

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-84456; File No. SR-CboeBZX-2018-078)

October 19, 2018

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change to List and Trade Shares of the WisdomTree Long-Term Treasury PutWrite Strategy Fund, WisdomTree Corporate Bond PutWrite Strategy Fund, WisdomTree International PutWrite Strategy Fund, and WisdomTree Emerging Markets PutWrite Strategy Fund, each a Series of WisdomTree Trust, under Rule 14.11(i), Managed Fund Shares

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 9, 2018, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange filed a proposal to list and trade shares of the WisdomTree Long-Term Treasury PutWrite Strategy Fund, WisdomTree Corporate Bond PutWrite Strategy Fund, WisdomTree International PutWrite Strategy Fund, and WisdomTree Emerging Markets PutWrite Strategy Fund, each a series of the WisdomTree Trust (the “Trust”), under Rule 14.11(i) (“Managed Fund Shares”).

The text of the proposed rule change is available at the Exchange’s website at [www.markets.cboe.com](http://www.markets.cboe.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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

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

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

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

1. Purpose

The Exchange proposes to list and trade shares (“Shares”) of the WisdomTree Long-Term Treasury PutWrite Strategy Fund, WisdomTree Corporate Bond PutWrite Strategy Fund, WisdomTree International PutWrite Strategy Fund, and WisdomTree Emerging Markets PutWrite Strategy Fund (each a “Fund” and, collectively, the “Funds”) under Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange.

The Shares will be offered by the WisdomTree Trust, which was established as a Delaware statutory trust on December 15, 2005. The Trust is registered with the Commission as an investment company and has filed a registration statement on Form N-1A (“Registration Statement”) with the Commission on behalf of the Funds.<sup>3</sup>

Exchange Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect and maintain a “fire wall” between the investment adviser and the broker-

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<sup>3</sup> See Post-Effective Amendment Nos. 641-644 to the Registration Statement on Form N-1A for the Trust, dated September 19, 2018 (File Nos. 333-132380 and 811-21864). The descriptions of the Funds and the Shares contained herein are based on information in the Registration Statement.

dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.<sup>4</sup> In addition, Exchange Rule 14.11(i)(7) further requires that personnel who make decisions on the investment company's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable investment company portfolio. Exchange Rule 14.11(i)(7) is similar to Exchange Rule 14.11(b)(5)(A)(i) (which applies to index-based funds); however, Exchange Rule 14.11(i)(7) in connection with the establishment of a "fire wall" between the investment adviser and the broker-dealer reflects the applicable open-end fund's portfolio, not an underlying benchmark index, as is the case with index-based funds. The Adviser is not a registered broker-dealer and is not affiliated with any broker-dealers that are in the business of buying or selling securities. The Sub-Adviser is affiliated with multiple broker-dealers and has implemented a "fire wall" with respect to such broker-dealers and their personnel regarding access to information regarding access to information [sic] concerning the composition and/or changes to a Fund's portfolio. In addition, Sub-Adviser personnel who make decisions regarding

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<sup>4</sup> An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the "Advisers Act"). As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

a Fund's portfolio are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding such Fund's portfolio. In the event that (a) the Adviser or Sub-Adviser becomes registered as a broker-dealer or newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, it will implement and maintain a fire wall with respect to its relevant personnel or such broker-dealer affiliate, as applicable, regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

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

The Exchange submits this proposal in order to allow each Fund to hold listed derivatives (i.e., Puts, as defined below) in a manner that does not comply with Exchange Rule 14.11(i)(4)(C)(iv)(b).<sup>5</sup> Specifically, each Fund seeks to achieve its respective investment objective primarily through a strategy of selling listed put options on exchange traded funds ("ETFs")<sup>6</sup> in a manner that does not meet the requirements of Rule 14.11(i)(4)(C)(iv)(b), while investing the sales proceeds in Treasury Bills. The Funds may also hold a very limited amount of certain fixed income securities and mutual funds that do not comply with the holdings

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<sup>5</sup> Exchange Rule 14.11(i)(4)(C)(iv)(b) provides that "the aggregate gross notional value of listed derivatives based on any five or fewer underlying reference assets shall not exceed 65% of the weight of the portfolio (including gross notional exposures), and the aggregate gross notional value of listed derivatives based on any single underlying reference asset shall not exceed 30% of the weight of the portfolio (including gross notional exposures)."

<sup>6</sup> For purposes of this filing the term ETF shall mean Portfolio Depository Receipts as defined in Rule 14.11(b), Index Fund Shares as defined in Rule 14.11(c), and Managed Fund Shares as defined in Rule 14.11(i), or the equivalent product type on other national securities exchanges. With respect to Index Fund Shares, the underlying index shall be referred to herein as an "Index."

requirements in Rule 14.11(i)(4)(C)(ii) and 14.11(i)(4)(C)(i), respectively, as further described below. Otherwise, each Fund will comply with all other listing requirements on an initial and continued listing basis under Exchange Rule 14.11(i) for Managed Fund Shares. The Exchange notes that the Commission has previously approved the listing and trading of two funds that employ very similar indexed strategies.<sup>7</sup>

### PutWrite Strategy

In a put writing strategy, a Fund (as the seller of the option) receives premiums from the purchaser of the option in exchange for providing the purchaser with the right to sell the underlying instrument to the Fund at a specific price (i.e., the exercise price or strike price). If the market price of the instrument underlying the option exceeds the strike price, it is anticipated that the option would go unexercised and the Fund would earn the full premium upon the option's expiration or a portion of the premium upon the option's early termination. If the market price of the instrument underlying the option drops below the strike price, it is anticipated that the option would be exercised and the Fund would pay the option buyer the difference between the market value of the underlying instrument and the strike price. The proceeds received by a Fund for writing put options will generally be invested in Treasury Bills in order to seek to offset any liabilities the Fund incurs from writing put options.

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<sup>7</sup> See Securities Exchange Act Release Nos. 81876 (October 16, 2017), 82 FR 48861 (October 20, 2017) (order approving proposed rule change to list shares of the WisdomTree CBOE Russell 2000 PutWrite Strategy Fund); 74675 (April 8, 2015), 80 FR 20038 (April 14, 2015) (order approving proposed rule change to list shares of the Wisdom Tree Put Write Strategy Fund); and 77045 (February 3, 2016), 81 FR 6916 (February 9, 2016) (order approving a proposed rule change relating to the index underlying the WisdomTree Put Write Strategy Fund). If such funds were evaluated under the generic listing standards for Managed Fund Shares applicable under Rule 14.11(i), they would not meet the generic listing standards in the same way as the Funds would not meet the generic listing standards.

The Sub-Adviser will select option investments based on estimates of current and future market volatility levels, underlying instrument valuations and perceived market risks and will evaluate relative option premiums in determining preferred option contract terms, such as exercise prices and expiration dates. At the time of writing (selling) a put option, the aggregate investment exposure, as measured on a notional basis (i.e., the value of the underlying instrument at its strike price), of the options written by the Fund will not exceed 100% of the Fund's total assets.

Each Fund's investments will substantially consist of written put options on one or more ETFs and Cash Equivalents.<sup>8</sup>

#### WisdomTree Long-Term Treasury PutWrite Strategy Fund

The WisdomTree Long-Term Treasury PutWrite Strategy Fund seeks long-term growth of capital and income generation. The Fund seeks to achieve its investment objective primarily through a strategy of writing listed put options on one or more ETFs that track the performance of debt issued by the U.S. Treasury with remaining maturities of 20 years or more.

#### WisdomTree High Yield Corporate Bond PutWrite Strategy Fund

The WisdomTree High Yield Corporate Bond PutWrite Strategy Fund seeks long-term growth of capital and income generation. The Fund seeks to achieve its investment objective

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<sup>8</sup> As defined in Exchange Rule 14.11(i)(4)(C)(iii)(b), Cash Equivalents include short-term instruments with maturities of less than three months are: (i) U.S. Government securities, including bills, notes, and bonds differing as to maturity and rates of interest, which are either issued or guaranteed by the U.S. Treasury or by U.S. Government agencies or instrumentalities; (ii) certificates of deposit issued against funds deposited in a bank or savings and loan association; (iii) bankers acceptances, which are short-term credit instruments used to finance commercial transactions; (iv) repurchase agreements and reverse repurchase agreements; (v) bank time deposits, which are monies kept on deposit with banks or savings and loan associations for a stated period of time at a fixed rate of interest; (vi) commercial paper, which are short-term unsecured promissory notes; and (vii) money market funds.

primarily through a strategy of writing listed put options on one or more ETFs that track the performance of U.S. high yield corporate debt.

#### WisdomTree International PutWrite Strategy Fund

The WisdomTree International PutWrite Strategy Fund seeks long-term growth of capital and income generation. The Fund seeks to achieve its investment objective primarily through a strategy of writing listed put options on one or more ETFs that track the equity market performance of developed markets outside of the U.S. & Canada.

#### WisdomTree Emerging Markets PutWrite Strategy Fund

The WisdomTree Emerging Markets PutWrite Strategy Fund seeks long-term growth of capital and income generation. The Fund seeks to achieve its investment objective primarily through a strategy of writing listed put options on one or more ETFs that track the performance of large and mid-cap emerging markets equities.

#### Investment Methodology

Under Normal Market Conditions,<sup>9</sup> each Fund will invest substantially all of its assets in put options and one month or three-month U.S. Treasury bills. Each Fund's investment strategy will be designed to write a sequence of one-month, at-the-money, puts on the applicable ETFs

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<sup>9</sup> The term “Normal Market Conditions” includes, but is not limited to, the absence of trading halts in the applicable financial markets generally; operational issues causing dissemination of inaccurate market information or system failures; or force majeure type events such as natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption, or any similar intervening circumstance. In response to adverse market, economic, political, or other conditions, the Fund reserves the right to invest in U.S. government securities, other money market instruments (as defined below), and cash, without limitation, as determined by the Adviser or Sub-Adviser. In the event the Fund engages in these temporary defensive strategies that are inconsistent with its investment strategies, the Fund’s ability to achieve its investment objectives may be limited.

(the “Puts”)<sup>10</sup> and invest the proceeds from writing such puts in Treasury bills. The number of Puts written will vary from month to month, but will be limited to permit the amount held in a Fund's investment in Treasury bills to finance the maximum possible loss from final settlement of the Puts.

The new Puts will be struck and sold on a monthly basis, usually the third Friday of the month (i.e., the “Roll Date”), which matches the expiration date of the current Puts. The strike price of the new Puts will be based on the strike price of the put options with the closest strike price below the last trade of the applicable ETF reported before 11:00 a.m. ET. For example, if the last trade in the applicable ETF reported before 11:00 a.m. ET is \$50.23 and the closest listed put option with a strike price below \$50.23 is \$50, then the \$50 strike put option will be sold by the Fund.

#### Other Assets

Each Fund may invest up to 20% of its net assets (in the aggregate) in Other Assets.

Other Assets includes only the following: other ETF put options;<sup>11</sup> Index futures and/or options on Index futures;<sup>12</sup> total return swaps;<sup>13</sup> shares of other exchange traded products (“ETPs”);<sup>14</sup>

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<sup>10</sup> The term “Puts” will at any time include only puts on the five ETFs that track the performance of the applicable market sector that have the greatest total options consolidated average daily exchange trading volume in such puts for the previous quarter. The Fund will not invest in Puts on leveraged (e.g., 2X, -2X, 3X, or -3X) ETFs.

<sup>11</sup> A Fund may invest up to 10% of its assets in over-the-counter put options.

<sup>12</sup> A Fund will limit its direct investments in futures and options on futures to the extent necessary for the Adviser to claim the exclusion from regulation as a “commodity pool operator” with respect to the Fund under Rule 4.5 promulgated by the Commodity Futures Trading Commission (“CFTC”), as such rule may be amended from time to time. Under Rule 4.5 as currently in effect, the Fund would limit its trading activity in futures and options on futures (excluding activity for “bona fide hedging purposes,” as defined by the CFTC) such that it will meet one of the following tests: (i) aggregate initial margin and premiums required to establish its futures and options on futures positions will not exceed 5% of the liquidation value of the Fund’s portfolio, after taking into account unrealized profits and losses on such positions; or (ii) aggregate net notional value of its



shares of non-exchange-traded registered open-end investment companies (i.e., mutual funds);<sup>15</sup> and variable or floating interest rate securities.<sup>16</sup>

As such, the Funds may hold certain fixed income securities and mutual funds that do not comply with the holdings requirements in Rule 14.11(i)(4)(C)(ii) and 14.11(i)(4)(C)(i),

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futures and options on futures positions will not exceed 100% of the liquidation value of the Fund's portfolio, after taking into account unrealized profits and losses on such positions.

The exchange-listed futures contracts in which a Fund may invest will be listed on exchanges in the U.S. Each of the exchange-listed futures contracts in which the Fund may invest will be listed on exchanges that are members of ISG.

<sup>13</sup> A Fund may use total return swaps to create positions equivalent to investments in ETF put options and the component securities underlying the applicable Index.

A Fund's investments in total return swap agreements will be backed by investments in U.S. government securities in an amount equal to the exposure of such contracts.

<sup>14</sup> A Fund may invest in shares of both taxable and tax-exempted money market funds. When used herein, ETPs may include, without limitation, Index Fund Shares (as described in Rule 14.11(c)); Linked Securities (as described in Rule 14.11(d)); Portfolio Depositary Receipts (as described in Rule 14.11(b)); Trust-Issued Receipts (as described in Rule 14.11(f)); Commodity-Based Trust Shares (as described in Rule 14.11(e)(4)); Currency Trust Shares (as described in Rule 14.11(e)(5)); Commodity Index Trust Shares (as described in Rule 14.11(e)(6)); Trust Units (as described in Rule 14.11(e)(9)); Managed Fund Shares (as described in Rule 14.11(i)), and closed-end funds. The ETPs in which the Fund may invest all will be listed and traded on U.S. exchanges. The Fund may invest in the securities of ETPs registered under the 1940 Act consistent with the requirements of Section 12(d)(1) of the 1940 Act or any rule, regulation or order of the Commission or interpretation thereof. A Fund will only make such investments in conformity with the requirements of Section 817 of the Internal Revenue Code of 1986. The ETPs in which the Fund may invest will primarily be index-based ETFs that hold substantially all of their assets in securities representing a specific index. The Fund will not invest in leveraged (e.g., 2X, -2X, 3X, or -3X) ETPs.

<sup>15</sup> The Fund will not invest in leveraged (e.g., 2X, -2X, 3X, or -3X) mutual funds.

<sup>16</sup> A Fund may invest in securities (in addition to U.S. Treasury securities, described above) that have variable or floating interest rates which are readjusted on set dates (such as the last day of the month) in the case of variable rates or whenever a specified interest rate change occurs in the case of a floating rate instrument. Variable or floating interest rates generally reduce changes in the market price of securities from their original purchase price because, upon readjustment, such rates approximate market rates. Accordingly, as interest rates decrease or increase, the potential for capital appreciation or depreciation is less for variable or floating rate securities than for fixed rate obligations.

respectively. The Exchange does not believe that these holdings represent any substantive policy concerns because they represent such a small portion of the portfolio. In addition, the Funds additional holdings of ETPs and cash and cash equivalents will meet the listing standards applicable in Rule 14.11(i)(4)(C)(i) and 14.11(i)(4)(C)(iii), respectively. The listed derivatives holdings described above will comply with Rule 14.11(i)(4)(C)(iv) when calculated including the options held as part of the investment methodology described above. The OTC derivatives will comply with Rule 14.11(i)(4)(C)(v).

#### Additional Discussion

In order to achieve its investment objective, under Normal Market Conditions,<sup>17</sup> the aggregate gross notional value of Puts may approach 100% of a Fund (including gross notional values). As noted above, Exchange Rule 14.11(i)(4)(C)(iv)(b) prohibits a Fund from holding listed derivatives based on any five or fewer underlying reference assets in excess of 65% of the weight of the portfolio (including gross notional exposures) and from holding listed derivatives based on any single underlying reference asset in excess of 30% of the weight of its portfolio (including gross notional exposures). The Exchange is proposing to allow each Fund to hold up to 100% of the weight of its respective portfolio (including gross notional exposures) in listed derivatives based on a single underlying reference asset (the applicable ETF) through its investment in Puts.

The Exchange believes that sufficient protections are in place to protect against market manipulation of the Funds' Shares and the Puts for several reasons: (i) the liquidity in the market

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<sup>17</sup> As defined in Exchange Rule 14.11(i)(3)(E), the term "Normal Market Conditions" includes, but is not limited to, the absence of trading halts in the applicable financial markets generally; operational issues causing dissemination of inaccurate market information or system failures; or force majeure type events such as natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption, or any similar intervening circumstance.

for at-the-money Puts in the underlying ETFs; (ii) the diversity, liquidity, and size of the securities, whether equity or fixed income, underlying the ETFs (each of which either meet the generic listing standards in Rule 14.11 or the equivalent listing rules on another national securities exchange or have otherwise been approved for listing by the Commission); and (iii) surveillance by the Exchange, other SROs on which the Puts are listed and traded, and the Financial Industry Regulatory Authority (“FINRA”) designed to detect violations of the federal securities laws and self-regulatory organization (“SRO”) rules. The Exchange has in place a surveillance program for transactions in ETFs to ensure the availability of information necessary to detect and deter potential manipulations and other trading abuses, thereby making the Shares less readily susceptible to manipulation. Further, the Exchange believes that because the assets in each Fund’s portfolio, which are comprised primarily of Puts, will be acquired in extremely liquid and highly regulated markets,<sup>18</sup> the Shares are less readily susceptible to manipulation.

The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. Trading of the Shares through the Exchange will be subject to the Exchange’s surveillance procedures for derivative products, including Managed Fund Shares. The issuer has represented to the Exchange that it will advise the Exchange of any failure by a Fund or the related Shares to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will surveil for compliance with the continued listing requirements. If a Fund or

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<sup>18</sup> All exchange-listed securities that the Funds may hold will trade on a market that is a member of the Intermarket Surveillance Group (“ISG”) and the Funds will not hold any non-exchange-listed equities, however, not all of the components of the portfolio for the Funds may trade on exchanges that are members of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. For a list of the current members of ISG, see [www.isgportal.org](http://www.isgportal.org).

the related Shares are not in compliance with the applicable listing requirements, then, with respect to such Fund or Shares, the Exchange will commence delisting procedures under Exchange Rule 14.12. FINRA conducts certain 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. If a Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures with respect to such Fund under Exchange Rule 14.12.

The Exchange or FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares, ETPs, futures contracts, and exchange-traded options contracts with other market and other entities that are members of ISG and may obtain trading information in the Shares, futures contracts, exchange-traded options contracts, and ETPs from such markets and other entities. In addition, the Exchange, or FINRA, on behalf of the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to FINRA's Trade Reporting and Compliance Engine ("TRACE"). The Exchange may also obtain information regarding trading in the Shares, futures contracts, exchange-traded options contracts, and ETPs 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, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

As noted above, options on the associated ETFs are among the most liquid options in their applicable market sector and derive their value from similarly liquid and actively traded ETFs and their constituents. The contracts trade in competitive auction markets with price and quote transparency. The Exchange believes the highly regulated options markets and the broad

base and scope of the ETFs make securities that derive their value from such ETFs less susceptible to market manipulation in view of size and liquidity of the ETF components, price and quote transparency, and arbitrage opportunities.

The Exchange believes that the liquidity of the markets for the ETFs and options on the ETFs is sufficiently great to deter fraudulent or manipulative acts associated with the Funds' Shares price. The Exchange also believes that such liquidity is sufficient to support the creation and redemption mechanism. Coupled with the surveillance programs described above, the Exchange does not believe that trading in the Funds' Shares would present manipulation concerns.

The Exchange represents that, except for the limitations on listed derivatives in BZX Rule 14.11(i)(4)(C)(iv)(b) and the limited holdings in fixed income securities and mutual funds that do not comply with the holdings requirements in Rule 14.11(i)(4)(C)(ii) and 14.11(i)(4)(C)(i), respectively, the Funds' proposed investments will satisfy, on an initial and continued listing basis, all of the generic listing standards under BZX Rule 14.11(i)(4)(C) and all other applicable requirements for Managed Fund Shares under Rule 14.11(i). The Trust is required to comply with Rule 10A-3 under the Act for the initial and continued listing of the Shares of the Funds. A minimum of 100,000 Shares will be outstanding at the commencement of trading on the Exchange. In addition, the Exchange represents that the Shares of the Funds will comply with all other requirements applicable to Managed Fund Shares, which includes the dissemination of key information such as the Disclosed Portfolio,<sup>19</sup> Net Asset Value,<sup>20</sup> and the Intraday Indicative Value,<sup>21</sup> suspension of trading or removal,<sup>22</sup> trading halts,<sup>23</sup> surveillance,<sup>24</sup>

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<sup>19</sup> See Rule 14.11(i)(4)(A)(ii) and 14.11(i)(4)(B)(ii).

<sup>20</sup> See Rule 14.11(i)(4)(A)(ii).

<sup>21</sup> See Rule 14.11(i)(4)(B)(i).

minimum price variation for quoting and order entry,<sup>25</sup> and the information circular,<sup>26</sup> as set forth in Exchange rules applicable to Managed Fund Shares. Moreover, all of the options contracts held by the Funds will trade on markets that are a member of ISG or affiliated with a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. Quotation and last sale information for U.S. exchange-listed options contracts cleared by The Options Clearing Corporation will be available via the Options Price Reporting Authority. The intra-day, closing and settlement prices of exchange-traded options will be readily available from the options exchanges, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Price information on Cash Equivalents is available from major broker-dealer firms or market data vendors, as well as from automated quotation systems, published or other public sources, or online information services.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act<sup>27</sup> in general and Section 6(b)(5) of the Act<sup>28</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

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<sup>22</sup> See Rule 14.11(i)(4)(B)(iii).

<sup>23</sup> See Rule 14.11(i)(4)(B)(iv).

<sup>24</sup> See Rule 14.11(i)(2)(C).

<sup>25</sup> See Rule 14.11(i)(2)(B).

<sup>26</sup> See Rule 14.11(i)(6).

<sup>27</sup> 15 U.S.C. 78f.

<sup>28</sup> 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 of each Fund will be listed on the Exchange pursuant to the initial and continued listing criteria in Rule 14.11(i). The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Managed Fund Shares. The issuer has represented to the Exchange that it will advise the Exchange of any failure by a Fund or the related Shares to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will surveil for compliance with the continued listing requirements. If a Fund or the related Shares are not in compliance with the applicable listing requirements, then, with respect to such Fund or Shares, the Exchange will commence delisting procedures under Exchange Rule 14.12. FINRA conducts certain 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. If a Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures with respect to such Fund under Exchange Rule 14.12.

The Exchange or FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares, ETPs, futures contracts, and exchange-traded options contracts with other market and other entities that are members of ISG and may obtain trading information in the Shares, futures contracts, exchange-traded options contracts, and ETPs from such markets and other entities. In addition, the Exchange, or FINRA, on behalf of the Exchange is able to

access, as needed, trade information for certain fixed income instruments reported to FINRA's Trade Reporting and Compliance Engine ("TRACE"). The Exchange may also obtain information regarding trading in the Shares, futures contracts, exchange-traded options contracts, and ETPs 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, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

The Adviser is not registered as, or affiliated with, any broker-dealer. The Sub-Adviser is affiliated with multiple broker-dealers and has implemented a "fire wall" with respect to such broker-dealers and their personnel regarding access to information concerning the composition and/or changes to a Fund's portfolio. In addition, Sub-Adviser personnel who make decisions regarding a Fund's portfolio are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Fund's portfolio. All exchange-listed options, futures contracts and ETPs held by the Funds will be traded on U.S. exchanges, all of which are members of ISG or are exchanges with which the Exchange has in place a comprehensive surveillance sharing agreement.

All statements and representations made in this filing regarding the description of the portfolio or reference assets, limitations on portfolio holdings or reference assets, dissemination and availability of reference asset and intraday indicative values (as applicable), or the applicability of Exchange rules specified in this filing shall constitute continued listing requirements for the Shares. 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. FINRA conducts certain 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. If a Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under Rule 14.12.

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 will be calculated daily every business day, and that the NAV will be made available to all market participants at the same time. In addition, a large amount of information will be publicly available regarding the Fund and the Shares, thereby promoting market transparency.

In addition, the Exchange believes that sufficient protections are in place to protect against market manipulation of the Funds' Shares and the Puts because of: (i) the liquidity in the market for at-the-money Puts in the underlying ETFs; (ii) the diversity, liquidity, and size of the securities, whether equity or fixed income, underlying the ETFs (each of which either meet the generic listing standards in Rule 14.11 or the equivalent listing rules on another national securities exchange or have otherwise been approved for listing by the Commission); and (iii) surveillance by the Exchange, other SROs on which the Puts are listed and traded, and the FINRA designed to detect violations of the federal securities laws and SRO rules. Further, the Exchange believes that because the assets in each Fund's portfolio, which are comprised

primarily of Puts, will be acquired in extremely liquid and highly regulated markets,<sup>29</sup> the Shares are less readily susceptible to manipulation.

As noted above, options on the associated ETFs are among the most liquid options in their applicable market sector and derive their value from similarly liquid and actively traded ETFs and their constituents. The contracts trade in competitive auction markets with price and quote transparency. The Exchange believes the highly regulated options markets and the broad base and scope of the ETFs make securities that derive their value from such ETFs less susceptible to market manipulation in view of size and liquidity of the ETF components, price and quote transparency, and arbitrage opportunities.

The Exchange believes that the liquidity of the markets for the ETFs and options on the ETFs is sufficiently great to deter fraudulent or manipulative acts associated with the Funds' Shares price. The Exchange also believes that such liquidity is sufficient to support the creation and redemption mechanism. Coupled with the surveillance programs described above, the Exchange does not believe that trading in the Funds' Shares would present manipulation concerns. As noted above, the Funds may hold certain fixed income securities and mutual funds that do not comply with the holdings requirements in Rule 14.11(i)(4)(C)(ii) and 14.11(i)(4)(C)(i), respectively, but the Exchange does not believe that these holdings represent any substantive policy concerns because they represent such a small portion of the portfolio.

The Exchange represents that, except for the limitations on listed derivatives in BZX Rule 14.11(i)(4)(C)(iv)(b), Rule 14.11(i)(4)(C)(i), and 14.11(i)(4)(C)(ii), the Funds' proposed

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<sup>29</sup> All exchange-listed securities that the Funds may hold will trade on a market that is a member of the ISG and the Funds will not hold any non-exchange-listed equities or options, however, not all of the components of the portfolio for the Funds may trade on exchanges that are members of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. For a list of the current members of ISG, see [www.isgportal.org](http://www.isgportal.org).

investments will satisfy, on an initial and continued listing basis, all of the generic listing standards under BZX Rule 14.11(i)(4)(C) and all other applicable requirements for Managed Fund Shares under Rule 14.11(i). The Trust is required to comply with Rule 10A-3 under the Act for the initial and continued listing of the Shares of the Funds. A minimum of 100,000 Shares will be outstanding at the commencement of trading on the Exchange. In addition, the Exchange represents that the Shares of the Funds will comply with all other requirements applicable to Managed Fund Shares, which includes the dissemination of key information such as the Disclosed Portfolio,<sup>30</sup> Net Asset Value,<sup>31</sup> and the Intraday Indicative Value,<sup>32</sup> suspension of trading or removal,<sup>33</sup> trading halts,<sup>34</sup> surveillance,<sup>35</sup> minimum price variation for quoting and order entry,<sup>36</sup> and the information circular,<sup>37</sup> as set forth in Exchange rules applicable to Managed Fund Shares. Moreover, all of the options contracts held by the Funds will trade on markets that are a member of ISG or affiliated with a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. The intra-day, closing and settlement prices of exchange-traded options will be readily available from the options exchanges, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Price information on Cash Equivalents is

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<sup>30</sup> See Rule 14.11(i)(4)(A)(ii) and 14.11(i)(4)(B)(ii).

<sup>31</sup> See Rule 14.11(i)(4)(A)(ii).

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

<sup>33</sup> See Rule 14.11(i)(4)(B)(iii).

<sup>34</sup> See Rule 14.11(i)(4)(B)(iv).

<sup>35</sup> See Rule 14.11(i)(2)(C).

<sup>36</sup> See Rule 14.11(i)(2)(B).

<sup>37</sup> See Rule 14.11(i)(6).

available from major broker-dealer firms or market data vendors, as well as from automated quotation systems, published or other public sources, or online information services.

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, and quotations and last sale information will be available via the CTA high-speed line. Quotation and last sale information for the Shares and any ETPs it [sic] which it invests will be available via the CTA high-speed line. Quotation and last sale information for U.S. exchange-listed options contracts cleared by The Options Clearing Corporation will be available via the Options Price Reporting Authority. The intra-day, closing and settlement prices of exchange-traded portfolio assets, including ETPs, futures and exchange-traded options contracts will be readily available from the securities exchanges and futures exchange trading such securities and futures, as the case may be, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Such price information on fixed income portfolio securities, including money market instruments, and other Fund assets traded in the over-the-counter markets, including bonds and money market instruments is available from major broker-dealer firms or market data vendors, as well as from automated quotation systems, published or other public sources, or online information services. The website for the Fund will include the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Moreover, prior to commencement of trading, the Exchange will inform its Members in an information circular of the special characteristics and risks associated with trading the Shares. If the Exchange becomes aware that the NAV is not being disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants. 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 the Funds. 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. These may include: (1) the extent to which trading is not occurring in the securities and/or the financial instruments composing the daily disclosed portfolio of each Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.

For the above reasons, the Exchange believes that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of an additional type of Managed Fund Shares 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

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

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

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

rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

#### IV. Solicitation of Comments

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

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeBZX-2018-078 on the subject line.

##### Paper comments:

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

All submissions should refer to File Number SR-CboeBZX-2018-078. 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeBZX-2018-078 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>38</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>38</sup> 17 CFR 200.30-3(a)(12).