

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-102677; File No. SR-CboeBZX-2024-126)

March 14, 2025

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change to List and Trade Shares of the BondBloxx Private Credit Trust

I. Introduction

On December 17, 2024, Cboe BZX Exchange, Inc. (“BZX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to list and trade shares (“Shares”) of the BondBloxx Private Credit Trust (“Trust”) under BZX Rule 14.11(f). The proposed rule change was published for comment in the Federal Register on December 30, 2024.<sup>3</sup>

On February 7, 2025, pursuant to Section 19(b)(2) of the Act,<sup>4</sup> the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.<sup>5</sup> This order institutes proceedings under Section 19(b)(2)(B) of the Act<sup>6</sup> to determine whether to disapprove the proposed rule change.

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

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

<sup>3</sup> See Securities Exchange Act Release No. 102003 (Dec. 19, 2024), 89 FR 106648 (“Notice”). The Commission has not received any comments regarding the proposed rule change.

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> See Securities Exchange Act Release No. 102375, 90 FR 9559 (Feb. 13, 2025) (designating March 30, 2025, as the date by which the Commission shall either approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change).

<sup>6</sup> 15 U.S.C. 78s(b)(2)(B).

## II. Description of the Proposed Rule Change<sup>7</sup>

As described in the Notice, the Exchange proposes to list and trade Shares of the Trust<sup>8</sup> under BZX Rule 14.11(f)(4), which governs the listing and trading of Trust Issued Receipts<sup>9</sup> on the Exchange. According to the Exchange, the Trust seeks to provide risk-adjusted returns primarily through distributions of current income from the Trust's portfolio.<sup>10</sup>

### Description of the Trust

BondBloxx Investment Management Corporation ("Advisor") is the advisor to the Trust and is responsible for the overall management of the Trust's business activities. HCG Fund Management LP ("Sub-Advisor") will assist in the day-to-day management of the Trust's assets. Brown Brothers Harriman & Co. serves as the administrator, custodian, and the transfer agent. CSC Delaware Trust Company, a Delaware trust company, is the sole trustee of the Trust.

According to the Exchange, the Trust intends to achieve its investment objective by constructing a diversified portfolio of consumer and small business private credit assets.<sup>11</sup> The

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<sup>7</sup> Additional information regarding the Trust and the Shares can be found in the Notice, supra note 3.

<sup>8</sup> The Trust has filed a registration statement on Form S-1 under the Securities Act of 1933, dated December 13, 2024 (File No. 333-283852) ("Registration Statement"). The description of the Trust and the Shares contained herein is based on the Registration Statement. The Exchange states the Registration Statement for the Trust is not yet effective, and the Trust will not trade on the Exchange until such time that the Registration Statement is effective. See Notice, supra note 3, 89 FR at 106649, n. 5.

<sup>9</sup> Rule 14.11(f)(4) applies to Trust Issued Receipts that invest in "Investment Shares" or "Financial Instruments". The term "Investment Shares," as defined in Rule 14.11(f)(4)(A)(i), means a security (a) that is issued by a trust, partnership, commodity pool or other similar entity that invests in any combination of futures contracts, options on futures contracts, forward contracts, commodities, swaps or high credit quality short-term fixed income securities or other securities; and (b) issued and redeemed daily at net asset value in amounts correlating to the number of receipts created and redeemed in a specified aggregate minimum number. The term "Financial Instruments," as defined in Rule 14.11(f)(4)(A)(iv), means any combination of investments, including cash; securities; options on securities and indices; futures contracts; options on futures contracts; forward contracts; equity caps, collars and floors; and swap agreements.

<sup>10</sup> The Exchange states the Trust intends to operate its business so that it falls outside of the definition of an investment company under the Investment Company Act of 1940 (the "1940 Act"). See Notice, supra note 3, 89 FR at 106649, n. 6.

<sup>11</sup> See Notice, supra note 3, 89 FR at 106649.

Exchange states the Trust intends to target primarily whole loans that the Advisor believes will offer stable and predictable cash flows.<sup>12</sup> The Trust generally intends to focus on loans that have short and medium terms (e.g., less than 60 months) which, through principal amortization, tend to have low duration (e.g., less than 30 months).<sup>13</sup>

#### Investable Instruments and Trust Liquidity

The Exchange states the Trust intends to hold the following instruments: personal installment loans, small business loans, student loans, point of sale loans, and asset backed securities that are backed by such loans (collectively “Private Credit Assets”), investment grade bonds, U.S. Treasuries, shares of certain exchange traded funds that invest in U.S. Treasuries or other short-term, interest bearing assets and cash and cash equivalents,<sup>14</sup> including funds of an affiliated Trust for which the Advisor acts as the investment adviser.<sup>15</sup>

According to the Exchange, there is limited sell-side liquidity available in the market for Private Credit Assets.<sup>16</sup> As such, the Advisor is proposing to utilize the following strategy to facilitate redemptions in the Trust:

1. The Trust will maintain a portion of the portfolio in cash and cash equivalents (“Liquidity Sleeve”). Under normal circumstances, the Trust expects to hold approximately 20% of the portfolio in these liquid assets. According to the Exchange, the Advisor expects that it

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<sup>12</sup> See id.

<sup>13</sup> See id.

<sup>14</sup> Cash equivalents are short-term instruments with maturities of less than 3 months, specifically including U.S. Government securities, certificates of deposit, bankers’ acceptances, repurchase and reverse repurchase agreements, bank time deposits, commercial paper, and money market funds. This definition is consistent with the definition of cash and cash equivalents in Exchange Rule 14.11(i)(4)(C)(iii).

<sup>15</sup> See Notice, supra note 3, 89 FR at 106649.

<sup>16</sup> See id.

will generally be able to fulfill redemption orders using this position.<sup>17</sup> The Advisor may also strategically increase the size of the Liquidity Sleeve in order to better facilitate anticipated redemptions by retaining, rather than distributing the paydowns from Private Credit Assets as further described below.

2. The remaining 80% of the Trust's holdings will consist of Private Credit Assets. The Exchange states these are short duration, high yielding products that are underwritten to pay a weighted average of 8% of the total Trust assets under management ("AUM") per month or 10% of the private credit AUM per month.<sup>18</sup> The underwritten yields are currently 10% and at origination typically have an underwritten average duration limit of 3 years, with a target for the initial portfolio of less than 1 year.<sup>19</sup> The monthly cash flows, which are received throughout the month, may be reinvested to the extent necessary to maintain the approximate 20/80 allocation between the Liquidity Sleeve and Private Credit Assets described above.<sup>20</sup> The Trust will consider the current level of the Liquidity Sleeve, among other factors, in determining its distribution policy, and may determine to use accumulated cash received from payments of interest and principal on its Private Credit Assets as well as cash proceeds from loan repayments to replenish or increase the Liquidity Sleeve before distributing such amounts to shareholders.<sup>21</sup>

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<sup>17</sup> See Notice, supra note 3, 89 FR at 106649-50.

<sup>18</sup> See Notice, supra note 3, 89 FR at 106650.

<sup>19</sup> See id.

<sup>20</sup> See id.

<sup>21</sup> See id.

3. Further, according to the Exchange, in the event that the cash and cash equivalents required to accommodate a series of redemptions or a single large redemption approaches the size of the Trust's Liquidity Sleeve, the Trust may:
  - a. Sell Private Credit Assets in the secondary market to raise cash;
  - b. Arrange a line of credit or other financing facility with a bank or broker dealer, using the portfolio of Private Credit Assets as collateral.<sup>22</sup>

The Exchange states these options will likely come at a cost to the Trust or may not be available to the Trust depending on market conditions.<sup>23</sup>

4. In the event that items 1-3 above do not provide sufficient cash and cash equivalents to the Liquidity Sleeve to accommodate redemptions in the Trust, the Exchange states redemptions may be suspended until the Trust accumulates enough cash to facilitate additional redemptions, which the Advisor does not expect to last for longer than approximately 2.5 months.<sup>24</sup> In the event that the Advisor implements a restriction on redemptions, the Shares on the secondary market may trade at deep discount.<sup>25</sup> According to the Exchange, the discount could potentially serve to prompt investors to buy shares and potentially trigger primary market activity.<sup>26</sup>

According to the Exchange, the Advisor believes that the liquidity strategy laid out above will be sufficient to address concerns that may arise from the relative illiquidity of the secondary market for selling Private Credit Assets.<sup>27</sup> Specifically, the Advisor believes that the 20%

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<sup>22</sup> See id.

<sup>23</sup> See id.

<sup>24</sup> See id.

<sup>25</sup> See id.

<sup>26</sup> See id.

<sup>27</sup> See id.

Liquidity Sleeve (with the flexibility to increase the sleeve during times of potentially high redemptions) will provide the Trust with sufficient liquidity to manage redemptions under the vast majority of market conditions.<sup>28</sup> Additionally, because the Trust will target shorter duration loans that are underwritten to generate cash payments of interest and principal amortization of approximately 8% of the Trust's AUM per month, even in the event that the Trust's Liquidity Sleeve is exhausted, it is expected to be replenished by the cash payments generated by the Private Credit Assets.<sup>29</sup> In the event that the cash generated by the Private Credit Assets is insufficient to satisfy incoming redemptions the Trust would then have the ability to facilitate additional redemptions by selling certain of the Private Credit Assets and/or using the Private Credit Assets as collateral for a cash loan from a bank or broker dealer.<sup>30</sup> According to the Exchange, in a worst case scenario, the Trust would temporarily suspend redemptions.<sup>31</sup> However, the Exchange states the Advisor does not expect such a suspension to last for longer than approximately 2.5 months because of the cash expected to be generated by the Private Credit Assets.<sup>32</sup>

In addition to the specific liquidity strategy described above, the Exchange states that the small size of loans sourced through Fintech lending platforms will enable the Trust to hold a portfolio that is diversified by sector, source, vintage, count and geography, which will help to manage idiosyncratic risk and ensure a diverse universe of lenders.<sup>33</sup> The Exchange states the small loan size means that the Trust will need to hold a significant number of Private Credit

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<sup>28</sup> See id.

<sup>29</sup> See id.

<sup>30</sup> See id.

<sup>31</sup> See id.

<sup>32</sup> See id.

<sup>33</sup> See id.

Assets, further ensuring diversity and minimizing the risk that any single Private Credit Assets would have on the portfolio.<sup>34</sup> Finally, the Exchange states the Advisor believes that the cash yields and short duration through regular principal amortization will, in addition to enhancing the liquidity of the Trust, help manage volatility of returns.<sup>35</sup>

#### Availability of Information

According to the Exchange, the net asset value (“NAV”) for the Trust will be calculated by an independent third party once each business day and will be disseminated daily to all market participants at the same time.<sup>36</sup> Pricing information will be available on the Advisor’s website including: (1) the prior business day’s reported NAV, the closing market price or the bid/ask price, daily trading volume, and a calculation of the premium and discount of the closing market 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 closing price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. The Trust will also disclose its portfolio holdings on a daily basis on its website. The aforementioned information will be published as of the close of business and available on the Advisor’s website at [www.bondbloxxetf.com](http://www.bondbloxxetf.com).<sup>37</sup>

According to the Exchange, the Trust generally values its assets using market quotations when they are readily available.<sup>38</sup> Whole loans, asset backed securities and certain other types of

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<sup>34</sup> See id.

<sup>35</sup> See id.

<sup>36</sup> See id. NAV means the total assets of the Trust including, but not limited to, all cash and cash equivalents and private credit assets, less any liabilities, divided by the total number of Shares outstanding. The Trust’s NAV is generally calculated at 4 p.m. ET. See Notice, supra note 3, 89 FR at 106650, n. 9.

<sup>37</sup> See Notice, supra note 3, 89 FR at 106650.

<sup>38</sup> See id.

private credit assets that Trust may hold may not have readily available market quotations and typically are fair-valued based on prices provided by a third-party pricing service.<sup>39</sup> Each loan and fractional loan is valued using inputs that factor in individual borrower performance data (e.g., payment history) that is updated as often as the NAV is calculated to reflect new information about the borrower or loan.<sup>40</sup>

Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the Consolidated Tape Association. Pricing information regarding cash equivalents in which the Trust will invest is generally available through nationally recognized data services providers, such as Reuters and Bloomberg, through subscription agreements.<sup>41</sup>

The Exchange states the Intraday Indicative Value (“IIV”) will be updated during Regular Trading Hours to reflect changes in the value of the Trust’s holdings during the trading day.<sup>42</sup> The IIV disseminated during Regular Trading Hours should not be viewed as an actual real-time update of the NAV, which will be calculated only once at the end of each trading day.<sup>43</sup> The IIV will be updated every 15 seconds, as calculated by the Exchange or a third-party financial data provider during the Exchange’s Regular Trading Hours (9:30 a.m. to 4:00 p.m. Eastern time).

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<sup>39</sup> See Notice, supra note 3, 89 FR at 106650-51. According to the Exchange, fair value represents the amount that the Trust could reasonably expect to receive if its assets were sold at the time of valuation, based on information reasonably available at the time the valuation is made and that the Advisor and the Sub-Advisor believe to be reliable. See Notice, supra note 3, 89 FR at 106651. Further, according to the Exchange, “fair valuation involves subjective judgments, and it is possible that the fair value determined for an asset may differ materially from the value that could be realized upon the sale of such asset.” Id.

<sup>40</sup> See Notice, supra note 3, 89 FR at 106651.

<sup>41</sup> See Notice, supra note 3, 89 FR at 106651.

<sup>42</sup> See id.

<sup>43</sup> See id.



III. Proceedings to Determine Whether to Approve or Disapprove SR-CboeBZX-2024-126 and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act<sup>44</sup> to determine whether the proposed rule change should be approved or disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide comments on the proposed rule change.

Pursuant to Section 19(b)(2)(B) of the Act,<sup>45</sup> the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of the proposal's consistency with Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be "designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade," and "to protect investors and the public interest."<sup>46</sup>

The Commission asks that commenters address the sufficiency of the Exchange's statements in support of the proposal, which are set forth in the Notice, in addition to any other comments they may wish to submit about the proposed rule change. In particular, the Commission seeks comment on the following questions and asks commenters to submit data where appropriate to support their views:

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<sup>44</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>45</sup> Id.

<sup>46</sup> 15 U.S.C. 78f(b)(5).

1. What are commenters' views generally with respect to the liquidity and transparency of the markets for Private Credit Assets? What sources of reliable pricing information (both intraday and end-of-day) are available for the Private Credit Assets? Are such sources of reliable pricing information generally available to investors? Do the answers to these questions depend upon the type of Private Credit Asset?

2. What are commenters' views on whether the proposal would maintain alignment between intraday trading prices of the Shares and the contemporaneous value of the underlying portfolio? Will the proposed allocation of the Trust's holdings, including the liquidity strategy described by the Exchange,<sup>47</sup> facilitate alignment of the secondary market prices of the Shares with the value of the Trust's underlying portfolio? Why or why not? Will authorized participants and market makers have sufficient information to value the Trust's underlying portfolio and facilitate creation/redemption or trading in the Shares, respectively? Why or why not?

3. Given the nature of the underlying assets held by the Trust, what are commenters' views on whether the proposed Trust and Shares would be susceptible to manipulation? What are commenters' views generally on whether the Exchange's proposal is designed to prevent fraudulent and manipulative acts and practices?

#### IV. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues identified above, as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposal is consistent with Section 6(b)(5) or any other provision of the Act, and the rules and regulations thereunder. Although there do not

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<sup>47</sup> See supra notes 16-26 and accompanying text.

appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4, any request for an opportunity to make an oral presentation.<sup>48</sup>

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change should be approved or disapproved by [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-CboeBZX-2024-126 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-2024-126. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all

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<sup>48</sup> Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Pub. L. 94-29 (June 4, 1975), grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. *See* Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

comments on the Commission’s internet website (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-CboeBZX-2024-126 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Rebuttal comments should be submitted by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>49</sup>

**Vanessa A. Countryman,**  
*Secretary.*

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<sup>49</sup> 17 CFR 200.30-3(a)(57).