

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-85349; File No. SR-CboeBZX-2019-016)

March 18, 2019

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Allow the JPMorgan Core Plus Bond ETF of the J.P. Morgan Exchange-Traded Fund Trust to Hold Certain Instruments in a Manner that May Not Comply with Rule 14.11(i), Managed Fund Shares

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 5, 2019, Cboe BZX Exchange, Inc. (“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 proposed [sic] rule change to allow the JPMorgan Core Plus Bond ETF (the “Fund”) of the J.P. Morgan Exchange-Traded Fund Trust (the “Trust” or the “Issuer”) to hold certain instruments in a manner that may not comply with Rule 14.11(i) (“Managed Fund Shares”). The shares of the Fund are referred to herein as the “Shares.”

The text of the proposed rule change is also available on the Exchange’s website (http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 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 aspects 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 submits this proposal in order to allow the Shares, which are currently listed on the Exchange under Rule 14.11(i)³ and began trading on January 30, 2019, to continue listing and trading on the Exchange while holding certain instruments in a manner that may not comply with three of the quantitative requirements under the Generic Listing Standards, as defined below [sic]. Two such exceptions are substantively identical or more restrictive⁴ than representations in another rule filing that was approved by the Commission⁵ and one exception relates to a de minimis portion of the Fund’s holdings and therefore also does not raise any substantive issues for the Commission to consider. Specifically, the Exchange submits this proposal in order to allow the Fund to hold instruments in a manner that may not comply with

³ The Commission approved Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018).

⁴ The Exchange notes that certain of the exceptions and substitute requirements approved in the Approval Order are measured using mark-to-market. The Exchange is not proposing to measure any of the exceptions to the Generic Listing Standards proposed herein using mark-to-market and, as such, all of the proposed representations about the Fund’s holdings are either identical or more restrictive than those approved in the Approval Order.

⁵ See Securities Exchange Act Release No. 84047 (September 6, 2018), 83 FR 46200 (September 12, 2018) (SR-NASDAQ-2017-128) (the “Approval Order”).

Rule 14.11(i)(4)(C)(ii)(d),⁶ Rule 14.11(i)(4)(C)(iv)(b),⁷ and/or Rule 14.11(i)(4)(C)(i) as further described below.⁸ Otherwise, the Fund will continue to comply with all other listing

⁶ Rule 14.11(i)(4)(C)(ii)(d) provides that “component securities that in aggregate account for at least 90% of the fixed income weight of the portfolio must be either: (a) from issuers that are required to file reports pursuant to Sections 13 and 15(d) of the Act; (b) from issuers that have a worldwide market value of its outstanding common equity held by non-affiliates of \$700 million or more; (c) from issuers that have outstanding securities that are notes, bonds, debentures, or evidence of indebtedness having a total remaining principal amount of at least \$1 billion; (d) exempted securities as defined in Section 3(a)(12) of the Act; or (e) from issuers that are a government of a foreign country or a political subdivision of a foreign country.” The Exchange instead is proposing that the fixed income portion of the portfolio excluding ABS and Private MBS, as defined below, will satisfy this 90% requirement.

⁷ 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).” The Exchange is proposing that the Fund would meet neither the 65% nor the 30% requirements of Rule 14.11(i)(4)(C)(iv)(b). Specifically, the Exchange is proposing that the Fund be exempt from this requirement as it relates to the Fund’s holdings in futures and options (including options on futures) referencing Eurodollars and sovereign debt issued by the United States (i.e., Treasury Securities) and other “Group of Seven” countries (Group of Seven or G-7 countries include the United States, Canada, France, Germany, Italy, Japan and the United Kingdom), where such futures and options contracts are listed on an exchange that is an ISG member or an exchange with which the Exchange has a comprehensive surveillance sharing agreement (“Eurodollar and G-7 Sovereign Futures and Options”). The Fund may also hold other listed derivatives, which will include only the following: debt futures, interest rate futures, index futures, foreign exchange futures, equity options, equity futures, Treasury options, options on Treasury futures, interest rate swaps, foreign exchange options, foreign exchange swaps, credit default swaps (including single-name and index reference pools), loan credit default swap indices, and inflation-linked swaps, however such holdings will, when calculated independently of the Fund’s holdings in Eurodollar and G-7 Sovereign Futures and Options, meet the requirements of Rule 14.11(i)(4)(C)(iv)(a) and (b).

⁸ The Adviser, as defined below, notes that the Fund may by virtue of its holdings be issued certain equity instruments (“Equity Holdings”) that may not meet the requirements of Rule 14.11(i)(4)(C)(i). The Fund will not purchase such instruments and will dispose of such holdings as the Adviser determines is in the best interest of the Fund’s shareholders. Such holdings will not constitute more than 10% of the Fund’s net assets. The Adviser expects that the Fund will generally acquire such instruments through issuances that it receives by virtue of its other holdings, such as corporate actions or convertible securities.

requirements on an initial and continued listing basis under Rule 14.11(i).

The Fund is an actively managed exchange-traded fund that will seek a high level of current income by investing primarily in a diversified portfolio of high-, medium-, and low-grade debt securities.⁹ The Shares are offered by the Trust, which was established as a Delaware statutory trust. The Trust is registered with the Commission as an open-end investment company and has filed an effective registration statement on behalf of the Fund on Form N-1A (“Registration Statement”) with the Commission.¹⁰

Description of the Shares and the Fund

The Shares are offered by the Trust, which was established as a Delaware statutory trust. J.P Morgan Investment Management, Inc. is the investment adviser (the “Adviser”) to the Fund. JPMorgan Chase Bank, N.A. is the administrator, custodian, and transfer agent for the Trust. JPMorgan Distribution Services, Inc. serves as the distributor (“Distributor”) for the Trust.

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-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.¹¹ In addition, Rule 14.11(i)(7) further requires that personnel who make

⁹ The Fund plans to employ a strategy very similar to that currently employed by JPMorgan Core Plus Bond Fund, a mutual fund operated by the Adviser since March 5th, 1993.

¹⁰ See Registration Statement on Form N-1A for the Trust, dated January 23, 2019 (File Nos. 333-191837 and 811-22903). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order granting certain exemptive relief to the Trust under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) (the “Exemptive Order”). Investment Company Act Release No. 31990 (February 9, 2016) (File No. 812-13761).

¹¹ 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

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. Rule 14.11(i)(7) is similar to Rule 14.11(b)(5)(A)(i), however, 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, but is affiliated with multiple broker-dealers and has implemented and will maintain "fire walls" with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Fund's portfolio. In addition, Adviser personnel who make decisions regarding the Fund's portfolio are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Fund's portfolio. In the event that (a) the Adviser becomes registered as a broker-dealer or newly affiliated with another 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

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.

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.

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

JPMorgan Core Plus Bond ETF

According to the Registration Statement, the Fund is an actively managed exchange-traded fund that will seek a high level of current income by investing primarily in a diversified portfolio of high-, medium-, and low-grade debt securities. The Fund seeks to achieve its investment objective by investing, under Normal Market Conditions,¹² at least 80% of its net assets in Bonds.¹³ The Adviser will invest across the credit spectrum to provide the Fund exposure to various credit ratings. Under Normal Market Conditions, at least 65% of the Fund's assets will be invested in securities that, at the time of purchase, are rated investment grade by a nationally recognized statistical rating organization or in securities that are unrated but are

¹² As defined in 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.

¹³ For purposes of this proposal, the term "Bond" includes only the following: corporate bonds, U.S. government and agency debt securities, asset-backed securities, municipal securities, credit linked notes, participation notes, collateralized debt obligations, agency, non-agency and stripped mortgage-related and mortgage-backed securities (including adjustable rate mortgage loans), convertible securities (including contingent convertible securities), preferred stock, loan participations and assignments, commitments to loan assignments, variable and floating rate instruments, commercial paper, and foreign and emerging market debt securities. The Adviser intends to hold asset-backed securities, mortgage-related and mortgage-backed securities as part of a strategy designed to manage portfolio risk by diversifying away from corporate debt and to take advantage of certain market environments.

deemed by the Adviser to be of comparable quality. Among others, such securities include U.S. or foreign mortgage-backed securities (“MBS”), which are securities that represent direct or indirect participations in, or are collateralized and by and payable from, mortgage loans secured by real property and which may be issued or guaranteed by government-sponsored entities (“GSEs”)¹⁴ such as Fannie Mae (formally known as the Federal National Mortgage Association) or Freddie Mac (formally known as the Federal Home Loan Mortgage Corporation) or issued or guaranteed by agencies of the U.S. government, such as the Government National Mortgage Association (“Ginnie Mae”);¹⁵ and U.S. or foreign asset-backed securities (“ABS”).¹⁶ Under Normal Market Conditions, the Fund will not invest more than 35% of its assets in securities rated below investment grade. The Fund’s average weighted maturity will ordinarily range between five and twenty years.

¹⁴ A “GSE” is a type of financial services corporation created by the United States Congress. GSEs include Fannie Mae and Freddie Mac, but not Sallie Mae, which is no longer a government entity.

¹⁵ MBS include collateralized mortgage obligations (“CMOs”), which are debt obligations collateralized by mortgage loans or mortgage pass-through securities. Typically, CMOs are collateralized by Ginnie Mae, Fannie Mae or Freddie Mac certificates, but they may also be collateralized by whole loans or pass-through securities issued by private issuers (i.e., issuers other than U.S. government agencies or GSEs) (“Private MBS”). Payments of principal and of interest on the mortgage-related instruments collateralizing the MBS, and any reinvestment income thereon, provide the funds to pay debt service on the CMOs. In a CMO, a series of bonds or certificates is issued in multiple classes. Each class of CMOs, often referred to as a “tranche” of securities, is issued at a specified fixed or floating coupon rate and has a stated maturity or final distribution date.

¹⁶ ABS are securitized products in connection with which the securities issued, which may be issued by either a U.S. or a foreign entity, are collateralized by any type of financial asset, such as a consumer or student loan, a lease, or a secured or unsecured receivable. For purposes of this filing, ABS exclude: (i) MBS; (ii) a small business administration backed ABS traded “To Be Announced” or in a specified pool transaction as defined in FINRA Rule 6710(x); and (iii) U.S. or foreign collateralized debt obligations. Consistent with the requirements of Rule 14.11(i)(4)(C)(ii)(e), the Fund will limit investments in ABS and Private MBS (together, “ABS/Private MBS”) to 20% of the weight of the fixed income portion of the Fund’s portfolio.

Under Normal Market Conditions, the Fund may also invest up to 20% of its net assets in the following: cash and certain Cash Equivalents¹⁷ that are not otherwise captured under the definition of Bond, listed derivative instruments, as described above, and OTC derivative instruments¹⁸ The Fund's holdings in Cash Equivalents and OTC derivative instruments will be in compliance with the limitations provided in Rules 14.11(i)(4)(C)(iii), 14.11(i)(4)(C)(v), and 14.11(i)(4)(C)(vi).

The Fund's investments, including derivatives, will be consistent with the 1940 Act and the Fund's investment objective and policies and will not be used to enhance leverage (although certain derivatives and other investments may result in leverage).¹⁹ That is, while the Fund will

¹⁷ As defined in Exchange Rule 14.11(i)(4)(C)(iii)(b), Cash Equivalents are short-term instruments with maturities of less than three months, which includes only the following: (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.

¹⁸ For purposes of this filing, OTC derivative instruments will include only the following: index options, foreign exchange options, swaptions, credit default swaps (including single-name and index reference pools), foreign exchange swaps, loan credit default swap indices, inflation-linked swaps, interest rate swaps, non-dollar swaps, non-deliverable forward contracts and foreign exchange forward contracts.

¹⁹ The Fund will include appropriate risk disclosure in its offering documents, including leveraging risk. Leveraging risk is the risk that certain transactions of a fund, including a fund's use of derivatives, may give rise to leverage, causing a fund to be more volatile than if it had not been leveraged. To mitigate leveraging risk, the Fund will segregate or earmark liquid assets determined to be liquid by the Adviser in accordance with procedures established by the Trust's Board and in accordance with the 1940 Act (or, as permitted by applicable regulations, enter into certain offsetting positions) to cover its obligations under derivative instruments. These procedures have been adopted consistent with Section 18 of the 1940 Act and related Commission guidance. See 15 U.S.C. 80a-18; Investment Company Act Release No. 10666 (April 18, 1979), 44 FR 25128 (April 27, 1979); Dreyfus Strategic Investing, Commission No-Action Letter (June 22, 1987);

be permitted to borrow as permitted under the 1940 Act, the Fund's investments will not be used to seek performance that is the multiple or inverse multiple (i.e., 2Xs and 3Xs) of the Fund's primary broad-based securities benchmark index (as defined in Form N-1A). The Fund will only use those derivatives described above. The Fund's use of derivative instruments will be collateralized.

Discussion

Based on the characteristics of the Fund and the representations made above, the Exchange believes it is appropriate to allow the Fund to hold certain listed derivatives, fixed income instruments, and equity securities in a manner that may not comply with the Generic Listing Standards. The Exchange notes that the representations for the Fund related to Rule 14.11(i)(4)(C)(ii)(d) and Rule 14.11(i)(4)(C)(iv)(b) are substantively identical or more restrictive than representations in the Approval Order.

The Fund will not meet the requirements of Rule 14.11(i)(4)(C)(ii)(d) because certain ABS and Private MBS by their nature cannot satisfy the requirements. As described above, the Exchange is instead proposing that the fixed income portion of the portfolio excluding ABS and Private MBS will satisfy this 90% requirement. The Exchange believes that this alternative limitation is appropriate because Rule 14.11(i)(4)(C)(ii)(d) is not designed for structured finance vehicles such as ABS and Private MBS. The Exchange also notes that the Fund's portfolio is consistent with the policy issues underlying the rule as a result of the diversification provided by the investments and the Adviser's selection process, which closely monitors investments to ensure maintenance of credit and liquidity standards. As noted above, the other fixed income instruments held by the Fund will meet the requirements of Rule 14.11(i)(4)(C)(ii)(d).

The Exchange is also proposing that the Fund would meet neither the 65% nor the 30% requirements of Rule 14.11(i)(4)(C)(iv)(b) because the Fund may maintain significant positions in Eurodollar and G-7 Sovereign Futures and Options. Such instruments provide cost efficient methods to achieve such exposure. The Exchange notes that Eurodollar and G-7 Sovereign Futures and Options are highly liquid investments²⁰ and are not subject to the concentration risk that the rule is intended to address because of such liquidity. Further, the Exchange notes that the significantly diminished risk of Treasury Securities is reflected in their exclusion from the concentration requirements applicable to fixed income securities in Rule 14.11(i)(4)(C)(ii)(b). The Exchange proposes that the Fund will comply with the concentration requirements in Rule 14.11(i)(4)(C)(iv)(b) except with respect to the Fund's investment in Eurodollar and G-7 Sovereign Futures and Options. The Exchange believes that this alternative limitation is

²⁰ The Exchange notes that the Commission has previously granted exemptions under the Act to facilitate the trading of futures on sovereign debt issued by each of the Group of Seven countries (among other countries) and that such exemptions were based in part on the Commission's assessment of the sufficiency of the credit ratings and liquidity of such sovereign debt. See Approval Order; 17 CFR 240.3a12-8; Securities Exchange Act Release No. 41453 (May 26, 1999), 64 FR 29550 (June 2, 1999). According to publicly available information, eurodollars and Treasury Securities eurodollar futures and options traded through CME Group had an average daily open interest of approximately 53 million contracts and futures and options on Treasury Securities had an average daily open interest of approximately 15 million contracts during the first three quarters of 2017. As of September 2017, the open interest in futures and options on Canadian sovereign debt traded on The Montreal Exchange was approximately 560,000 contracts. As of July 2015, the open interest in futures on German sovereign debt traded on Eurex was approximately 3,000,000 contracts and the open interest in options on German sovereign debt futures traded on Eurex was approximately 3,000,000 contracts. The open interest peaks in 2017 for futures on long-term and short-term Italian sovereign debt traded on Eurex was approximately 450,000 and 270,000 contracts, respectively. As of July 2017, the open interest in futures on long-term French sovereign debt traded on Eurex was approximately 600,000 contracts. As of the third quarter of 2014, the open interest in futures on long-term British sovereign debt traded on the Intercontinental Exchange was approximately 400,000 contracts. As of July 2016, the open interest in futures on 10-year Japanese sovereign debt traded on the Osaka Exchange was approximately 80,000 contracts.

appropriate to provide the Fund with sufficient flexibility and because of the highly liquid and transparent nature of Eurodollar and G-7 Sovereign Futures and Options. Further, the G-7 Sovereign Futures and Options in which the Fund invests will be listed on an exchange that is an ISG member or an exchange with which the Exchange has a comprehensive surveillance sharing agreement.

The Exchange also believes that the exception to Rule 14.11(i)(4)(C)(i) related to the Fund's equity holdings is de minimis and does not raise any substantive issues for the Commission to review because: (i) such holdings will not constitute more than 10% of the Fund's net assets; and (ii) the Fund will not purchase equities²¹ and will dispose of such holdings as the Adviser determines is in the best interest of the Fund's shareholders.

In addition, the Exchange represents that: (1) except as described above, the Fund will continue to satisfy all of the generic listing standards under Rule 14.11(i)(4); (2) the continued listing standards under Rule 14.11(i) will apply to the shares of the Fund; and (3) the issuer of the Fund is required to comply with Rule 10A-3²² under the Act for the initial and continued listing of the Shares. In addition, the Exchange represents that the Fund will meet and be subject to all other requirements of the Generic Listing Rules and other applicable continued listing requirements for Managed Fund Shares under Exchange Rule 14.11(i), including those requirements regarding the Disclosed Portfolio (as defined in the Exchange rules) and the requirement that the Disclosed Portfolio and the net asset value ("NAV") will be made available to all market participants at the same time,²³ intraday indicative value,²⁴ suspension of trading or

²¹ As noted above, the Adviser expects that the Fund will generally acquire such instruments through issuances that it receives by virtue of its other holdings, such as corporate actions or convertible securities.

²² 17 CFR 240.10A-3.

²³ See Exchange Rules 14.11(i)(4)(A)(ii) and 14.11(i)(4)(B)(ii).

removal,²⁵ trading halts,²⁶ disclosure,²⁷ and firewalls.²⁸

The Shares

The Fund will issue and redeem Shares on a continuous basis at the NAV per Share only in large blocks of a specified number of Shares or multiples thereof (“Creation Units”) in transactions with authorized participants who have entered into agreements with the Distributor. The Fund currently anticipates that a Creation Unit will consist of 50,000 Shares, though this number may change from time to time. The exact number of Shares that will constitute a Creation Unit will be disclosed in the respective Registration Statement of the Fund. Once created, Shares of the Fund trade on the secondary market in amounts less than a Creation Unit.

Additional information regarding the Shares and the Fund, including investment strategies, risks, creation and redemption procedures, fees and expenses, portfolio holdings disclosure policies, distributions, taxes and reports to be distributed to beneficial owners of the Shares can be found in the Registration Statement or on the website for the Fund (www.JPMorgan.com), as applicable.

Availability of Information

As noted above, the Fund will comply with the requirements for Managed Fund Shares related to Disclosed Portfolio, NAV, and the Intraday Indicative Value. Additionally, the intraday, closing and settlement prices of exchange-traded portfolio assets, including futures, swaps, listed options, and certain Equity Holdings, will be readily available from the exchanges on

²⁴ See Exchange Rule 14.11(i)(4)(B)(i).

²⁵ See Exchange Rule 14.11(i)(4)(B)(iii).

²⁶ See Exchange Rule 14.11(i)(4)(B)(iv).

²⁷ See Exchange Rule 14.11(i)(6).

²⁸ See Exchange Rule 14.11(i)(7).

which such products are listed, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. 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. Intraday price quotations on Bonds, OTC derivative instruments, and OTC Equity Holdings are available from major broker-dealer firms and from third-parties, which may provide prices free with a time delay or in real-time for a paid fee. Price information for Cash Equivalents will be available from major market data vendors.

The Disclosed Portfolio will be available on the Fund's website (www.jpmorgan.com/etfs) free of charge. The Fund's website includes a form of the prospectus for the Fund and additional information related to NAV and other applicable quantitative information. Information regarding market price and trading volume of the Shares will be continuously available throughout the day on brokers' computer screens and other electronic services. Quotation and last sale information on the Shares will be available through the Consolidated Tape Association. Information regarding the previous day's closing price and trading volume for the Shares will be published daily in the financial section of newspapers. Trading in the Shares may be halted for market conditions or for reasons that, in the view of the Exchange, make trading inadvisable. 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. The Exchange has appropriate rules to facilitate trading in the shares during all trading sessions.

Surveillance

Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Managed Fund Shares. All of the

futures contracts and listed options contracts, as well as certain Equity Holdings held by the Fund will trade on markets that are a member of Intermarket Surveillance Group (“ISG”) or affiliated with a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.²⁹ The Exchange, FINRA, on behalf of the Exchange, or both will communicate regarding trading in the Shares and the underlying listed instruments, including listed derivatives and certain Equity Holdings, held by the Fund with the ISG, other markets or entities who are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement. Additionally, the Exchange or FINRA, on behalf of the Exchange, are able to access, as needed, trade information for certain fixed income instruments reported to FINRA’s Trade Reporting and Compliance Engine (“TRACE”). Trade price and other information relating to municipal securities is available through the Municipal Securities Rulemaking Board’s (the “MSRB”) Electronic Municipal Market Access (“EMMA”) system. 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, and the applicability of Exchange rules specified in this filing shall constitute continued listing requirements for the Fund. The issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund or the 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 the Fund or the Shares are not in compliance with the

²⁹ For a list of the current members and affiliate members of ISG, see www.isgportal.com. The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

applicable listing requirements, the Exchange will commence delisting procedures under Exchange Rule 14.12.

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 the Fund. The Exchange will halt trading in the Shares under the conditions specified in Rule 11.18. Trading 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 Disclosed Portfolio of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares also will be subject to Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which trading in the Shares of a Fund 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. The Exchange allows trading in the Shares from 8:00 a.m. until 8:00 p.m. Eastern Time. The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in Rule 11.11(a), the minimum price variation for quoting and entry of orders in Managed Fund Shares traded on the Exchange is \$0.01, with the exception of securities that are priced less than \$1.00, for which the minimum price variation for order entry is \$0.0001.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act³⁰ in

³⁰ 15 U.S.C. 78f.

general and Section 6(b)(5) of the Act³¹ 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.

The Exchange believes that excluding ABS and Private MBS in calculating Rule 14.11(i)(4)(C)(ii)(d) is consistent with the Act because the Fund's portfolio will be consistent with the policy issues underlying the rule as a result of the diversification provided by the investments and the Adviser's selection process, which closely monitors investments to ensure maintenance of credit and liquidity standards. Further, the other fixed income instruments, excluding ABS and Private MBS, held by the Fund will satisfy the 90% requirement under Rule 14.11(i)(4)(C)(ii)(d).

The Exchange believes that the proposal that the Fund would meet neither the 65% nor the 30% requirements of Rule 14.11(i)(4)(C)(iv)(b) is consistent with the Act because such instruments are highly liquid investments and are not subject to the concentration risk that the rule is intended to address because of such liquidity. Further, the Exchange notes that the significantly diminished risk of Treasury Securities is reflected in their exclusion from the concentration requirements applicable to fixed income securities in Rule 14.11(i)(4)(C)(ii)(b). The Fund will comply with the concentration requirements in Rule 14.11(i)(4)(C)(iv)(b) except with respect to the Fund's investment in Eurodollar and G-7 Sovereign Futures and Options. The Exchange believes that this alternative limitation is appropriate to provide the Fund with sufficient flexibility and because of the highly liquid and transparent nature of Eurodollar and G-

³¹ 15 U.S.C. 78f(b)(5).

7 Sovereign Futures and Options. Further, the G-7 Sovereign Futures and Options in which the Fund invests will be listed on an exchange that is an ISG member or an exchange with which the Exchange has a comprehensive surveillance sharing agreement.

The Exchange also believes that the exception to Rule 14.11(i)(4)(C)(i) related to the Fund's equity holdings is consistent with the Act because it is de minimis and does not raise any substantive issues for the Commission to review because: (i) such holdings will not constitute more than 10% of the Fund's net assets; and (ii) the Fund will not purchase equities and will dispose of such holdings as the Adviser determines is in the best interest of the Fund's shareholders.

The Exchange also believes that the proposal is consistent with the Act because the proposed exceptions to the Generic Listing Standards for the Fund related to Rule 14.11(i)(4)(C)(ii)(d) and Rule 14.11(i)(4)(C)(iv)(b) are substantively identical or more restrictive than representations that have already been approved by the Commission.

The Exchange further believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will continue to be listed and traded on the Exchange pursuant to the 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. 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 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. The Adviser is not a registered broker-dealer,

but is affiliated with multiple broker-dealers and has implemented and will maintain “fire walls” with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Fund’s portfolio. In addition, Adviser personnel who make decisions regarding the Fund’s portfolio are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Fund’s portfolio. All of the futures contracts and listed options contracts, as well as certain Equity Holdings held by the Fund 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.³² The Exchange, FINRA, on behalf of the Exchange, or both will communicate regarding trading in the Shares and the underlying listed instruments, including listed derivatives and certain Equity Holdings, held by the Fund with the ISG, other markets or entities who are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement. Additionally, the Exchange or FINRA, on behalf of the Exchange, are able to access, as needed, trade information for certain fixed income instruments reported to FINRA’s TRACE. Trade price and other information relating to municipal securities is available through the MSRB EMMA system.

According to the Registration Statement, the Fund will invest, under Normal Market Conditions, at least 80% of its net assets in Bonds. Additionally, the Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), as deemed illiquid by the Adviser under the 1940 Act.³³ The Fund will monitor its portfolio

³² For a list of the current members and affiliate members of ISG, see www.isgportal.com. The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

³³ The Commission has stated that long-standing Commission guidelines have required

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 the 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.

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 and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time. In addition, a large amount of information is publicly available regarding the Fund and the Shares, thereby promoting market transparency. Moreover, the Intraday Indicative Value will be disseminated by one or more major market data vendors at least every 15 seconds during Regular Trading Hours. On each business day, before commencement of trading in Shares during Regular Trading Hours, the Fund will disclose on its website the Disclosed Portfolio that will form the basis for the Fund's calculation of NAV at the end of the business day. Pricing information will include additional quantitative information updated on a daily basis, including,

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 of 1933).

for the Fund: (1) the prior business day's NAV and the market closing price or mid-point of the Bid/Ask Price,³⁴ 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 each of the four previous calendar quarters.

Additionally, information regarding market price and trading of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information for the Shares will be available on the facilities of the CTA. The website for the Fund will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Trading in Shares of a Fund will be halted under the conditions specified in Rule 11.18. Trading may also be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Finally, trading in the Shares will be subject to Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which Shares may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

Additionally, the intra-day, closing and settlement prices of exchange-traded portfolio assets, including futures, swaps, listed options, and certain Equity Holdings, will be readily available from the exchanges on which such products are listed, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters.

³⁴ The Bid/Ask Price of a Fund will be determined using the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund's NAV. The records relating to Bid/Ask Prices will be retained by the Fund or its service providers.

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.

Intraday price quotations on Bonds, OTC derivative instruments, and OTC Equity Holdings are available from major broker-dealer firms and from third-parties, which may provide prices free with a time delay or in real-time for a paid fee. Price information for Cash Equivalents will be available from major market data vendors.

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 an additional type of actively-managed exchange traded product 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, the Exchange, or FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income instruments reported to TRACE and the MSRB EMMA system. As noted above, investors will also have ready access to information regarding the Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

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 allow the Adviser to fully implement its

investment strategy, which 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 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 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. Please include File Number SR-CboeBZX-2019-016 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-2019-016. 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-2019-016, 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.³⁵

Eduardo A. Aleman
Deputy Secretary

³⁵ 17 CFR 200.30-3(a)(12).