

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-80840; File No. SR-NYSEArca-2017-33)

June 1, 2017

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving a Proposed Rule Change, as Modified by Amendment No. 2 Thereto, to List and Trade Shares of the Euro Gold Trust, Pound Gold Trust, and the Yen Gold Trust under NYSE Arca Equities Rule 8.201

I. Introduction

On March 31, 2017, NYSE Arca, Inc. (“NYSE Arca” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to list and trade shares (“Shares”) of the Euro Gold Trust, Pound Gold Trust, and the Yen Gold Trust (each a “Fund” and, collectively, the “Funds”) under NYSE Arca Equities Rule 8.201. On April 12, 2017, the Exchange filed Amendment No. 1 to the proposal, which amended and replaced the proposed rule change in its entirety. The proposed rule change, as modified by Amendment No. 1, was published for comment in the Federal Register on April 19, 2017.<sup>3</sup> On May 23, 2017, the Exchange filed Amendment No. 2 to the proposed rule change,<sup>4</sup> which amended and replaced the proposed rule change as modified by Amendment No. 1. The

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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. 80457 (April 13, 2017), 82 FR 18492.

<sup>4</sup> In Amendment No. 2, the Exchange: (1) described further the methodology for each underlying index; (2) provided additional information regarding Solactive AG, the “Index Provider;” (3) further supported its position that market makers in the Shares will be able to trade the Shares at prices that are not at a material discount or premium to net asset value (“NAV”) per Share; and (4) made additional statements regarding the continued listing requirements applicable to the Shares. The amendments to the proposed rule change are available at: <https://www.sec.gov/comments/sr-nysearca-2017-33/nysearca201733.htm>. Amendment No. 2 is not subject to notice and comment because it is a technical amendment that does not materially alter the substance of the proposed rule change or raise any novel regulatory issues.

Commission has not received any comments on the proposed rule change. This order approves the proposed rule change, as modified by Amendment No. 2.

II. The Description of the Proposed Rule Change, as Modified by Amendment No. 2<sup>5</sup>

The Exchange proposes to list and trade the Shares, which are a series of the World Currency Gold Trust (“Trust”), under NYSE Arca Equities Rule 8.201.<sup>6</sup> Under NYSE Arca Equities Rule 8.201, the Exchange may list and trade, or trade pursuant to unlisted trading privileges, Commodity-Based Trust Shares.<sup>7</sup>

The Sponsor of the Funds and the Trust will be WGC USA Asset Management Company, LLC (“Sponsor”).<sup>8</sup> BNY Mellon Asset Servicing, a division of The Bank of New York Mellon (“BNYM”), will be the Funds’ administrator (“Administrator”) and transfer agent and will not be affiliated with the Trust, the Funds, or the Sponsor. BNYM will also serve as the custodian of the Funds’ cash, if any. HSBC Bank plc will be the custodian of the Funds’ gold.

The Euro Gold Trust will be designed to track the performance of the Solactive GLD<sup>®</sup> EUR Gold Index, less the expenses of the Fund’s operations. The Solactive GLD<sup>®</sup> EUR Gold

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<sup>5</sup> A more detailed description of the Funds, the Shares, the Indexes and the Gold Delivery Agreement (as defined in the Notice), as well as investment risks, creation and redemption procedures, NAV calculation, availability of values and other information regarding the Funds, and fees, among other things, is included in the Registration Statement, infra note 6, and Amendment No. 2, supra note 4.

<sup>6</sup> On March 30, 2017, the Trust filed with the Commission its initial registration statement on Form S-1 under the Securities Act of 1933 relating to the Funds (File No. 333-217041) (“Registration Statement”).

<sup>7</sup> Commodity-Based Trust Shares are securities issued by a trust that represent investors’ discrete identifiable and undivided beneficial ownership interest in the commodities deposited into the Trust.

<sup>8</sup> The Trust will be a Delaware statutory trust consisting of multiple series, each of which will issue common units of beneficial interest, which represent units of fractional undivided beneficial interest in and ownership of such series. The term of the Trust and each series will be perpetual (unless terminated earlier in certain circumstances). The sole trustee of the Trust will be Delaware Trust Company.

Index seeks to track the daily performance of a long position in physical gold (as represented by the Gold Price, which generally is the London Bullion Markets Association (“LBMA”) Gold Price AM<sup>9</sup>) and a short position in the Euro (i.e., a long U.S. dollar (“USD”) exposure versus the Euro).

The Pound Gold Trust will be designed to track the performance of the Solactive GLD<sup>®</sup> GBP Gold Index, less the expenses of the Fund’s operations. The Solactive GLD<sup>®</sup> GBP Gold Index seeks to track the daily performance of a long position in physical gold (as represented by the Gold Price) and a short position in the British Pound Sterling (i.e., a long USD exposure versus the British Pound Sterling). The Yen Gold Trust will be designed to track the performance of the Solactive GLD<sup>®</sup> JPY Gold Index, less the expenses of the Fund’s operations. The Solactive GLD<sup>®</sup> JPY Gold Index seeks to track the daily performance of a long position in physical gold (as represented by the Gold Price) and a short position in the Japanese Yen (i.e., a long USD exposure versus the Japanese Yen). The Japanese Yen, the Euro and the British Pound Sterling are referred to collectively as the “Reference Currencies.” Each of the Solactive GLD<sup>®</sup> EUR Gold Index, Solactive GLD<sup>®</sup> GBP Gold Index, and Solactive GLD<sup>®</sup> JPY Gold Index are each referred to as an “Index,” and are referred to collectively as the “Indexes.”

Generally, each Fund’s holdings will consist entirely of Gold Bullion.<sup>10</sup> Substantially all

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<sup>9</sup> The “LBMA Gold Price” means the price per troy ounce of gold stated in USDs as set via an electronic auction process run twice daily at 10:30 a.m. and 3:00 p.m. London time each Business Day as calculated and administered by the ICE Benchmark Administration Limited and published by the LBMA on its website. The “LBMA Gold Price AM” is the 10:30 a.m. LBMA Gold Price. See Amendment No. 2, supra note 4, at 8-9.

<sup>10</sup> Gold Bullion means (a) gold meeting the requirements of “London Good Delivery Standards” or (b) credit to an “Unallocated Account” representing the right to receive Gold Bullion meeting the requirements of London Good Delivery Standards. London Good Delivery Standards are the specifications for weight dimensions, fineness (or purity), identifying marks and appearance set forth in “The Good Delivery Rules for Gold and Silver Bars” published by the LBMA. See id. at 6, n.19.

of each Fund's Gold Bullion holdings will be delivered by Authorized Participants<sup>11</sup> in exchange for Fund Shares. The Funds' Gold Bullion holdings will not be managed and the Funds will not have any investment discretion. The Funds will not hold their respective Reference Currencies. The Funds generally will not hold USDs (except from time to time in very limited amounts to pay Fund expenses).

### III. Discussion and Commission Findings

After careful review, the Commission finds that the Exchange's proposed rule change to list and trade the Shares is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>12</sup> In particular, the Commission finds that the proposal is consistent with Section 11A(a)(1)(C)(iii) of the Act,<sup>13</sup> which sets forth Congress' finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations for and transactions in securities. Quotation, last-sale, trading volume, and closing price information for the Shares will be available over the Consolidated Tape.

Additionally, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Exchange Act,<sup>14</sup> which requires, among other things, that the Exchange's rules be designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and

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<sup>11</sup> According to the Exchange, Authorized Participants are the only persons that may place orders to create and redeem Creation Units and such persons must enter into a Participant Agreement. See id. at 18.

<sup>12</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>13</sup> 15 U.S.C. 78k-1(a)(1)(C)(iii).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

open market and a national market system, and, in general, to protect investors and the public interest. The Commission believes that the proposed rule change is reasonably designed to promote fair disclosure of information that may be necessary to price the Shares appropriately. The Funds' website will provide an indicative intraday value ("IIV") per Share, updated every 15 seconds during the Exchange's Core Trading Session. The IIV will be calculated based on the amount of gold held by the Fund, a price of gold derived from updated bids and offers indicative of the spot price of gold, and an intra-day exchange rate for each Reference Currency against the U.S. dollar.<sup>15</sup> The Exchange states that the IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session.<sup>16</sup> Additionally, the Funds' website will publish the Creation Basket Deposit and the NAV.<sup>17</sup> Each Index value generally will be calculated daily, using the daily LBMA Gold Price AM and the Spot Rate<sup>18</sup> as of 9:00 a.m., London time, and it will be available from one or more major market data vendors and will be available during the Exchange's Core Trading Session.

The Exchange represents that market participants will recalculate approximate intraday Index values using reliable intraday prices of gold and Reference Currencies to identify arbitrage

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<sup>15</sup> See Amendment No. 2, supra note 4, at 23, text accompanying n.30.

<sup>16</sup> See id. at 28.

<sup>17</sup> See id. at 23. The Funds also will publish the following information on their website: (1) the mid-point of the bid-ask price as of the close of trading ("Bid/Ask Price"), and a calculation of the premium or discount of such price against such NAV; (2) data in chart format displaying the frequency distribution of discounts and premiums of the Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters; (3) the Fund's prospectus, as well as the two most recent reports to stockholders; and (4) the last-sale price of the Shares as traded in the U.S. market. See id. at 23.

<sup>18</sup> A "Spot Rate" is the rate at which a Reference Currency can be exchanged for USDs on an immediate basis, subject to the applicable settlement cycle. See id. at 10.

opportunities that present themselves during the Exchange’s Core Trading Session.<sup>19</sup> In particular, the Exchange states that market makers in the Shares will be able to hedge their positions in the Shares by entering into spot gold and spot currency transactions in the Reference Currencies. Those spot transactions would take place during the Exchange’s Core Trading session, when the currency and gold markets are highly liquid according to the Exchange.<sup>20</sup> The Exchange expects that those hedging transactions will facilitate a market maker’s ability to trade Shares at a price that is not at a material discount or premium to the NAV.<sup>21</sup>

As mentioned above,<sup>22</sup> the Index Values, which impact the NAVs of the Funds, are calculated using the Spot Rates. Each Spot Rate is calculated by WM/Reuters (“WMR”) using observable data from arms-length transactions between buyers and sellers in the applicable currency market.<sup>23</sup> The Exchange represents that WMR utilizes the same methodology to calculate the Spot Rate as it does to calculate the NAV for certain issues of Currency Trust Shares, the listing and trading of which the Commission approved.<sup>24</sup> The Commission believes that the markets for the Reference Currencies (i.e., the Japanese Yen, Euro and British Pound Sterling) and gold are deep and liquid. For these reasons, and in light of the Exchange’s representations that the Index methodologies are transparent,<sup>25</sup> the Commission presently has no

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<sup>19</sup> See id. at 22.

<sup>20</sup> See id. The Exchange states that there is a considerable amount of information about gold and currency prices available on public websites and through professional and subscription services. For example, according to the Exchange, investors may obtain on a 24-hour basis gold pricing information, as well as pricing information for the Reference Currencies from various financial information service providers. See id.

<sup>21</sup> See id.

<sup>22</sup> See supra note 18 and accompanying text.

<sup>23</sup> See Amendment No. 2, supra note 4, at 11, n.25.

<sup>24</sup> See id. at 11, n.24.

<sup>25</sup> See id. at 8.

reason to believe that the Indexes are susceptible to manipulation.

The Commission also believes that the proposal is reasonably designed to prevent trading when a reasonable degree of transparency cannot be assured. With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares. The Exchange may halt trading in the Shares because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. The Exchange will halt trading in the Shares if the NAV is not calculated or disseminated daily.<sup>26</sup> The Exchange may halt trading during the day in which an interruption occurs to the dissemination of the IIV or the Index value; if the interruption to the dissemination of the IIV or the Index value persists past the trading day in which it occurs, the Exchange will halt trading no later than the beginning of the trading day following the interruption.<sup>27</sup> In addition, trading in Shares will be subject to trading halts caused by extraordinary market volatility pursuant to the Exchange's "circuit breaker" rule.

Additionally, the Commission notes that market makers in the Shares would be subject to the requirements of NYSE Arca Equities Rule 8.201(g), which allow the Exchange to ensure that they do not use their positions to violate the requirements of Exchange rules or applicable federal securities laws.<sup>28</sup>

In support of this proposal, the Exchange has made the following additional

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<sup>26</sup> See id. at 25.

<sup>27</sup> See id.

<sup>28</sup> The Commission notes that Commentary .04 of NYSE Arca Equities Rule 6.3 requires that an ETP Holder acting as a registered market maker in the Shares, and its affiliates, establish, maintain and enforce written policies and procedures reasonably designed to prevent the misuse of any material nonpublic information with respect to such products, any components of the related products, any physical asset or commodity underlying the product, applicable currencies, underlying indexes, related futures or options on futures, and any related derivative instruments.

representations:

- (1) The Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Equities Rule 8.201.
- (2) The Exchange deems the Shares to be equity securities, thus rendering the trading of the Shares subject to the Exchange's existing rules governing the trading of equity securities.
- (3) The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions.<sup>29</sup>
- (4) The Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.<sup>30</sup>
- (5) The Index Provider, which is not affiliated with a broker-dealer, has adopted policies and procedures designed to prevent the spread of material non-public information about the Indexes.<sup>31</sup>
- (6) Trading in the Shares will be subject to the existing trading surveillances administered by the Exchange, as well as cross-market surveillances administered by FINRA on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws, and that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.<sup>32</sup>

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<sup>29</sup> See id. at 24.

<sup>30</sup> See id. at 26.

<sup>31</sup> See id. at 8.

<sup>32</sup> See id. at 25-26. FINRA conducts cross-market surveillances on behalf of the Exchange



- (7) The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares with other markets and other entities that are members of the Intermarket Surveillance Group (“ISG”), and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.<sup>33</sup>
- (8) Prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Specifically, the Information Bulletin will discuss the following: (1) the procedures for purchases and redemptions of Shares in Baskets (including noting that Shares are not individually redeemable); (2) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; (4) the possibility that trading spreads and the resulting premium or discount on the Shares may widen as a result of reduced liquidity of gold trading during the Core and Late Trading Sessions after the close of the major world gold markets; and (5) trading information.

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pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services agreement. See id. at 25, n.33.

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For a list of the current members of ISG, see [www.isgportal.org](http://www.isgportal.org).

- (9) All statements and representations made in this filing regarding (a) the description of the applicable Indexes, portfolios or reference assets, (b) limitations on Index or portfolio holdings or reference assets, or (c) the applicability of Exchange listing rules specified in this rule filing constitute continued listing requirements for listing the Shares on the Exchange.<sup>34</sup>
- (10) The issuer has represented to the Exchange that it will advise the Exchange of any failure by the Funds to comply with the continued listing requirements and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under the NYSE Arca Equities Rule 5.5(m).

This approval order is based on all of the Exchange's representations, including those set forth above and in Amendment No. 2, and the Exchange's description of the Funds.

For the foregoing reasons, the Commission finds that the proposed rule change, as modified by Amendment No. 2, is consistent with Section 6(b)(5) of the Act<sup>35</sup> and the rules and regulations thereunder applicable to a national securities exchange.

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<sup>34</sup> See Amendment No. 2, supra note 4, at 26.

<sup>35</sup> 15 U.S.C. 78f(b)(5).

VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Exchange Act,<sup>36</sup> that the proposed rule change (SR- NYSEArca-2017-33), as modified by Amendment No. 2 be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>37</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>36</sup> 15 U.S.C. 78s(b)(2).

<sup>37</sup> 17 CFR 200.30-3(a)(12).