

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-81682; File No. SR-NYSEArca-2017-103)

September 22, 2017

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Reflect Certain Changes Applicable to IQ Municipal Insured ETF, IQ Municipal Intermediate ETF, and IQ Municipal Short Duration ETF

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> notice is hereby given that, on September 13, 2017, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II 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 proposes (1) to reflect a change in the name of the IQ Municipal Insured ETF, IQ Municipal Intermediate ETF, and IQ Municipal Short Duration ETF (each a “Fund” and, collectively, the “Funds”), and (2) to reflect a change in the dollar-weighted average duration to be maintained by the IQ Municipal Insured ETF and IQ Municipal Intermediate ETF. Shares of the Funds have been approved by the Securities and Exchange Commission (the “Commission”) for listing and trading on the Exchange under NYSE Arca Rule 8.600-E. The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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

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

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

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

1. Purpose

The Commission has approved a proposed rule change relating to listing and trading on the Exchange of shares (“Shares”) of the Funds under NYSE Arca Rule 8.600-E,<sup>3</sup> which governs the listing and trading of Managed Fund Shares.<sup>4</sup> The Shares will be offered by the IndexIQ Active ETF Trust (the “Trust”), which is registered with the Commission as an open-end

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<sup>3</sup> See Securities Exchange Act Release Nos. 80584 (May 3, 2017), 82 FR 21573 (May 9, 2017) (SR-NYSEArca-2017-44) (notice of filing of proposed rule change to list and trade shares of the IQ Municipal Insured ETF; IQ Municipal Short Duration ETF; and IQ Municipal Intermediate ETF under NYSE Arca Equities Rule 8.600) (“Prior Notice”); 80885 (June 8, 2017), 82 FR 27302 (June 14, 2017) (SR-NYSEArca-2017-44) (order approving proposed rule change to list and trade shares of the IQ Municipal Insured ETF, IQ Municipal Short Duration ETF, and IQ Municipal Intermediate ETF under NYSE Arca Equities Rule 8.600) (Prior Order, and, together with the Prior Notice, the “Prior Release”). All terms referenced but not defined herein are defined in the Prior Release.

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

management investment company. Each Fund is a series of the Trust. Shares of the Funds have been approved by the Commission for listing and trading on the Exchange under NYSE Arca Rule 8.600-E. The Funds' Shares have not commenced trading on the Exchange.

On June 27, 2017, the name of the IQ Municipal Insured ETF was changed to IQ MacKay Shields Municipal Insured ETF, the name of the IQ Municipal Intermediate ETF was changed to IQ MacKay Shields Municipal Intermediate ETF, and the name of the IQ Municipal Short Duration ETF was changed to IQ MacKay Shields Municipal Short Duration ETF. This proposed rule change proposes to reflect these changes.

The Prior Release stated that the IQ Municipal Insured ETF generally will maintain a dollar-weighted average duration within plus or minus two years of the dollar-weighted average duration of the S&P Municipal Bond Insured Index. The Fund proposes to change this representation to state that the Fund generally will maintain a dollar-weighted average modified duration of 3 to 15 years.

In addition, the Prior Release stated that the IQ Municipal Intermediate ETF generally will maintain a dollar-weighted average duration within plus or minus two years of the dollar-weighted average duration of the S&P Municipal Bond Intermediate Index. The Fund proposes to change this representation to state that the Fund generally will maintain a dollar-weighted average modified duration of three to ten years.<sup>5</sup>

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<sup>5</sup> The Exchange notes that the Commission has approved the listing and trading of other issues of Managed Fund Shares that have a duration range comparable to those proposed for the Funds. See, e.g., Securities Exchange Act Release Nos. 79293 (November 10, 2016), 81 FR 81189 (November 17, 2016)(SR-NYSEArca-2016-107) (order approving listing and trading of shares of Cumberland Municipal Bond ETF under NYSE Arca Equities Rule 8.600, which states that "At least 80% of the weight of the Fund's assets will be in Municipal Bonds with a modified duration of 15 years or less"); 71617 (February 26, 2014), 79 FR 12257 (March 4, 2014) (SR-NYSEArca-2013-135) (Order Granting Approval of Proposed Rule Change to List and Trade Shares of db-X Ultra-

The Adviser represents that the proposal to change representations regarding duration, as described above, is consistent with each applicable Fund’s respective investment objective, and will further assist the Adviser and Subadviser to achieve such investment objective. Except for the changes noted above, all other representations made in the Prior Release remain unchanged.<sup>6</sup> The Funds will comply with all initial and continued listing requirements under NYSE Arca Equities Rule 8.600-E.

The Adviser represents that the investment objective of the Funds is not changing.

## 2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>7</sup> that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The 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. The names of the Funds have been changed to include the name of the Subadviser (MacKay Shields LLC). The Exchange believes

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Short Duration Fund and db-X Managed Municipal Bond Fund under NYSE Arca Equities Rule 8.600, which states that “[a]lthough the [db-X Managed Municipal Bond Fund] may adjust duration of its holdings over a wider range, it generally intends to keep it between five and nine years”); 77522 (April 5, 2016), 81 FR 21420 (April 11, 2016) (SR-NYSEArca-2015-125) (order approving proposed rule change to list and trade shares of the Riverfront Dynamic Unconstrained Income ETF and Riverfront Dynamic Core Income ETF under NYSE Arca Equities Rule 8.600, which states that “the Sub-Adviser intends to manage the [Riverfront Dynamic Unconstrained Income ETF’s] portfolio so that it has an average duration of between two and ten years, under normal circumstances”).

<sup>6</sup> See note 3, *supra*.

<sup>7</sup> 15 U.S.C. 78f(b)(5).

that the change to the representations regarding the dollar-weighted average modified duration of the applicable Funds will not adversely impact investors or Exchange trading and will provide such Funds with additional flexibility in managing the Funds' investments based on the Adviser's and Subadviser's assessment of market conditions impacting the Funds' investments.

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 believes the proposed rule change will provide the Adviser and Subadviser with additional flexibility in managing the applicable Funds' investments based on the Adviser's and Subadviser's assessment of market conditions impacting the Funds' investments and will not impose a burden on competition. In addition, the Funds' name changes as described above raise no competitive issues.

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

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

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>8</sup> and Rule 19b-4(f)(6) thereunder.<sup>9</sup>

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)

<sup>9</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### IV. Solicitation of Comments

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

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2017-103 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-NYSEArca-2017-103. 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

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days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2017-103 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).