of shares of the SPDR Nuveen S&P High Yield Municipal Bond Fund under Commentary .02 of NYSE Arca Equities Rule 5.2(j)(3). See Securities Exchange Act Release No.63881 (February 9, 2011), 76 FR 9065 (February 16, 2011) (SR-NYSEArca-2010-120).

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

⁵ The Trust is registered under the 1940 Act. On March 23, 2017, the Trust filed with the Commission an amendment to its registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) (“Securities Act”), and under the 1940 Act relating to the Funds (File Nos. 333-208873 and 811-23124) (“Registration Statement”). The description of the operation of the Trust and the Funds herein is based, in part, on the Registration Statement. In addition, the Commission has issued an order granting certain exemptive relief to the Trust, Franklin Advisers, Inc. and Franklin Templeton Distributors, Inc. under the 1940 Act. See Investment Company Act Release No. 30350 (January 15, 2013) (File No. 812-14042) (“Exemptive Order”).

This Amendment No. 1 to SR-NYSEArca-2017-48 replaces SR-NYSEArca-2017-48 as originally filed and supersedes such filing in its entirety.

Services, LLC will serve as the administrator and State Street Bank and Trust Company will serve as the sub-administrator, custodian and transfer agent for each Fund.

Commentary .06 to Rule 8.600 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 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.⁶ In addition, Commentary .06 further requires that personnel who make decisions on the open-end fund’s portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the open-end fund’s portfolio. The Adviser is not a registered broker-dealer but is affiliated with a broker-dealer. The Adviser has implemented and will maintain a “fire wall” with respect to such broker-dealer affiliate regarding access to information concerning the composition of and/or changes to each Fund’s portfolio. In the event (a) the Adviser becomes registered as a broker-dealer or newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser to a Fund is a registered broker-dealer or becomes affiliated with a broker-dealer, the applicable adviser or sub-adviser will implement and maintain a fire wall with respect to its relevant personnel or broker-dealer affiliate regarding access to information concerning the composition and/or changes to a Fund’s portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

⁶ 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.

Franklin Liberty Intermediate Municipal Opportunities ETF

Principal Investments

According to the Registration Statement, the investment objective of the Fund will be to achieve a high level of current income that is exempt from federal income taxes. Under normal market conditions,⁷ the Fund will invest at least 80% of its net assets in municipal securities whose interest is free from federal income taxes, including the federal alternative minimum tax.

The Fund may invest in municipal securities rated in any rating category by U.S. nationally recognized rating services (or comparable unrated or short-term rated securities), including below investment grade and defaulted securities and securities of issuers that are, or are about to be, involved in reorganizations, financial restructurings, or bankruptcy (generally referred to as “distressed debt”). Such investments typically involve the purchase of lower-rated or defaulted debt securities, comparable unrated debt securities, or other indebtedness (or participations in the indebtedness) of such issuers. Although the Adviser will search for investments across a large number of municipal securities that finance different types of projects, from time to time, based on economic conditions, the Fund may have significant positions in municipal securities that finance similar types of projects.

According to the Registration Statement, the Funds may invest in one or more of the following municipal securities (“Municipal Securities”):

- General obligation bonds, which are typically issued by states, counties, cities, towns and regional districts and backed by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest.
- Revenue bonds, which are generally backed by the net revenue derived from a particular facility, group of facilities, or, in some cases, the proceeds of a special excise tax or other specific revenue source.
- Anticipation notes, including bond, revenue and tax anticipation notes, which are issued to provide interim financing of various municipal needs in anticipation of the receipt of other sources of money for repayment of the notes.
- Insured Municipal Securities, which are covered by insurance policies that guarantee the timely payment of principal and interest. When beneficial, a Fund may purchase insurance for an uninsured bond directly from a qualified municipal bond insurer, in which case a Fund pays the insurance premium directly to the insurance company.

⁷ The term “normal market conditions” is defined in NYSE Arca Equities Rule 8.600 (c)(5).

- Municipal lease obligations, which generally are issued to support a government's infrastructure by financing or refinancing equipment or property acquisitions or the construction, expansion or rehabilitation of public facilities. A Fund may also gain exposure to municipal lease obligations through certificates of participation, which represent a proportionate interest in the payments under a specified lease or leases.
- Municipal Securities that are issued on a when-issued or delayed delivery basis.
- Variable and floating rate securities, including variable rate demand notes, municipal inflation protected securities, index-based floating rate securities, and auction rate securities, which have interest rates that change either at specific intervals from daily up to semi-annually, or whenever a benchmark rate changes.
- Pre-refunded bonds, which are outstanding debt securities that are not immediately callable (redeemable) by the issuer but have been "pre-refunded" by the issuer.
- Zero coupon bonds (including convertible and step coupon bonds) and deferred interest securities.
- Stripped securities, which are debt securities that have been transformed from a principal amount with periodic interest coupons into a series of zero coupon bonds, each with a different maturity date corresponding to one of the payment dates for interest coupon payments or the redemption date for the principal amount.
- Mandatory tender (mandatory put) Municipal Securities, which may be sold with a requirement that a holder of a security surrender the security to the issuer or its agent for cash at a date prior to the stated maturity.
- Callable securities, which give the issuer the right to redeem the security on a given date or dates (known as the call dates) prior to maturity.
- Tax-exempt commercial paper, which typically represents an unsecured short-term obligation (270 days or less) issued by a municipality.
- Tax-exempt or qualified private activity and industrial development revenue bonds, which are typically issued by or on behalf of public authorities to finance various privately operated facilities which are expected to benefit the municipality and its residents, such as business, manufacturing, housing, sports and pollution control, as well as public facilities such as airports, mass transit systems, ports and parking.

Franklin Liberty Municipal Bond ETF

Principal Investments

According to the Registration Statement, the investment objective of the Fund will be to achieve a high level of current income that is exempt from federal income taxes. Under normal market conditions, the Fund will invest at least 80% of its net assets in Municipal Securities whose interest is free from federal income taxes, including the federal alternative minimum tax.

Although the Adviser will search for investments across a large number of Municipal Securities that finance different types of projects, from time to time, based on economic conditions, the Fund may have significant positions in Municipal Securities that finance similar types of projects.

According to the Registration Statement, the Fund may invest in one or more of the Municipal Securities listed above. The Fund will only buy Municipal Securities rated, at the time of purchase, in one of the top four ratings categories by one or more U.S. nationally recognized rating services (or comparable unrated or short-term rated securities).⁸ The Fund may not buy defaulted or distressed Municipal Securities.⁹

Non-Principal Investments

According to the Registration Statement, while each Fund, under normal market conditions, will invest at least 80% of its net assets in Municipal Securities whose interest is free from federal income taxes, including the federal alternative minimum tax, each Fund may invest up to 20% of its net assets in the securities that pay interest that may be subject to the federal alternative minimum tax and, although not anticipated, in securities that pay taxable interest, as described below.

With respect to up to 20% of its net assets, each Fund may invest in bank obligations;¹⁰ taxable commercial paper;¹¹ other investment companies¹²,

⁸ This limitation generally is applied at the time of purchase and a downgrade of a particular security below one of the top four ratings categories will not automatically cause the Fund to sell the security. The Adviser will, however, take such downgrade into account when analyzing the portfolio.

⁹ This limitation generally will be applied at the time of purchase and the Fund is not required to sell a Municipal Security that has defaulted or become distressed if the Adviser believes it is advantageous to continue holding the security.

¹⁰ Bank obligations include fixed, floating or variable rate certificates of deposit (CDs), letters of credit, time and savings deposits, bank notes and bankers' acceptances. CDs are negotiable certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified return. Time deposits are non-negotiable deposits that are held in a banking institution for a specified period of time at a stated interest rate. Savings deposits are deposits that do not have a specified maturity and may be withdrawn by the depositor at any time. Bankers' acceptances are negotiable drafts or bills of exchange normally drawn by an importer or exporter to pay for specific merchandise.

¹¹ Commercial paper is an unsecured, short-term loan to a corporation, typically for financing accounts receivable and inventory with maturities of up to 270 days.

including exchange-traded funds (“ETFs”)¹³; U.S. government securities;¹⁴ and unrated debt securities.¹⁵

The Franklin Liberty Intermediate Municipal Opportunities ETF may also invest in defaulted debt securities¹⁶ and high-yield debt securities.¹⁷

Each Fund may invest in taxable commercial paper only for temporary defensive purposes.

¹² Each Fund may invest in other investment companies to the extent permitted by the 1940 Act, Commission rules thereunder and exemptions thereto. Each Fund may also invest its cash balances in affiliated money market funds to the extent permitted by its investment policies and rules and exemptions granted under the 1940 Act.

¹³ The ETFs in which a Fund may invest include Investment Company Units (as described in NYSE Arca Equities Rule 5.2(j)(3)); Portfolio Depositary Receipts (as described in NYSE Arca Equities Rule 8.100); and Managed Fund Shares (as described in NYSE Arca Equities Rule 8.600). Such ETFs all will be listed and traded in the U.S. on registered exchanges.

¹⁴ U.S. government securities include obligations of, or guaranteed by, the U.S. federal government, its agencies, instrumentalities or sponsored enterprises. Some U.S. government securities are supported by the full faith and credit of the U.S. government. These include U.S. Treasury obligations and securities issued by the Government National Mortgage Association (GNMA). A second category of U.S. government securities are those supported by the right of the agency, instrumentality or sponsored enterprise to borrow from the U.S. government to meet its obligations. These include securities issued by Federal Home Loan Banks. A third category of U.S. government securities are those supported by only the credit of the issuing agency, instrumentality or sponsored enterprise. These include securities issued by the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC).

¹⁵ Debt securities or their issuers which are not rated by rating agencies, sometimes due to the size of or manner of the securities offering, the decision by one or more rating agencies not to rate certain securities or issuers as a matter of policy, or the unwillingness or inability of the issuer to provide the prerequisite information and fees to the rating agencies.

¹⁶ Investments in securities of issuers that are, or are about to be, involved in reorganizations, financial restructurings, or bankruptcy (generally referred to as “distressed debt”) typically involve the purchase of lower-rated or defaulted debt securities, comparable unrated debt securities, or other indebtedness of such issuers. The Franklin Liberty Municipal Bond ETF may not buy defaulted or distressed debt securities. However, the Franklin Liberty Municipal Bond ETF is

Investment Restrictions

According to the Registration Statement, a Fund may invest up to 100% of its assets in temporary defensive investments, including cash, cash equivalents or other high quality short-term investments, such as short-term debt instruments, including U.S. government securities, high grade commercial paper, repurchase agreements, negotiable certificates of deposit, non-negotiable fixed time deposits, bankers acceptances, and other money market equivalents. In addition, with respect to each of the Funds, on a temporary basis, during periods of high cash inflows or outflows,¹⁸ a Fund may depart from its principal investment strategies; for example, it may hold a higher than normal proportion of its assets in cash. During such periods, a Fund may not be able to achieve its investment objective. To the extent allowed by exemptions from and rules under the 1940 Act and a Fund's other investment policies and restrictions, the Adviser also may invest a Fund's assets in shares of one or more money market funds managed by the Adviser or its affiliates.

Each Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), consistent with Commission guidance. Each Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of a Fund's net assets are held in illiquid assets. Illiquid assets include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in

not required to sell a debt security that has defaulted or become distressed if the Adviser believes it is advantageous to continue holding the security.

¹⁷ High-yield or lower-rated debt securities are securities that have been rated by Moody's or S&P below their top four rating categories (e.g., BB or Ba and lower) and are considered below investment grade. The Franklin Liberty Municipal Bond ETF may not buy high-yield or lower-rated debt securities. This limitation generally is applied at the time of purchase and a downgrade of a particular security below one of the top four ratings categories will not automatically cause the Franklin Liberty Municipal Bond ETF to sell the security. The Adviser will, however, take such downgrade into account when analyzing the portfolio.

¹⁸ "Periods of high cash inflows or outflows," as used herein, mean rolling periods of seven calendar days during which inflows or outflows of cash, in the aggregate, exceed 10% of a Fund's net assets as of the opening of business on the first day of such periods.

accordance with Commission staff guidance.¹⁹

Each Fund intends to qualify for and to elect treatment as a separate regulated investment company under Subchapter M of the Internal Revenue Code of 1986.²⁰

Each Fund's investments will be consistent with its investment objective and will not be used to provide multiple returns of a benchmark or to produce leveraged returns. A Fund will not necessarily focus its investments in a particular state, and will not invest more than 15% of its total assets in Municipal Securities of any one state as discussed below.

Under normal market conditions, except for periods of high cash inflows or outflows,²¹ each Fund will satisfy the following criteria. Each Fund will have a minimum of 35 Municipal Securities holdings. After a Fund has at least \$100 million in assets, it will have a minimum of 75 Municipal Securities holdings. With respect to 75% of each Fund's total assets, no single Municipal Securities issuer will account for more than 3% of the weight of a Fund's portfolio. For the remaining portion of each Fund's assets, no single Municipal Securities issuer will account for more than 6% of the weight of a Fund's portfolio. Each Fund will limit its investments in Municipal Securities of any one state to 15% of a Fund's total assets and will be diversified among issuers in at least 10 states. Each Fund will limit its investments in Municipal Securities in any single sector to 25% of a Fund's total assets.²² Pre-refunded bonds will be excluded from the above limits

¹⁹ The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. See also, Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding "Restricted Securities"); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund's portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act).

²⁰ 26 U.S.C. 851.

²¹ See notes 7 and 18, supra, regarding the meaning of the terms "normal market conditions" and "periods of high cash inflows or outflows," respectively.

²² A Fund's investments in Municipal Securities will include investments in state and local (e.g., county, city, town) Municipal Securities relating to such sectors as

given that they have a high level of credit quality and liquidity.²³

Application of Generic Listing Requirements

The Exchange is submitting this proposed rule change because the portfolios for the Funds will not meet all of the “generic” listing requirements of Commentary .01 to NYSE Arca Equities Rule 8.600 applicable to the listing of Managed Fund Shares. Each Fund’s portfolio will meet all such requirements except for those set forth in Commentary .01(b)(1).²⁴

The Exchange believes that it is appropriate and in the public interest to approve listing and trading of Shares of the Funds on the Exchange notwithstanding that the Funds would not meet the requirements of Commentary .01(b)(1) to Rule 8.600 in that the Funds’ investments in Municipal Securities will be well-diversified. A Fund will not necessarily focus its investments in a particular state, and will not invest more than 15% of its total assets in Municipal Securities of any one state. As noted above, under normal market conditions, except for periods of high cash inflows or outflows,²⁵ each Fund will satisfy the following criteria. Each Fund will have a minimum of 35 Municipal Securities holdings. After a Fund has at least \$100 million in assets, it will have a minimum of 75 Municipal Securities holdings. With respect to 75% of each Fund’s total assets, no single Municipal Securities issuer will account for more than 3% of the weight of a Fund’s portfolio. For the remaining portion of each Fund’s assets, no single Municipal Securities issuer will account for more than 6% of the weight of a Fund’s portfolio. Each Fund will limit its investments in Municipal Securities of any one state to 15% of a Fund’s total assets and will be diversified among issuers

the following: dedicated tax; public power; tax increment; toll road; port revenue; airport revenue; water revenue; sewer revenue; higher education (colleges and universities); wastewater revenue; school districts; and sales tax revenue.

²³ Pre-refunded bonds (also known as refunded or escrow-secured bonds) have a high level of credit quality and liquidity because the issuer “pre-refunds” the bond by setting aside in advance all or a portion of the amount to be paid to the bondholders when the bond is called. Generally, an issuer uses the proceeds from a new bond issue to buy high grade, interest bearing debt securities, including direct obligations of the U.S. government, which are then deposited in an irrevocable escrow account held by a trustee bank to secure all future payments of principal and interest on the pre-refunded bonds.

²⁴ Commentary .01(b)(1) to NYSE Arca Equities Rule 8.600 provides that components that in the aggregate account for at least 75% of the fixed income weight of the portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.

²⁵ See notes 7 and 18, *supra*, regarding the meaning of the terms “normal market conditions” and “periods of high cash inflows or outflows,” respectively.

in at least 10 states. Each Fund will limit its investments in Municipal Securities in any single sector to 25% of a Fund's total assets. As noted above, pre-refunded bonds will be excluded from the above limits given that they have a high level of credit quality and liquidity.

The Exchange believes that permitting Fund Shares to be listed and traded on the Exchange notwithstanding that the components of a Fund's portfolio with a minimum original principal amount outstanding of \$100 million or more may in the aggregate account for less than 75% of the weight of a Fund's portfolio would provide the Funds with greater ability to select from a broad range of Municipal Securities, as described above, that would support a Fund's investment objective.

The Exchange believes that, notwithstanding that each Fund's portfolio may not satisfy Commentary .01(b)(1) to Rule 8.600, the Funds' portfolios will not be susceptible to manipulation. A Fund will not invest more than 15% of its total assets in Municipal Securities of any one state. In addition, each Fund's portfolio will be well-diversified in that each Fund will have a specified minimum number of Municipal Securities holdings and will be subject to percentage limitations on a Fund's total assets invested in Municipal Securities of individual issuers, states and sectors, as described above. The Exchange notes that, other than Commentary .01(b)(1) to Rule 8.600, each Fund's portfolio will meet all other requirements of Rule 8.600.

Creations and Redemptions

According to the Registration Statement, the Trust will issue and sell Shares of a Fund only in "Creation Units" in aggregations of 100,000 Shares per Creation Unit on a continuous basis through the Distributor or its agent, without a sales load, at a price based on a Fund's NAV next determined after receipt, on any "Business Day,"²⁶ of an order received by the Distributor or its agent in proper form. On days when the Exchange closes earlier than normal, a Fund may require orders to be placed earlier in the day.

In its discretion, the Adviser reserves the right to increase or decrease the number of a Fund's Shares that constitute a Creation Unit.

Creation of Fund Shares

The consideration for purchase of Creation Units of a Fund may consist of the "Deposit Securities" (i.e., the in-kind deposit of a designated portfolio of securities (including any portion of such securities for which cash may be substituted)) and the Cash Component computed as described below. Together, the Deposit Securities and the Cash Component constitute the "Fund Deposit,"

²⁶

A "Business Day" with respect to each Fund is any day the Exchange is open for business.

which will be applicable (subject to possible amendment or correction) to creation requests received in proper form. The Fund Deposit represents the minimum initial and subsequent investment amount for a Creation Unit of a Fund. Currently, a Fund's Shares generally will be offered in Creation Units solely for cash.

The "Cash Component" is an amount equal to the difference between the NAV of the Shares (per Creation Unit) and the "Deposit Amount," which is an amount equal to the market value of the Deposit Securities, and serves to compensate for any differences between the NAV per Creation Unit and the Deposit Amount.

Each Fund's current policy is to accept cash in substitution for the Deposit Securities it might otherwise accept as in-kind consideration for the purchase of Creation Units. A Fund may, at times, elect to receive Deposit Securities (i.e., the in-kind deposit of a designated portfolio of securities) and a Cash Component as consideration for the purchase of Creation Units. If a Fund elects to accept Deposit Securities, a purchaser's delivery of the Deposit Securities together with the Cash Component will constitute the "Fund Deposit," which will represent the consideration for a Creation Unit of a Fund.

The identity and number of shares of the Deposit Securities and the amount of the Cash Component changes pursuant to changes in the composition of a Fund's portfolio and as rebalancing adjustments and corporate action events are reflected from time to time by the Adviser with a view to the investment objective of a Fund. The composition of the Deposit Securities and the amount of the Cash Component may also change in response to adjustments to the weighting or composition of the component securities constituting a Fund's portfolio.

Each Fund reserves the right to permit or require the substitution of a "cash in lieu" amount to be added to the Cash Component to replace any Deposit Security that may not be available in sufficient quantity for delivery or that may not be eligible for transfer through the facilities of Depository Trust Company ("DTC") ("DTC Facilities") or the clearing process through the Continuous Net Settlement System of the National Securities Clearing Corporation ("NSCC") ("NSCC Clearing Process") (as discussed below), or that the Authorized Participant is not able to trade due to a trading restriction. Each Fund also reserves the right to permit or require a "cash in lieu" amount in certain circumstances, including circumstances in which: (i) the delivery of the Deposit Security by the Authorized Participant would be restricted under applicable securities or other local laws; (ii) the delivery of the Deposit Security to the Authorized Participant would result in the disposition of the Deposit Security by the Authorized Participant becoming restricted under applicable securities or other local laws; or (iii) in certain other situations.

When partial or full cash purchases of Creation Units are available or specified for a Fund (currently, Creation Units of each Fund are generally offered solely for

cash), they will be effected in essentially the same manner as in-kind purchases thereof. In the case of a partial or full cash purchase, the “Authorized Participant” (as defined below) must pay the cash equivalent of the Deposit Securities it would otherwise be required to provide through an in-kind purchase, plus the same Cash Component required to be paid by an in-kind purchaser.

To be eligible to place orders with the Distributor and to create a Creation Unit of a Fund, an entity must be: (i) a “Participating Party,” i.e., a broker-dealer or other participant in the NSCC Clearing Process, or (ii) a DTC Participant, and, in either case, must have executed an agreement with the Distributor with respect to creations and redemptions of Creation Units (Authorized Participant Agreement). A Participating Party or DTC Participant who has executed an Authorized Participant Agreement is referred to as an “Authorized Participant.” All Shares of a Fund, however created, will be entered on the records of DTC in the name of Cede & Co. for the account of a DTC Participant.

An Authorized Participant must submit an irrevocable order to purchase Shares of a Fund, in proper form, generally before 4 p.m., Eastern time on any Business Day in order to receive that day’s NAV. Creation Units may be purchased only by or through an Authorized Participant that has entered into an Authorized Participant Agreement with the Distributor.

An Authorized Participant must submit an irrevocable order to purchase Shares of a Fund, in proper form, generally before 4 p.m., Eastern time on any Business Day in order to receive that day’s NAV.

Redemption of Fund Shares

Shares of a Fund may be redeemed by Authorized Participants only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Distributor or its agent and only on a Business Day. A Fund will not redeem Shares in amounts less than Creation Units.

The Adviser will make available through the NSCC, prior to the opening of business on the Exchange on each Business Day, the designated portfolio of securities (including any portion of such securities for which cash may be substituted) that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form on that day (“Fund Securities”), and an amount of cash as described below (“Cash Amount”) (if any). Such Fund Securities and the corresponding Cash Amount (each subject to possible amendment or correction) are applicable in order to effect redemptions of Creation Units of a Fund until such time as the next announced composition of the Fund Securities and Cash Amount is made available. Fund Securities received on redemption may not be identical to Deposit Securities that are applicable to creations of Creation Units under certain circumstances.

Unless cash redemptions are available or specified for a Fund, the redemption proceeds for a Creation Unit generally consist of Fund Securities, plus the Cash Amount, which is an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after the receipt of a redemption request in proper form, and the value of Fund Securities, less a redemption transaction fee (as described below).

Each Fund may, in its sole discretion, substitute a “cash in lieu” amount to replace any Fund Security that may not be eligible for transfer through DTC Facilities or the NSCC Clearing Process or that the Authorized Participant is not able to trade due to a trading restriction. Each Fund also reserves the right to permit or require a “cash in lieu” amount in certain circumstances, including circumstances in which: (i) the delivery of a Fund Security to the Authorized Participant would be restricted under applicable securities or other local laws; (ii) the delivery of a Fund Security to the Authorized Participant would result in the disposition of the Fund Security by the Authorized Participant becoming restricted under applicable securities or other local laws; or (iii) in certain other situations. The amount of cash paid out in such cases will be equivalent to the value of the substituted security listed as a Fund Security. In the event that the Fund Securities have a value greater than the NAV of the Shares, a compensating cash payment equal to the difference is required to be made by or through an Authorized Participant by the redeeming shareholder. When partial or full cash redemptions of Creation Units are available or specified for a Fund (currently, Creation Units of each Fund are generally redeemed solely for cash), they will be effected in essentially the same manner as in-kind redemptions thereof. In the case of partial or full cash redemption, the Authorized Participant will receive the cash equivalent of the Fund Securities it would otherwise receive through an in-kind redemption, plus the same Cash Amount to be paid to an in-kind redeemer.

Redemption requests for Creation Units of a Fund must be submitted to the Distributor or its agent by or through an Authorized Participant. An Authorized Participant must submit an irrevocable request to redeem Shares of a Fund, in proper form, generally before 4 p.m., Eastern time on any Business Day, in order to receive that day’s NAV.

Net Asset Value

The NAV of each Fund will be determined by deducting a Fund’s liabilities from the total assets of the portfolio. The NAV per Share will be determined by dividing the total NAV of a Fund by the number of Shares outstanding.

Each Fund will calculate its NAV per Share each Business Day as of 1 p.m. Pacific time which normally coincides with the close of trading on the New York Stock Exchange (“NYSE”). Each Fund will not calculate its NAV on days the NYSE is closed for trading. If the NYSE has a scheduled early close or unscheduled early close, a Fund’s Share price would still be determined as of 1

p.m. Pacific time/4 p.m. Eastern time. Each Fund's NAV per Share will be available online at www.libertyshares.com.

Municipal Securities generally trade in the over-the-counter ("OTC") market rather than on a securities exchange. Each Fund's pricing services will use valuation models or matrix pricing to determine current value. In general, they will use information with respect to comparable bond and note transactions, quotations from bond dealers or by reference to other securities that are considered comparable in such characteristics as rating, interest rate and maturity date. Matrix pricing is considered a form of fair value pricing.

Each Fund generally will use two independent pricing services to assist in determining a current market value for each security. If market quotations are readily available for portfolio securities listed on a securities exchange, a Fund will value those securities at the last quoted sale price or the official closing price of the day, respectively, in accordance with valuation procedures approved by the Board of Trustees, or, if there is no reported sale, within the range of the most recent quoted bid and ask prices. Short-term debt instruments, including U.S. government securities, high grade commercial paper, repurchase agreements, negotiable certificates of deposit, non-negotiable fixed time deposits, bankers acceptances, and other money market equivalents will be valued at prices supplied by approved pricing services which are generally within the range of the most recent bid and ask prices.

Generally, trading in U.S. government securities and money market equivalents is substantially completed each day at various times before 1 p.m. Pacific time. The value of these securities used in computing the NAV will be determined as of such times. Each Fund will rely on third-party pricing vendors to provide evaluated prices that reflect current fair market value as of 1 p.m. Pacific time.

Each Fund has procedures, approved by the Board of Trustees, to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced (such as in the case of trade suspensions or halts, price movement limits set by certain foreign markets, and thinly traded or illiquid securities). Some methods for valuing these securities may include: fundamental analysis (earnings multiple, etc.), matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities. The Board of Trustees oversees the application of fair value pricing procedures.

ETFs will be valued at market value, which will generally be determined using the last reported official closing or last trading price on the exchange or market on which the security is primarily traded at the time of valuation or, if no sale has occurred, at the last quoted bid price on the primary market or exchange on which they are traded. If market prices are unavailable or a Fund believes that they are unreliable, or when the value of a security has been materially affected by events

occurring after the relevant market closes, a Fund will price those securities at fair value as determined in good faith using methods approved by the Funds' Board of Trustees.

Shares of non-exchange-traded open-end investment companies will be valued at their current day NAV published by the relevant fund.

Indicative Optimized Portfolio Value

Information regarding the intraday value of Shares of a Fund (the Indicative Optimized Portfolio Value" or "IOPV") will be disseminated every 15 seconds during the Exchange's Core Trading Session (normally 9:30 a.m. to 4:00 p.m. Eastern Time) by market data vendors or other information providers. The IOPV will be based on the current market value of the Fund's portfolio holdings that will form the basis for the Fund's calculation of NAV at the end of the Business Day, as disclosed on the Fund's website prior to that Business Day's commencement of trading. The IOPV will generally be determined by using both current market quotations and/or price quotations obtained from broker-dealers that may trade in the portfolio securities held by a Fund. A Fund's IOPV disseminated during the Exchange's Core Trading Session should not be viewed as a real-time update of a Fund's NAV, which is calculated only once a day.

Availability of Information

Each Fund's website (www.libertyshares.com), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Funds that may be downloaded. Each Fund's website will include additional quantitative information updated on a daily basis, including, for each Fund, (1) daily trading volume, the prior Business Day's NAV and market closing price or mid-point of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask Price"),²⁷ and a calculation of the premium or discount of the market closing price or Bid/Ask Price against the NAV, and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily market closing price or Bid/Ask Price against the NAV, within appropriate ranges, for the most recently completed calendar year, and the most recently completed calendar quarters since that year (or the life of a Fund, if shorter). On each Business Day, before commencement of trading in Shares in the Core Trading Session on the Exchange (ordinarily 9:30 a.m., Eastern Time), each Fund's website will disclose the Disclosed Portfolio²⁸ that will form the basis for

²⁷ The Bid/Ask Price of a Fund's Shares will be determined using the mid-point of the highest bid and the lowest offer on the Exchange as of the time of calculation of a Fund's NAV. The records relating to Bid/Ask Prices will be retained by each Fund and its service providers.

²⁸ The term "Disclosed Portfolio" is defined in NYSE Arca Equities Rule 8.600(c)(2).

a Fund's calculation of its NAV at the end of the Business Day.²⁹

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

In addition, a basket composition file, which includes the security names and share quantities, if applicable, required to be delivered in exchange for a Fund's Shares, together with estimates and actual cash components, will be publicly disseminated daily prior to the opening of the Exchange via the NSCC. The basket represents one Creation Unit of a Fund. The NAV of Shares of a Fund will normally be determined as of the close of the Core Trading Session on the Exchange (ordinarily 4 p.m. Eastern time) on each Business Day. Authorized Participants may refer to the basket composition file for information regarding securities and financial instruments that may comprise a Fund's basket on a given day.

Investors can also obtain each Fund's Statement of Additional Information ("SAI"), shareholder reports, Form N-CSR and Form N-SAR, filed twice a year. The Funds' SAI and shareholder reports will be available free upon request from the Trust, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's website at www.sec.gov. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers.

Quotation and last sale information for the Shares and for ETFs will be available via the Consolidated Tape Association ("CTA") high-speed line, and from the national securities exchange on which they are listed.

Quotation information from brokers and dealers or pricing services will be available for Municipal Securities, unrated debt securities, defaulted debt securities, high yield debt securities, and cash equivalents or other high quality short-term investments, including U.S. government securities, bank obligations and taxable commercial paper. Price information for money market funds and other investment companies will be available from the applicable investment company's website and from market data vendors. Pricing information regarding each other asset class in which a Fund will invest will generally be available

²⁹

Under accounting procedures followed by the Funds, trades made on the prior Business Day ("T") will be booked and reflected in NAV on the current Business Day ("T+1"). Accordingly, the Funds will be able to disclose at the beginning of the Business Day the portfolio that will form the basis for the NAV calculation at the end of the Business Day.

through nationally recognized data service providers through subscription agreements. In addition, the IOPV (which is the Portfolio Indicative Value, as defined in NYSE Arca Equities Rule 8.600(c)(3)), will be widely disseminated at least every 15 seconds during the Core Trading Session (ordinarily 9:30 a.m. to 4:00 p.m., Eastern Time) by one or more major market data vendors or other information providers.³⁰

Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of a Fund. Trading in Shares of a Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of the Funds may be halted.

Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4 a.m. to 8 p.m., Eastern Time in accordance with NYSE Arca Equities Rule 7.34 (Early, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, the minimum price variation ("MPV") for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

The Shares of each Fund will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600. Consistent with NYSE Arca Equities Rule 8.600(d)(2)(B)(ii), the Adviser will implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the actual components of a Fund's portfolio. The Exchange represents that, for initial and/or continued listing, a Fund will be in compliance with Rule 10A-3³¹ under the Act, as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares for each Fund will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share for each Fund

³⁰ Currently, it is the Exchange's understanding that several major market data vendors display and/or make widely available IOPVs taken from CTA or other data feeds.

³¹ 17 CFR 240.10A-3.

will be calculated daily and that the NAV and the Disclosed Portfolio for each Fund will be made available to all market participants at the same time. Each Fund's investments will be consistent with a Fund's investment objective and will not be used to enhance leverage.

Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by the Exchange, as well as cross-market surveillances administered by Financial Industry Regulatory Authority ("FINRA") on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.³²

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.³³

The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares and ETFs with other markets and other entities that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares and ETFs from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and ETFs from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by a Fund reported to FINRA's Trade Reporting and Compliance Engine ("TRACE"). FINRA also can access data obtained from the Municipal Securities Rulemaking Board ("MSRB") relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

³² FINRA conducts cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA's performance under this regulatory services agreement.

³³ For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all components of the Disclosed Portfolio may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

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

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

Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders in an Information Bulletin (“Bulletin”) of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (2) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its Equity Trading Permit Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) the risks involved in trading the Shares during the Early and Late Trading Sessions when an updated IOPV will not be calculated or publicly disseminated; (4) how information regarding the IOPV and the Disclosed Portfolio is disseminated; (5) the requirement that Equity Trading Permit Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

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

(b) Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)³⁴ that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

³⁴

15 U.S.C. 78f(b)(5).

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Equities Rule 8.600. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares and ETFs with other markets and other entities that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares and ETFs from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and ETFs from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by a Fund reported to TRACE. FINRA also can access data obtained from the MSRB relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares. Each Fund may not purchase illiquid assets if, in the aggregate, more than 15% of its net assets would be invested in illiquid assets. Each Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of a Fund's net assets are held in illiquid assets. The Adviser is not registered as a broker-dealer but is affiliated with a broker-dealer and will implement and maintain a fire wall with respect to each of its relevant personnel or broker-dealer affiliate regarding access to information concerning the composition and/or changes to the portfolios.

The Exchange believes that it is appropriate and in the public interest to approve listing and trading of Shares of the Funds on the Exchange notwithstanding that the Funds would not meet the requirements of Commentary .01(b)(1) to Rule 8.600 in that the Funds' investments in Municipal Securities will be well-diversified. As noted above, under normal market conditions, except for periods of high cash inflows or outflows, each Fund will satisfy the following criteria. Each Fund will have a minimum of 35 Municipal Securities holdings. After a Fund has at least \$100 million in assets, it will have a minimum of 75 Municipal Securities holdings. With respect to 75% of each Fund's total assets, no single Municipal Securities issuer will account for more than 3% of the weight of a Fund's portfolio. For the remaining portion of each Fund's assets, no single Municipal Securities issuer will account for more than 6% of the weight of a Fund's portfolio. Each Fund will limit its investments in Municipal Securities of any one state to 15% of a Fund's total assets and will be diversified among issuers in at least 10 states. Each Fund will limit its investments in Municipal Securities in any single sector to 25% of a Fund's total assets. The Exchange believes it

would be appropriate to exclude pre-refunded bonds from the above limits given that they have a high level of credit quality and liquidity. In addition, other than Commentary .01(b)(1) to Rule 8.600, each Fund's portfolio will meet all other requirements of Rule 8.600.

The Exchange believes that permitting Fund Shares to be listed and traded on the Exchange notwithstanding that the components of a Fund's portfolio with a minimum original principal amount outstanding of \$100 million or more may in the aggregate account for less than 75% of the weight of a Fund's portfolio would provide the Funds with greater ability to select from a broad range of Municipal Securities, as described above, that would support a Fund's investment objective. The Exchange believes further that, notwithstanding that each Fund's portfolio may not satisfy Commentary .01(b)(1) to Rule 8.600, the Funds' portfolios will not be susceptible to manipulation. A Fund will not invest more than 15% of its total assets in Municipal Securities of any one state. In addition, each Fund's portfolio will be well-diversified in that each Fund will have a specified minimum number of Municipal Securities holdings and will be subject to percentage limitations on a Fund's total assets invested in Municipal Securities of individual issuers, states and sectors, as described above.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of the Shares that the NAV per Share for each Fund will be calculated daily and that the NAV and the Disclosed Portfolio for each Fund will be made available to all market participants at the same time. In addition, a large amount of information is publicly available regarding each Fund and the Shares, thereby promoting market transparency. Quotation and last sale information for the Shares and ETFs will be available via the CTA high-speed line, and from the national securities exchange on which they are listed. Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Trading in Shares of the Funds will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of the Funds may be halted. In addition, as noted above, investors will have ready access to information regarding the Funds' holdings, the IOPV, the Disclosed Portfolio, and quotation and last sale information for the Shares.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of additional types of actively-managed exchange-traded products that principally hold municipal bonds and that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures

relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information regarding each Fund's holdings, IOPV, Disclosed Portfolio, and quotation and last sale information for the Shares.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of additional types of actively-managed exchange-traded products that principally hold municipal bonds and that will enhance competition among market participants, 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

The Exchange does not consent at this time to an extension of any time period for Commission action.

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 Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

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 - Form of Notice of Proposed Rule Change for Federal Register

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NYSEARCA-2017-48; Amendment No. 1)

[Date]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to the Listing and Trading of Shares of the Franklin Liberty Intermediate Municipal Opportunities ETF and Franklin Liberty Municipal Bond ETF under NYSE Arca Equities Rule 8.600

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on May 8, 2017, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) 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 self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to list and trade shares of the Franklin Liberty Intermediate Municipal Opportunities ETF and Franklin Liberty Municipal Bond ETF (each a “Fund” and, collectively, the “Funds”) under NYSE Arca Equities Rule 8.600 (“Managed Fund Shares”). The proposed change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C.78s(b)(1).

² 15 U.S.C. 78a.

³ 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 self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange proposes to list and trade shares (“Shares”) of each Fund under NYSE Arca Equities Rule 8.600,⁴ which governs the listing and trading of Managed Fund Shares.⁵ The Shares will be offered by the Franklin Templeton ETF Trust (the

⁴ The Securities and Exchange Commission (“Commission”) has approved for Exchange listing and trading shares of actively managed funds that principally hold municipal bonds. *See, e.g.*, Securities Exchange Act Release Nos. 60981 (November 10, 2009), 74 FR 59594 (November 18, 2009) (SR-NYSEArca-2009-79) (order approving listing and trading of shares of the PIMCO Short-Term Municipal Bond Strategy Fund and PIMCO Intermediate Municipal Bond Strategy Fund); 79293 (November 10, 2016), 81 FR 81189 (November 17, 2016) (SR-NYSEArca-2016-107) (order approving listing and trading of shares of Cumberland Municipal Bond ETF under Rule 8.600). The Commission also has approved listing and trading on the Exchange of shares of the SPDR Nuveen S&P High Yield Municipal Bond Fund under Commentary .02 of NYSE Arca Equities Rule 5.2(j)(3). *See* Securities Exchange Act Release No.63881 (February 9, 2011), 76 FR 9065 (February 16, 2011) (SR-NYSEArca-2010-120).

⁵ A Managed Fund Share is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Investment Company Units, listed and traded on

“Trust”), which is registered with the Commission as an open-end management investment company.⁶ Each Fund is a series of the Trust.

The investment adviser to each Fund will be Franklin Advisers, Inc. (the “Adviser”). Franklin Templeton Distributors, Inc. will serve as the distributor (the “Distributor”) of each Fund’s Shares on an agency basis. Franklin Templeton Services, LLC will serve as the administrator and State Street Bank and Trust Company will serve as the sub-administrator, custodian and transfer agent for each Fund.

Commentary .06 to Rule 8.600 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 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.⁷ In addition, Commentary .06 further

the Exchange under NYSE Arca Equities Rule 5.2(j)(3), seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

⁶ The Trust is registered under the 1940 Act. On March 23, 2017, the Trust filed with the Commission an amendment to its registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) (“Securities Act”), and under the 1940 Act relating to the Funds (File Nos. 333-208873 and 811-23124) (“Registration Statement”). The description of the operation of the Trust and the Funds herein is based, in part, on the Registration Statement. In addition, the Commission has issued an order granting certain exemptive relief to the Trust, Franklin Advisers, Inc. and Franklin Templeton Distributors, Inc. under the 1940 Act. See Investment Company Act Release No. 30350 (January 15, 2013) (File No. 812-14042) (“Exemptive Order”).

This Amendment No. 1 to SR-NYSEArca-2017-48 replaces SR-NYSEArca-2017-48 as originally filed and supersedes such filing in its entirety.

⁷ 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

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

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.

Franklin Liberty Intermediate Municipal Opportunities ETFPrincipal Investments

According to the Registration Statement, the investment objective of the Fund will be to achieve a high level of current income that is exempt from federal income taxes. Under normal market conditions,⁸ the Fund will invest at least 80% of its net assets in municipal securities whose interest is free from federal income taxes, including the federal alternative minimum tax.

The Fund may invest in municipal securities rated in any rating category by U.S. nationally recognized rating services (or comparable unrated or short-term rated securities), including below investment grade and defaulted securities and securities of issuers that are, or are about to be, involved in reorganizations, financial restructurings, or bankruptcy (generally referred to as “distressed debt”). Such investments typically involve the purchase of lower-rated or defaulted debt securities, comparable unrated debt securities, or other indebtedness (or participations in the indebtedness) of such issuers. Although the Adviser will search for investments across a large number of municipal securities that finance different types of projects, from time to time, based on economic conditions, the Fund may have significant positions in municipal securities that finance similar types of projects.

According to the Registration Statement, the Funds may invest in one or more of the following municipal securities (“Municipal Securities”):

- General obligation bonds, which are typically issued by states, counties, cities, towns and regional districts and backed by the issuer's pledge of its

⁸ The term “normal market conditions” is defined in NYSE Arca Equities Rule 8.600 (c)(5).

full faith, credit and taxing power for the payment of principal and interest.

- Revenue bonds, which are generally backed by the net revenue derived from a particular facility, group of facilities, or, in some cases, the proceeds of a special excise tax or other specific revenue source.
- Anticipation notes, including bond, revenue and tax anticipation notes, which are issued to provide interim financing of various municipal needs in anticipation of the receipt of other sources of money for repayment of the notes.
- Insured Municipal Securities, which are covered by insurance policies that guarantee the timely payment of principal and interest. When beneficial, a Fund may purchase insurance for an uninsured bond directly from a qualified municipal bond insurer, in which case a Fund pays the insurance premium directly to the insurance company.
- Municipal lease obligations, which generally are issued to support a government's infrastructure by financing or refinancing equipment or property acquisitions or the construction, expansion or rehabilitation of public facilities. A Fund may also gain exposure to municipal lease obligations through certificates of participation, which represent a proportionate interest in the payments under a specified lease or leases.
- Municipal Securities that are issued on a when-issued or delayed delivery basis.

- Variable and floating rate securities, including variable rate demand notes, municipal inflation protected securities, index-based floating rate securities, and auction rate securities, which have interest rates that change either at specific intervals from daily up to semi-annually, or whenever a benchmark rate changes.
- Pre-refunded bonds, which are outstanding debt securities that are not immediately callable (redeemable) by the issuer but have been "pre-refunded" by the issuer.
- Zero coupon bonds (including convertible and step coupon bonds) and deferred interest securities.
- Stripped securities, which are debt securities that have been transformed from a principal amount with periodic interest coupons into a series of zero coupon bonds, each with a different maturity date corresponding to one of the payment dates for interest coupon payments or the redemption date for the principal amount.
- Mandatory tender (mandatory put) Municipal Securities, which may be sold with a requirement that a holder of a security surrender the security to the issuer or its agent for cash at a date prior to the stated maturity.
- Callable securities, which give the issuer the right to redeem the security on a given date or dates (known as the call dates) prior to maturity.
- Tax-exempt commercial paper, which typically represents an unsecured short-term obligation (270 days or less) issued by a municipality.

- Tax-exempt or qualified private activity and industrial development revenue bonds, which are typically issued by or on behalf of public authorities to finance various privately operated facilities which are expected to benefit the municipality and its residents, such as business, manufacturing, housing, sports and pollution control, as well as public facilities such as airports, mass transit systems, ports and parking.

Franklin Liberty Municipal Bond ETF

Principal Investments

According to the Registration Statement, the investment objective of the Fund will be to achieve a high level of current income that is exempt from federal income taxes. Under normal market conditions, the Fund will invest at least 80% of its net assets in Municipal Securities whose interest is free from federal income taxes, including the federal alternative minimum tax.

Although the Adviser will search for investments across a large number of Municipal Securities that finance different types of projects, from time to time, based on economic conditions, the Fund may have significant positions in Municipal Securities that finance similar types of projects.

According to the Registration Statement, the Fund may invest in one or more of the Municipal Securities listed above. The Fund will only buy Municipal Securities rated, at the time of purchase, in one of the top four ratings categories by one or more U.S. nationally recognized rating services (or comparable unrated or short-term rated securities).⁹ The Fund may not buy defaulted or distressed Municipal Securities.¹⁰

⁹ This limitation generally is applied at the time of purchase and a downgrade of a

Non-Principal Investments

According to the Registration Statement, while each Fund, under normal market conditions, will invest at least 80% of its net assets in Municipal Securities whose interest is free from federal income taxes, including the federal alternative minimum tax, each Fund may invest up to 20% of its net assets in the securities that pay interest that may be subject to the federal alternative minimum tax and, although not anticipated, in securities that pay taxable interest, as described below.

With respect to up to 20% of its net assets, each Fund may invest in bank obligations;¹¹ taxable commercial paper;¹² other investment companies¹³, including

particular security below one of the top four ratings categories will not automatically cause the Fund to sell the security. The Adviser will, however, take such downgrade into account when analyzing the portfolio.

¹⁰ This limitation generally will be applied at the time of purchase and the Fund is not required to sell a Municipal Security that has defaulted or become distressed if the Adviser believes it is advantageous to continue holding the security.

¹¹ Bank obligations include fixed, floating or variable rate certificates of deposit (CDs), letters of credit, time and savings deposits, bank notes and bankers' acceptances. CDs are negotiable certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified return. Time deposits are non-negotiable deposits that are held in a banking institution for a specified period of time at a stated interest rate. Savings deposits are deposits that do not have a specified maturity and may be withdrawn by the depositor at any time. Bankers' acceptances are negotiable drafts or bills of exchange normally drawn by an importer or exporter to pay for specific merchandise.

¹² Commercial paper is an unsecured, short-term loan to a corporation, typically for financing accounts receivable and inventory with maturities of up to 270 days. Each Fund may invest in taxable commercial paper only for temporary defensive purposes.

¹³ Each Fund may invest in other investment companies to the extent permitted by the 1940 Act, Commission rules thereunder and exemptions thereto. Each Fund may also invest its cash balances in affiliated money market funds to the extent permitted by its investment policies and rules and exemptions granted under the 1940 Act.

exchange-traded funds (“ETFs”)¹⁴; U.S. government securities;¹⁵ and unrated debt securities.¹⁶

The Franklin Liberty Intermediate Municipal Opportunities ETF may also invest in defaulted debt securities¹⁷ and high-yield debt securities.¹⁸

¹⁴ The ETFs in which a Fund may invest include Investment Company Units (as described in NYSE Arca Equities Rule 5.2(j)(3)); Portfolio Depositary Receipts (as described in NYSE Arca Equities Rule 8.100); and Managed Fund Shares (as described in NYSE Arca Equities Rule 8.600). Such ETFs all will be listed and traded in the U.S. on registered exchanges.

¹⁵ U.S. government securities include obligations of, or guaranteed by, the U.S. federal government, its agencies, instrumentalities or sponsored enterprises. Some U.S. government securities are supported by the full faith and credit of the U.S. government. These include U.S. Treasury obligations and securities issued by the Government National Mortgage Association (GNMA). A second category of U.S. government securities are those supported by the right of the agency, instrumentality or sponsored enterprise to borrow from the U.S. government to meet its obligations. These include securities issued by Federal Home Loan Banks. A third category of U.S. government securities are those supported by only the credit of the issuing agency, instrumentality or sponsored enterprise. These include securities issued by the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC).

¹⁶ Debt securities or their issuers which are not rated by rating agencies, sometimes due to the size of or manner of the securities offering, the decision by one or more rating agencies not to rate certain securities or issuers as a matter of policy, or the unwillingness or inability of the issuer to provide the prerequisite information and fees to the rating agencies.

¹⁷ Investments in securities of issuers that are, or are about to be, involved in reorganizations, financial restructurings, or bankruptcy (generally referred to as “distressed debt”) typically involve the purchase of lower-rated or defaulted debt securities, comparable unrated debt securities, or other indebtedness of such issuers. The Franklin Liberty Municipal Bond ETF may not buy defaulted or distressed debt securities. However, the Franklin Liberty Municipal Bond ETF is not required to sell a debt security that has defaulted or become distressed if the Adviser believes it is advantageous to continue holding the security.

¹⁸ High-yield or lower-rated debt securities are securities that have been rated by Moody’s or S&P below their top four rating categories (e.g., BB or Ba and lower) and are considered below investment grade. The Franklin Liberty Municipal Bond ETF may not buy high-yield or lower-rated debt securities. This limitation generally is applied at the time of purchase and a downgrade of a particular

Investment Restrictions

According to the Registration Statement, a Fund may invest up to 100% of its assets in temporary defensive investments, including cash, cash equivalents or other high quality short-term investments, such as short-term debt instruments, including U.S. government securities, high grade commercial paper, repurchase agreements, negotiable certificates of deposit, non-negotiable fixed time deposits, bankers acceptances, and other money market equivalents. In addition, with respect to each of the Funds, on a temporary basis, during periods of high cash inflows or outflows,¹⁹ a Fund may depart from its principal investment strategies; for example, it may hold a higher than normal proportion of its assets in cash. During such periods, a Fund may not be able to achieve its investment objective. To the extent allowed by exemptions from and rules under the 1940 Act and a Fund's other investment policies and restrictions, the Adviser also may invest a Fund's assets in shares of one or more money market funds managed by the Adviser or its affiliates.

Each Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), consistent with Commission guidance. Each Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a

security below one of the top four ratings categories will not automatically cause the Franklin Liberty Municipal Bond ETF to sell the security. The Adviser will, however, take such downgrade into account when analyzing the portfolio.

¹⁹ “Periods of high cash inflows or outflows,” as used herein, mean rolling periods of seven calendar days during which inflows or outflows of cash, in the aggregate, exceed 10% of a Fund’s net assets as of the opening of business on the first day of such periods.

change in values, net assets, or other circumstances, more than 15% of a Fund’s net assets are held in illiquid assets. Illiquid assets include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.²⁰

Each Fund intends to qualify for and to elect treatment as a separate regulated investment company under Subchapter M of the Internal Revenue Code of 1986.²¹

Each Fund’s investments will be consistent with its investment objective and will not be used to provide multiple returns of a benchmark or to produce leveraged returns. A Fund will not necessarily focus its investments in a particular state, and will not invest more than 15% of its total assets in Municipal Securities of any one state as discussed below.

Under normal market conditions, except for periods of high cash inflows or outflows,²² each Fund will satisfy the following criteria. Each Fund will have a

²⁰ The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. See also, Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding “Restricted Securities”); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund’s portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act).

²¹ 26 U.S.C. 851.

²² See notes 8 and 19, supra, regarding the meaning of the terms “normal market conditions” and “periods of high cash inflows or outflows,” respectively.

minimum of 35 Municipal Securities holdings. After a Fund has at least \$100 million in assets, it will have a minimum of 75 Municipal Securities holdings. With respect to 75% of each Fund's total assets, no single Municipal Securities issuer will account for more than 3% of the weight of a Fund's portfolio. For the remaining portion of each Fund's assets, no single Municipal Securities issuer will account for more than 6% of the weight of a Fund's portfolio. Each Fund will limit its investments in Municipal Securities of any one state to 15% of a Fund's total assets and will be diversified among issuers in at least 10 states. Each Fund will limit its investments in Municipal Securities in any single sector to 25% of a Fund's total assets.²³ Pre-refunded bonds will be excluded from the above limits given that they have a high level of credit quality and liquidity.²⁴

Application of Generic Listing Requirements

The Exchange is submitting this proposed rule change because the portfolios for the Funds will not meet all of the "generic" listing requirements of Commentary .01 to NYSE Arca Equities Rule 8.600 applicable to the listing of Managed Fund Shares. Each Fund's portfolio will meet all such requirements except for those set forth in

²³ A Fund's investments in Municipal Securities will include investments in state and local (e.g., county, city, town) Municipal Securities relating to such sectors as the following: dedicated tax; public power; tax increment; toll road; port revenue; airport revenue; water revenue; sewer revenue; higher education (colleges and universities); wastewater revenue; school districts; and sales tax revenue.

²⁴ Pre-refunded bonds (also known as refunded or escrow-secured bonds) have a high level of credit quality and liquidity because the issuer "pre-refunds" the bond by setting aside in advance all or a portion of the amount to be paid to the bondholders when the bond is called. Generally, an issuer uses the proceeds from a new bond issue to buy high grade, interest bearing debt securities, including direct obligations of the U.S. government, which are then deposited in an irrevocable escrow account held by a trustee bank to secure all future payments of principal and interest on the pre-refunded bonds.

Commentary .01(b)(1).²⁵

The Exchange believes that it is appropriate and in the public interest to approve listing and trading of Shares of the Funds on the Exchange notwithstanding that the Funds would not meet the requirements of Commentary .01(b)(1) to Rule 8.600 in that the Funds' investments in Municipal Securities will be well-diversified. A Fund will not necessarily focus its investments in a particular state, and will not invest more than 15% of its total assets in Municipal Securities of any one state. As noted above, under normal market conditions, except for periods of high cash inflows or outflows,²⁶ each Fund will satisfy the following criteria. Each Fund will have a minimum of 35 Municipal Securities holdings. After a Fund has at least \$100 million in assets, it will have a minimum of 75 Municipal Securities holdings. With respect to 75% of each Fund's total assets, no single Municipal Securities issuer will account for more than 3% of the weight of a Fund's portfolio. For the remaining portion of each Fund's assets, no single Municipal Securities issuer will account for more than 6% of the weight of a Fund's portfolio. Each Fund will limit its investments in Municipal Securities of any one state to 15% of a Fund's total assets and will be diversified among issuers in at least 10 states. Each Fund will limit its investments in Municipal Securities in any single sector to 25% of a Fund's total assets. As noted above, pre-refunded bonds will be excluded from the above limits given that they have a high level of credit quality and liquidity.

²⁵ Commentary .01(b)(1) to NYSE Arca Equities Rule 8.600 provides that components that in the aggregate account for at least 75% of the fixed income weight of the portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.

²⁶ See notes 8 and 19, *supra*, regarding the meaning of the terms "normal market conditions" and "periods of high cash inflows or outflows," respectively.

The Exchange believes that permitting Fund Shares to be listed and traded on the Exchange notwithstanding that the components of a Fund's portfolio with a minimum original principal amount outstanding of \$100 million or more may in the aggregate account for less than 75% of the weight of a Fund's portfolio would provide the Funds with greater ability to select from a broad range of Municipal Securities, as described above, that would support a Fund's investment objective.

The Exchange believes that, notwithstanding that each Fund's portfolio may not satisfy Commentary .01(b)(1) to Rule 8.600, the Funds' portfolios will not be susceptible to manipulation. A Fund will not invest more than 15% of its total assets in Municipal Securities of any one state. In addition, each Fund's portfolio will be well-diversified in that each Fund will have a specified minimum number of Municipal Securities holdings and will be subject to percentage limitations on a Fund's total assets invested in Municipal Securities of individual issuers, states and sectors, as described above. The Exchange notes that, other than Commentary .01(b)(1) to Rule 8.600, each Fund's portfolio will meet all other requirements of Rule 8.600.

Creations and Redemptions

According to the Registration Statement, the Trust will issue and sell Shares of a Fund only in "Creation Units" in aggregations of 100,000 Shares per Creation Unit on a continuous basis through the Distributor or its agent, without a sales load, at a price based on a Fund's NAV next determined after receipt, on any "Business Day,"²⁷ of an order received by the Distributor or its agent in proper form. On days when the Exchange closes earlier than normal, a Fund may require orders to be placed earlier in the day.

²⁷ A "Business Day" with respect to each Fund is any day the Exchange is open for business.

In its discretion, the Adviser reserves the right to increase or decrease the number of a Fund's Shares that constitute a Creation Unit.

Creation of Fund Shares

The consideration for purchase of Creation Units of a Fund may consist of the "Deposit Securities" (i.e., the in-kind deposit of a designated portfolio of securities (including any portion of such securities for which cash may be substituted)) and the Cash Component computed as described below. Together, the Deposit Securities and the Cash Component constitute the "Fund Deposit," which will be applicable (subject to possible amendment or correction) to creation requests received in proper form. The Fund Deposit represents the minimum initial and subsequent investment amount for a Creation Unit of a Fund. Currently, a Fund's Shares generally will be offered in Creation Units solely for cash.

The "Cash Component" is an amount equal to the difference between the NAV of the Shares (per Creation Unit) and the "Deposit Amount," which is an amount equal to the market value of the Deposit Securities, and serves to compensate for any differences between the NAV per Creation Unit and the Deposit Amount.

Each Fund's current policy is to accept cash in substitution for the Deposit Securities it might otherwise accept as in-kind consideration for the purchase of Creation Units. A Fund may, at times, elect to receive Deposit Securities (i.e., the in-kind deposit of a designated portfolio of securities) and a Cash Component as consideration for the purchase of Creation Units. If a Fund elects to accept Deposit Securities, a purchaser's delivery of the Deposit Securities together with the Cash Component will constitute the "Fund Deposit," which will represent the consideration for a Creation Unit of a Fund.

The identity and number of shares of the Deposit Securities and the amount of the Cash Component changes pursuant to changes in the composition of a Fund's portfolio and as rebalancing adjustments and corporate action events are reflected from time to time by the Adviser with a view to the investment objective of a Fund. The composition of the Deposit Securities and the amount of the Cash Component may also change in response to adjustments to the weighting or composition of the component securities constituting a Fund's portfolio.

Each Fund reserves the right to permit or require the substitution of a "cash in lieu" amount to be added to the Cash Component to replace any Deposit Security that may not be available in sufficient quantity for delivery or that may not be eligible for transfer through the facilities of Depository Trust Company ("DTC") ("DTC Facilities") or the clearing process through the Continuous Net Settlement System of the National Securities Clearing Corporation ("NSCC") ("NSCC Clearing Process") (as discussed below), or that the Authorized Participant is not able to trade due to a trading restriction. Each Fund also reserves the right to permit or require a "cash in lieu" amount in certain circumstances, including circumstances in which: (i) the delivery of the Deposit Security by the Authorized Participant would be restricted under applicable securities or other local laws; (ii) the delivery of the Deposit Security to the Authorized Participant would result in the disposition of the Deposit Security by the Authorized Participant becoming restricted under applicable securities or other local laws; or (iii) in certain other situations.

When partial or full cash purchases of Creation Units are available or specified for a Fund (currently, Creation Units of each Fund are generally offered solely for cash),

they will be effected in essentially the same manner as in-kind purchases thereof. In the case of a partial or full cash purchase, the “Authorized Participant” (as defined below) must pay the cash equivalent of the Deposit Securities it would otherwise be required to provide through an in-kind purchase, plus the same Cash Component required to be paid by an in-kind purchaser.

To be eligible to place orders with the Distributor and to create a Creation Unit of a Fund, an entity must be: (i) a “Participating Party,” i.e., a broker-dealer or other participant in the NSCC Clearing Process, or (ii) a DTC Participant, and, in either case, must have executed an agreement with the Distributor with respect to creations and redemptions of Creation Units (Authorized Participant Agreement). A Participating Party or DTC Participant who has executed an Authorized Participant Agreement is referred to as an “Authorized Participant.” All Shares of a Fund, however created, will be entered on the records of DTC in the name of Cede & Co. for the account of a DTC Participant.

An Authorized Participant must submit an irrevocable order to purchase Shares of a Fund, in proper form, generally before 4 p.m., Eastern time on any Business Day in order to receive that day’s NAV. Creation Units may be purchased only by or through an Authorized Participant that has entered into an Authorized Participant Agreement with the Distributor.

An Authorized Participant must submit an irrevocable order to purchase Shares of a Fund, in proper form, generally before 4 p.m., Eastern time on any Business Day in order to receive that day’s NAV.

Redemption of Fund Shares

Shares of a Fund may be redeemed by Authorized Participants only in Creation

Units at their NAV next determined after receipt of a redemption request in proper form by the Distributor or its agent and only on a Business Day. A Fund will not redeem Shares in amounts less than Creation Units.

The Adviser will make available through the NSCC, prior to the opening of business on the Exchange on each Business Day, the designated portfolio of securities (including any portion of such securities for which cash may be substituted) that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form on that day (“Fund Securities”), and an amount of cash as described below (“Cash Amount”) (if any). Such Fund Securities and the corresponding Cash Amount (each subject to possible amendment or correction) are applicable in order to effect redemptions of Creation Units of a Fund until such time as the next announced composition of the Fund Securities and Cash Amount is made available. Fund Securities received on redemption may not be identical to Deposit Securities that are applicable to creations of Creation Units under certain circumstances.

Unless cash redemptions are available or specified for a Fund, the redemption proceeds for a Creation Unit generally consist of Fund Securities, plus the Cash Amount, which is an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after the receipt of a redemption request in proper form, and the value of Fund Securities, less a redemption transaction fee (as described below).

Each Fund may, in its sole discretion, substitute a “cash in lieu” amount to replace any Fund Security that may not be eligible for transfer through DTC Facilities or the NSCC Clearing Process or that the Authorized Participant is not able to trade due to a trading restriction. Each Fund also reserves the right to permit or require a “cash in lieu”

amount in certain circumstances, including circumstances in which: (i) the delivery of a Fund Security to the Authorized Participant would be restricted under applicable securities or other local laws; (ii) the delivery of a Fund Security to the Authorized Participant would result in the disposition of the Fund Security by the Authorized Participant becoming restricted under applicable securities or other local laws; or (iii) in certain other situations. The amount of cash paid out in such cases will be equivalent to the value of the substituted security listed as a Fund Security. In the event that the Fund Securities have a value greater than the NAV of the Shares, a compensating cash payment equal to the difference is required to be made by or through an Authorized Participant by the redeeming shareholder. When partial or full cash redemptions of Creation Units are available or specified for a Fund (currently, Creation Units of each Fund are generally redeemed solely for cash), they will be effected in essentially the same manner as in-kind redemptions thereof. In the case of partial or full cash redemption, the Authorized Participant will receive the cash equivalent of the Fund Securities it would otherwise receive through an in-kind redemption, plus the same Cash Amount to be paid to an in-kind redeemer.

Redemption requests for Creation Units of a Fund must be submitted to the Distributor or its agent by or through an Authorized Participant. An Authorized Participant must submit an irrevocable request to redeem Shares of a Fund, in proper form, generally before 4 p.m., Eastern time on any Business Day, in order to receive that day's NAV.

Net Asset Value

The NAV of each Fund will be determined by deducting a Fund's liabilities from

the total assets of the portfolio. The NAV per Share will be determined by dividing the total NAV of a Fund by the number of Shares outstanding.

Each Fund will calculate its NAV per Share each Business Day as of 1 p.m. Pacific time which normally coincides with the close of trading on the New York Stock Exchange (“NYSE”). Each Fund will not calculate its NAV on days the NYSE is closed for trading. If the NYSE has a scheduled early close or unscheduled early close, a Fund’s Share price would still be determined as of 1 p.m. Pacific time/4 p.m. Eastern time. Each Fund’s NAV per Share will be available online at www.libertyshares.com.

Municipal Securities generally trade in the over-the-counter (“OTC”) market rather than on a securities exchange. Each Fund’s pricing services will use valuation models or matrix pricing to determine current value. In general, they will use information with respect to comparable bond and note transactions, quotations from bond dealers or by reference to other securities that are considered comparable in such characteristics as rating, interest rate and maturity date. Matrix pricing is considered a form of fair value pricing.

Each Fund generally will use two independent pricing services to assist in determining a current market value for each security. If market quotations are readily available for portfolio securities listed on a securities exchange, a Fund will value those securities at the last quoted sale price or the official closing price of the day, respectively, in accordance with valuation procedures approved by the Board of Trustees, or, if there is no reported sale, within the range of the most recent quoted bid and ask prices. Short-term debt instruments, including U.S. government securities, high grade commercial paper, repurchase agreements, negotiable certificates of deposit, non-negotiable fixed

time deposits, bankers acceptances, and other money market equivalents will be valued at prices supplied by approved pricing services which are generally within the range of the most recent bid and ask prices.

Generally, trading in U.S. government securities and money market equivalents is substantially completed each day at various times before 1 p.m. Pacific time. The value of these securities used in computing the NAV will be determined as of such times. Each Fund will rely on third-party pricing vendors to provide evaluated prices that reflect current fair market value as of 1 p.m. Pacific time.

Each Fund has procedures, approved by the Board of Trustees, to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced (such as in the case of trade suspensions or halts, price movement limits set by certain foreign markets, and thinly traded or illiquid securities). Some methods for valuing these securities may include: fundamental analysis (earnings multiple, etc.), matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities. The Board of Trustees oversees the application of fair value pricing procedures.

ETFs will be valued at market value, which will generally be determined using the last reported official closing or last trading price on the exchange or market on which the security is primarily traded at the time of valuation or, if no sale has occurred, at the last quoted bid price on the primary market or exchange on which they are traded. If market prices are unavailable or a Fund believes that they are unreliable, or when the value of a security has been materially affected by events occurring after the relevant

market closes, a Fund will price those securities at fair value as determined in good faith using methods approved by the Funds' Board of Trustees.

Shares of non-exchange-traded open-end investment companies will be valued at their current day NAV published by the relevant fund.

Indicative Optimized Portfolio Value

Information regarding the intraday value of Shares of a Fund (the Indicative Optimized Portfolio Value" or "IOPV") will be disseminated every 15 seconds during the Exchange's Core Trading Session (normally 9:30 a.m. to 4:00 p.m. Eastern Time) by market data vendors or other information providers. The IOPV will be based on the current market value of the Fund's portfolio holdings that will form the basis for the Fund's calculation of NAV at the end of the Business Day, as disclosed on the Fund's website prior to that Business Day's commencement of trading. The IOPV will generally be determined by using both current market quotations and/or price quotations obtained from broker-dealers that may trade in the portfolio securities held by a Fund. A Fund's IOPV disseminated during the Exchange's Core Trading Session should not be viewed as a real-time update of a Fund's NAV, which is calculated only once a day.

Availability of Information

Each Fund's website (www.libertyshares.com), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Funds that may be downloaded. Each Fund's website will include additional quantitative information updated on a daily basis, including, for each Fund, (1) daily trading volume, the prior Business Day's NAV and market closing price or mid-point of the bid/ask

spread at the time of calculation of such NAV (the “Bid/Ask Price”),²⁸ and a calculation of the premium or discount of the market closing price or Bid/Ask Price against the NAV, and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily market closing price or Bid/Ask Price against the NAV, within appropriate ranges, for the most recently completed calendar year, and the most recently completed calendar quarters since that year (or the life of a Fund, if shorter). On each Business Day, before commencement of trading in Shares in the Core Trading Session on the Exchange (ordinarily 9:30 a.m., Eastern Time), each Fund’s website will disclose the Disclosed Portfolio²⁹ that will form the basis for a Fund’s calculation of its NAV at the end of the Business Day.³⁰

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

In addition, a basket composition file, which includes the security names and share quantities, if applicable, required to be delivered in exchange for a Fund’s Shares, together with estimates and actual cash components, will be publicly disseminated daily

²⁸ The Bid/Ask Price of a Fund’s Shares will be determined using the mid-point of the highest bid and the lowest offer on the Exchange as of the time of calculation of a Fund’s NAV. The records relating to Bid/Ask Prices will be retained by each Fund and its service providers.

²⁹ The term “Disclosed Portfolio” is defined in NYSE Arca Equities Rule 8.600(c)(2).

³⁰ Under accounting procedures followed by the Funds, trades made on the prior Business Day (“T”) will be booked and reflected in NAV on the current Business Day (“T+1”). Accordingly, the Funds will be able to disclose at the beginning of the Business Day the portfolio that will form the basis for the NAV calculation at the end of the Business Day.

prior to the opening of the Exchange via the NSCC. The basket represents one Creation Unit of a Fund. The NAV of Shares of a Fund will normally be determined as of the close of the Core Trading Session on the Exchange (ordinarily 4 p.m. Eastern time) on each Business Day. Authorized Participants may refer to the basket composition file for information regarding securities and financial instruments that may comprise a Fund's basket on a given day.

Investors can also obtain each Fund's Statement of Additional Information ("SAI"), shareholder reports, Form N-CSR and Form N-SAR, filed twice a year. The Funds' SAI and shareholder reports will be available free upon request from the Trust, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's website at www.sec.gov. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers.

Quotation and last sale information for the Shares and for ETFs will be available via the Consolidated Tape Association ("CTA") high-speed line, and from the national securities exchange on which they are listed.

Quotation information from brokers and dealers or pricing services will be available for Municipal Securities, unrated debt securities, defaulted debt securities, high yield debt securities, and cash equivalents or other high quality short-term investments, including U.S. government securities, bank obligations and taxable commercial paper. Price information for money market funds and other investment companies will be

available from the applicable investment company's website and from market data vendors. Pricing information regarding each other asset class in which a Fund will invest will generally be available through nationally recognized data service providers through subscription agreements. In addition, the IOPV (which is the Portfolio Indicative Value, as defined in NYSE Arca Equities Rule 8.600(c)(3)), will be widely disseminated at least every 15 seconds during the Core Trading Session (ordinarily 9:30 a.m. to 4:00 p.m., Eastern Time) by one or more major market data vendors or other information providers.³¹

Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of a Fund. Trading in Shares of a Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of the Funds may be halted.

Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4 a.m. to 8 p.m., Eastern Time in accordance with NYSE Arca Equities Rule 7.34 (Early, Core, and Late

³¹ Currently, it is the Exchange's understanding that several major market data vendors display and/or make widely available IOPVs taken from CTA or other data feeds.

Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, the minimum price variation (“MPV”) for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

The Shares of each Fund will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600. Consistent with NYSE Arca Equities Rule 8.600(d)(2)(B)(ii), the Adviser will implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the actual components of a Fund’s portfolio. The Exchange represents that, for initial and/or continued listing, a Fund will be in compliance with Rule 10A-3³² under the Act, as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares for each Fund will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share for each Fund will be calculated daily and that the NAV and the Disclosed Portfolio for each Fund will be made available to all market participants at the same time. Each Fund’s investments will be consistent with a Fund’s investment objective and will not be used to enhance leverage.

Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by the Exchange, as well as cross-market surveillances administered by Financial Industry Regulatory Authority (“FINRA”) on

³² 17 CFR 240.10A-3.

behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.³³

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.³⁴

The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares and ETFs with other markets and other entities that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares and ETFs from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and ETFs from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by a Fund reported to FINRA's

³³ FINRA conducts cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA's performance under this regulatory services agreement.

³⁴ For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all components of the Disclosed Portfolio may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

Trade Reporting and Compliance Engine (“TRACE”). FINRA also can access data obtained from the Municipal Securities Rulemaking Board (“MSRB”) relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

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

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

Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders in an Information Bulletin (“Bulletin”) of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (2) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its Equity Trading

Permit Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) the risks involved in trading the Shares during the Early and Late Trading Sessions when an updated IOPV will not be calculated or publicly disseminated; (4) how information regarding the IOPV and the Disclosed Portfolio is disseminated; (5) the requirement that Equity Trading Permit Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

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

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)³⁵ that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Equities Rule 8.600. The Exchange has in place surveillance procedures that are adequate

³⁵ 15 U.S.C. 78f(b)(5).

to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares and ETFs with other markets and other entities that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares and ETFs from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and ETFs from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by a Fund reported to TRACE. FINRA also can access data obtained from the MSRB relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares. Each Fund may not purchase illiquid assets if, in the aggregate, more than 15% of its net assets would be invested in illiquid assets. Each Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of a Fund's net assets are held in illiquid assets. The Adviser is not registered as a broker-dealer but is affiliated with a broker-dealer and will implement and maintain a fire wall with respect to each of its relevant personnel or broker-dealer affiliate regarding access to information concerning the composition and/or changes to the portfolios.

The Exchange believes that it is appropriate and in the public interest to approve listing and trading of Shares of the Funds on the Exchange notwithstanding that the Funds would not meet the requirements of Commentary .01(b)(1) to Rule 8.600 in that the Funds' investments in Municipal Securities will be well-diversified. As noted above, under normal market conditions, except for periods of high cash inflows or outflows, each Fund will satisfy the following criteria. Each Fund will have a minimum of 35 Municipal Securities holdings. After a Fund has at least \$100 million in assets, it will have a minimum of 75 Municipal Securities holdings. With respect to 75% of each Fund's total assets, no single Municipal Securities issuer will account for more than 3% of the weight of a Fund's portfolio. For the remaining portion of each Fund's assets, no single Municipal Securities issuer will account for more than 6% of the weight of a Fund's portfolio. Each Fund will limit its investments in Municipal Securities of any one state to 15% of a Fund's total assets and will be diversified among issuers in at least 10 states. Each Fund will limit its investments in Municipal Securities in any single sector to 25% of a Fund's total assets. The Exchange believes it would be appropriate to exclude pre-refunded bonds from the above limits given that they have a high level of credit quality and liquidity. In addition, other than Commentary .01(b)(1) to Rule 8.600, each Fund's portfolio will meet all other requirements of Rule 8.600.

The Exchange believes that permitting Fund Shares to be listed and traded on the Exchange notwithstanding that the components of a Fund's portfolio with a minimum original principal amount outstanding of \$100 million or more may in the aggregate account for less than 75% of the weight of a Fund's portfolio would provide the Funds

with greater ability to select from a broad range of Municipal Securities, as described above, that would support a Fund's investment objective.

The Exchange believes further that, notwithstanding that each Fund's portfolio may not satisfy Commentary .01(b)(1) to Rule 8.600, the Funds' portfolios will not be susceptible to manipulation. A Fund will not invest more than 15% of its total assets in Municipal Securities of any one state. In addition, each Fund's portfolio will be well-diversified in that each Fund will have a specified minimum number of Municipal Securities holdings and will be subject to percentage limitations on a Fund's total assets invested in Municipal Securities of individual issuers, states and sectors, as described above.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of the Shares that the NAV per Share for each Fund will be calculated daily and that the NAV and the Disclosed Portfolio for each Fund will be made available to all market participants at the same time. In addition, a large amount of information is publicly available regarding each Fund and the Shares, thereby promoting market transparency. Quotation and last sale information for the Shares and ETFs will be available via the CTA high-speed line, and from the national securities exchange on which they are listed. Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Trading in Shares of the Funds will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached or because of market conditions or for reasons that, in the view of the Exchange, make

trading in the Shares inadvisable. Trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of the Funds may be halted. In addition, as noted above, investors will have ready access to information regarding the Funds' holdings, the IOPV, the Disclosed Portfolio, and quotation and last sale information for the Shares.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of additional types of actively-managed exchange-traded products that principally hold municipal bonds and that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information regarding each Fund's holdings, IOPV, Disclosed Portfolio, and quotation and last sale information for the Shares.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of additional types of actively-managed exchange-traded products that principally hold municipal bonds and that will enhance competition among market participants, to the benefit of investors and the marketplace.

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

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

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

Within 45 days of the date of publication of this notice in the Federal Register or 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 self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEARCA-2017-48 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NYSEARCA-2017-48. 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, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; 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-NYSEARCA-2017-48 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.³⁶

Robert W. Errett
Deputy Secretary

³⁶ 17 CFR 200.30-3(a)(12).