

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-81495; File No. SR-BatsBZX-2017-56)

August 29, 2017

Self-Regulatory Organizations; Bats BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change to List and Trade Shares of Specified Series of the Innovator Shield Strategy S&P 500 Monthly Index Series and Innovator Ultra Shield Strategy S&P 500 Monthly Index Series Under Rule 14.11(c)(3)

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 August 22, 2017, Bats BZX Exchange, Inc. (“Exchange” or “BZX”) 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 filed a proposal to list and trade shares of series of the Innovator Shield Strategy S&P 500 Monthly Index Series and Innovator Ultra Shield Strategy S&P 500 Monthly Index Series under the Academy Funds Trust, under Rule 14.11(c)(3) (“Index Fund Shares”).

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

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

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

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

proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange proposes to list and trade shares (“Shares”) of each series of the Innovator Shield Strategy S&P 500 ETF (collectively, the “Shield Funds”) and Innovator Ultra Shield Strategy S&P 500 ETF (collectively, the “Ultra Shield Funds”) (each a “Fund” and, collectively, the “Funds”) under Rule 14.11(c)(3), which governs the listing and trading of Index Fund Shares on the Exchange. In total, the Exchange is proposing to list and trade Shares of twelve monthly series of the Innovator Shield Strategy S&P 500 Monthly Index Series and twelve monthly series of the Innovator Ultra Shield Strategy S&P 500 Monthly Index Series. Each Fund will be an index-based exchange traded fund (“ETF”).

The Shares will be offered by Academy Funds Trust (the “Trust”), which was established as a Delaware statutory trust on October 17, 2007. The Trust is registered with the Commission as an investment company and has filed a registration statement on Form N-1A (“Registration Statement”) with the Commission on behalf of the Funds.<sup>3</sup> Each Fund intends to qualify each year as a regulated investment company (a “RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended.<sup>4</sup>

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<sup>3</sup> See Post-Effective Amendment Nos. 45 and 46 to Registration Statement on Form N-1A for the Trust, dated May 15, 2017 (File Nos. 333-146827 and 811-22135). The descriptions of the Fund and the Shares contained herein are based on information in the Registration Statement.

<sup>4</sup> 26 U.S.C. 851.

Each Shield Fund’s investment objective is to track, before fees and expenses, the performance of its respective index (the “Shield Index”). Each Ultra Shield Fund’s investment objective is to track, before fees and expenses, the performance of its respective index (the “Ultra Shield Index”). Innovator Capital Management LLC (the “Advisor”) will act as adviser to the Funds. Both the Shield Index and the Ultra Shield Index (collectively, the “Indexes”) are owned and operated by S&P Dow Jones Indices, and were developed by the Chicago Board Options Exchange (“CBOE” or “Index Provider”) in coordination with Milliman Financial Risk Management LLC. The value of each Index is calculated daily as of the close of trading hours on the New York Stock Exchange by CBOE utilizing an option valuation model and data provided by CBOE. Milliman Financial Risk Management LLC will act as sub-adviser for the Funds (the “Sub-Adviser”).

The Indexes employ a “defined outcome strategy” that seeks to provide investment returns that deliver one-to-one exposure to any gains of the S&P 500 Price Return Index (“S&P 500”), up to a capped amount, while protecting investors from S&P 500 losses of up to a capped amount, as further described below. The Indexes will be composed exclusively of FLEXible EXchange Options (“FLEX Options”) linked to the S&P 500. Defined outcome strategies are designed to participate in market gains and losses within pre-determined ranges over a specified period (i.e. point to point). These outcomes are predicated on the assumption that an investment vehicle employing the strategy is held for the designated outcome periods. As such, the Exchange is proposing to list up to twelve monthly series of each of the Shield Funds and Ultra Shield Funds.

The Exchange is submitting this proposed rule change because the Indexes do not meet all of the “generic” listing requirements of Rule 14.11(c)(3)(A)(i), applicable to the listing of

Index Fund Shares based upon an index of “U.S. Component Stocks.”<sup>5</sup> Specifically, Rule 14.11(c)(3)(A)(i) sets forth the requirements to be met by components of an index or portfolio of U.S. Component Stocks. Because the Index consists of FLEX Options, rather than “U.S. Component Stocks” as defined in Rule 14.11(c)(1)(D), the Index does not satisfy the requirements of Rule 14.11(c)(3)(A)(i).<sup>6</sup>

The Shares will conform to the initial and continued listing criteria under Rule 14.11(c), except that the Indexes will not meet the requirements of Rule 14.11(c)(3)(A)(i)(a)-(e) in that the Indexes will consist of options based on U.S. Component Stocks (i.e., FLEX Options that reference the S&P 500), rather than U.S. Component Stocks.

#### Innovator Shield S&P 500 ETF

Under Normal Market Conditions,<sup>7</sup> each Shield Fund will attempt to achieve its investment objective of tracking, before fees and expenses, the performance of its respective Shield Index. Each Shield Index employs a “defined outcome strategy” that seeks to provide

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<sup>5</sup> As defined in Rule 14.11(c)(1)(D), the term “U.S. Component Stock” shall mean an equity security that is registered under Sections 12(b) or 12(g) of the Act, or an American Depositary Receipt, the underlying equity security of which is registered under Sections 12(b) or 12(g) of the Act.

<sup>6</sup> Rule 14.11(c)(3)(A)(i)(e) provides that all securities in the applicable index or portfolio shall be U.S. Component Stocks listed on a national securities exchange and shall be NMS Stocks as defined in Rule 600 under Regulation NMS of the Act. Each component stock of the S&P 500 is a U.S. Component Stock that is listed on a national securities exchange and is an NMS Stock. Options are excluded from the definition of NMS Stock. The Funds and the Indexes meet all of the requirements of the listing standards for Index Fund Shares in Rule 14.11(c)(3), except the requirements in Rule 14.11(c)(3)(A)(i)(a)-(e), as the Index consists of options on U.S. Component Stocks. The S&P 500 consists of U.S. Component Stocks and satisfies the requirements of Rule 14.11(c)(3)(A)(i)(a)-(e).

<sup>7</sup> 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

investment returns that deliver one to one exposure to any gains of the S&P 500, up to a capped amount, while protecting investors from S&P 500 losses of up to 15%. Each Index will be composed exclusively of FLEX Options that reference the S&P 500.

Defined outcome strategies are designed to participate in market gains and losses within pre-determined ranges over a specified period (i.e. point to point). These outcomes are predicated on the assumption that an investment vehicle employing the strategy is held for the designated outcome periods. The Shield Indexes will be composed of a portfolio of FLEX Options linked to an underlying asset, the S&P 500, that, when held for the specified period, seeks to produce returns that, over a period of approximately one year, provide one to one returns on the price appreciation of the S&P 500 up to a capped maximum annualized return (the “Cap Level”), while protecting investors from the first 15% of S&P 500 losses.

The FLEX Options comprising the Shield Indexes will first be entered into on approximately the date of the Shield Fund’s inception and will automatically reset on approximately the one year anniversary thereafter (each, an “outcome period”). These FLEX Options have been chosen to seek to provide investors, before fees and expenses, with the following outcomes:

- If the S&P 500 appreciates over the outcome period: the Shield Index seeks to provide a total return that matches the percentage increase of the S&P 500, up to the Cap Level;
- If the S&P 500 decreases over the outcome period by 15% or less: the Shield Index seeks to provide a total return of zero; and
- If the S&P 500 decreases over the outcome period by more than 15%: the Shield Index seeks to provide a total return loss that is 15% less than the percentage loss on the S&P 500 with a maximum loss of approximately 85%.

These outcomes are sought through the effect of layering purchased and written FLEX Options that comprise the Shield Index. Any FLEX Options that are written by a Shield Fund pursuant to its respective Shield Index that create an obligation to sell or buy an asset will be offset with a position in FLEX Options purchased by the Shield Fund pursuant to the Shield Index to create the right to buy or sell the same asset such that the Shield Fund will always be in a net long position. That is, any obligations of a Shield Fund created by its writing of FLEX Options will be covered by offsetting positions in other purchased FLEX Options. As the FLEX Options mature at the end of each outcome period, they are replaced. By replacing FLEX Options annually, each Shield Index seeks to ensure that investments made in a given month during the current year buffer against negative returns of the S&P 500 up to pre-determined levels in that same month of the following year. The Shield Funds do not offer any protection against declines in the S&P 500 exceeding 15% on an annualized basis. Shareholders will bear all S&P 500 losses exceeding 15% on a one-to-one basis.

The value of the FLEX Options purchased by a Shield Fund in accordance with the Index on any given day will be reflected in the Shield Fund's net asset value ("NAV"). The FLEX Options owned by the Shield Funds will have the same terms (i.e. same strike price and expiration) for all investors of the Shield Fund within an outcome period. The Cap Level is determined with respect to the applicable Shield Index on the inception date of the Shield Fund and at the beginning of each outcome period.

#### Innovator Ultra Shield Strategy S&P 500 ETF

Under Normal Market Conditions, each Ultra Shield Fund will attempt to achieve its investment objective of tracking, before fees and expenses, the performance of its respective Ultra Shield Index. Each Ultra Shield Index employs a "defined outcome strategy" that seeks to

provide investment returns that deliver one to one exposure to any gains of the S&P 500, up to a capped amount, while protecting investors from S&P 500 losses of between 5% and 35%. Each Index will be composed exclusively of FLEX Options that reference the S&P 500.

Defined outcome strategies are designed to participate in market gains and losses within pre-determined ranges over a specified period (i.e. point to point). These outcomes are predicated on the assumption that an investment vehicle employing the strategy is held for the designated outcome periods. The Ultra Shield Indexes will be composed of a portfolio of FLEX Options linked to an underlying asset, the S&P 500, that, when held for the specified period, seeks to produce returns that, over a period of approximately one year, provide one to one returns on the price appreciation of the S&P 500 up to the Cap Level, while protecting investors from between 5% and 35% of S&P 500 losses.

The FLEX Options comprising the Ultra Shield Indexes will first be entered into on approximately the date of the Shield Fund's inception and will automatically reset on approximately the one year anniversary thereafter (each, an "outcome period"). These FLEX Options have been chosen to seek to provide investors, before fees and expenses, with the following outcomes:

- If the S&P 500 appreciates over the outcome period: the Ultra Shield Index seeks to provide a total return that matches the percentage increase of the S&P 500, up to the Cap Level;
- If the S&P 500 decreases over the outcome period by 5% or less: the Ultra Shield Index seeks to provide a total return loss that is equal to the percentage loss on the S&P 500;
- If the S&P 500 decreases over the outcome period by 5%-35%: the Ultra Shield Index seeks to provide a total return loss of 5%; and
- If the S&P 500 decreases over the outcome period by more than 35%: the

Ultra Shield Index seeks to provide a total return loss that is 30% less than the percentage loss on the S&P 500 with a maximum loss of approximately 70%.

These outcomes are sought through the effect of layering purchased and written FLEX Options that comprise an Ultra Shield Index. Any FLEX Options that are written by an Ultra Shield Fund pursuant to its respective Ultra Shield Index that create an obligation to sell or buy an asset will be offset with a position in FLEX Options purchased by the Ultra Shield Fund pursuant to the Ultra Shield Index to create the right to buy or sell the same asset such that the Ultra Shield Fund will always be in a net long position. That is, any obligations of an Ultra Shield Fund created by its writing of FLEX Options will be covered by offsetting positions in other purchased FLEX Options. As the FLEX Options mature at the end of each outcome period, they are replaced. By replacing FLEX Options annually, each Ultra Shield Index seeks to ensure that investments made in a given month during the current year buffer against negative returns of the S&P 500 up to pre-determined levels in that same month of the following year. The Ultra Shield Fund does not offer any protection against declines in the S&P 500 of less than 5% or exceeding 35% on an annualized basis thereafter. Shareholders will bear all S&P 500 losses less than 5% and exceeding 35% on a one-to-one basis.

The value of the FLEX Options purchased by the Ultra Shield Fund in accordance with the Index on any given day will be reflected in the Ultra Shield Fund's NAV. The FLEX Options owned by an Ultra Shield Fund will have the same terms (i.e. same strike price and expiration) for all investors of the Ultra Shield Fund within an outcome period. The Cap Level is determined with respect to the Index on the inception date of the Ultra Shield Fund and at the beginning of each outcome period.

Investment Methodology for the Funds

Under Normal Market Conditions, each of the Funds will invest not less than 80% of its assets in the FLEX Options that comprise their respective Index. Each of the Funds may invest up to 20% of its net assets (in the aggregate) in other investments that are not included in the Fund's respective Index, but which the Adviser or Sub-Adviser believes will help the Fund to track its Index and that will be disclosed at the end of each trading day ("Other Assets"). Other Assets include only cash or cash equivalents, as defined in Rule 14.11(i)(4)(C)(iii),<sup>8</sup> and traditional U.S. exchange-traded options contracts that reference either the S&P 500 or ETFs that track the S&P 500 ("Reference ETFs").

### S&P 500 FLEX Options

The market for options contracts on the S&P 500 traded on CBOE, including FLEX Options, is among the most liquid markets in the world [sic] S&P 500 FLEX Options are a subset of S&P 500 options traded on the CBOE.<sup>9</sup> In 2016, 1,023,623 options contracts on the S&P 500 were traded per day on CBOE, which is more than \$200 billion in notional volume traded on a daily basis.<sup>10</sup> While, as described below, FLEX Options are traded differently than

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<sup>8</sup> As defined in Rule 14.11(i)(4)(C)(iii), cash equivalents include short-term instruments with maturities of less than three months, including: (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.

<sup>9</sup> See <https://www.theocc.com/webapps/flex-reports>. Unless otherwise noted, all statistics provided herein are based on information from the Options Clearing Corporation.

<sup>10</sup> As of July 24, 2017, FLEX Options on the S&P 500 had open interest of 349,596 contracts.

traditional options contracts, the Exchange believes that the liquidity and arbitrage opportunities of the S&P 500 bolsters the market for FLEX Options, as described below.

FLEX Options on the S&P 500 are quoted by the same market makers that trade traditional options contracts. Every FLEX Option order submitted to CBOE is exposed to a competitive auction process for price discovery. The process begins with a request for quote (“RFQ”) in which the interested party establishes the terms of the FLEX Options contract. The RFQ solicits interested market participants, including on-floor market makers, remote market makers trading electronically, and member firm traders, to respond to the RFQ with bids or offers through a competitive process. This solicitation contains all of the contract specifications—underlying, size, type of option, expiration date, strike price, exercise style and settlement basis. During a specified amount of time, responses to the RFQ are received and at the end of that time period, the initiator can decide whether to accept the best bid or offer. The process occurs under the rules of CBOE which means that customer transactions are effected according to the principles of a fair and orderly market following trading procedures and policies developed by CBOE. By way of example, during June and July 2017, the Sub-Adviser traded 2,500 FLEX Option S&P 500 contracts with a notional exposure of \$626 million. The trades were executed at approximately .25% from the mid-market mark, which is similar to the transaction costs of exchange traded funds of similar size.

The Exchange believes that sufficient protections are in place to protect against market manipulation of the Funds’ Shares and FLEX Options on the S&P 500 for several reasons: (i) the liquidity in the market for options on the S&P 500; (ii) the competitive quoting process for FLEX Options; (iii) the diversity, liquidity, and market cap of the securities underlying the S&P 500; and (iv) surveillance by the Exchange, CBOE and the Financial Industry Regulatory

Authority (“FINRA”) designed to detect violations of the federal securities laws and self-regulatory organization (“SRO”) rules; [sic].

Trading in the Shares and the underlying investments will be subject to the federal securities laws and Exchange, CBOE and FINRA rules and surveillance programs.<sup>11</sup> In this regard, the Exchange has in place a surveillance program for transactions in ETFs to ensure the availability of information necessary to detect and deter potential manipulations and other trading abuses, thereby making the Shares less readily susceptible to manipulation as assets in the portfolio - comprised primarily of FLEX Options on the S&P 500 - will be acquired in extremely liquid and highly regulated markets.

As noted above, options on the S&P 500 are among the most liquid options in the world and derive their value from the actively traded S&P 500 Index components. The contracts are cash-settled with no delivery of stocks or ETFs, and trade in competitive auction markets with price and quote transparency. The Exchange believes the highly regulated options markets and the broad base and scope of the S&P 500 Index make securities that derive their value from the index less susceptible to market manipulation in view of market capitalization and liquidity of the S&P 500 components, price and quote transparency, and arbitrage opportunities.

The Exchange believes that the efficiency and liquidity of the markets for S&P 500 securities, options on the S&P 500, including FLEX Options, and other related derivatives are sufficiently great to deter fraudulent or manipulative acts associated with the Funds’ Shares price. The Exchange also believes that such efficiency and liquidity are sufficient to support the

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<sup>11</sup> The Exchange notes that CBOE is a member of the Option Price Regulatory Surveillance Authority, which was established in 2006, to provide efficiencies in looking for insider trading and serves as a central organization to facilitate collaboration in insider trading and investigations for the U.S. options exchanges. For more information, see <http://www.cboe.com/aboutcboe/legal/departments/orsareg.aspx>.

creation and redemption mechanism. Coupled with the extensive surveillance programs of the SROs described above, the Exchange does not believe that trading in the Fund's Shares would present manipulation concerns.

The Exchange represents that, except as described above, the Funds will meet each of the initial and continued listing criteria in BZX Rule 14.11(c) with the exception Rule 14.11(c)(3)(A)(i), applicable to the listing of Index Fund Shares based upon an index of "U.S. Component Stocks." The Trust is required to comply with Rule 10A-3 under the Act for the initial and continued listing of the Shares of the Fund. In addition, the Exchange represents that the Shares of the Funds will comply with all other requirements applicable to Index Fund Shares including, but not limited to, requirements relating to the dissemination of key information such as the Disclosed Portfolio, Net Asset Value, and the Intraday Indicative Value, rules governing the trading of equity securities, trading hours, trading halts, surveillance, and the information circular, as set forth in Exchange rules applicable to Index Fund Shares and the orders approving such rules. Moreover, all of the options contracts held by the Funds 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.<sup>12</sup> All statements and representations made in this filing regarding the index composition, the description of the portfolio or reference assets, limitations on portfolio holdings or reference assets, dissemination and availability of index, reference asset, and intraday indicative values, and the applicability of Exchange rules specified in this filing shall constitute continued listing requirements for the Funds. The issuer has represented to the Exchange that it will advise the

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<sup>12</sup> For a list of the current members and affiliate members of ISG, see [www.isgportal.com](http://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.

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

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act<sup>13</sup> in general and Section 6(b)(5) of the Act<sup>14</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change 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 in that the Shares of each Fund will meet each of the initial and continued listing criteria in BZX Rule 14.11(c) with the exception Rule 14.11(c)(3)(A)(i), applicable to the listing of Index Fund Shares based upon an index of “U.S. Component Stocks.” Specifically, Rule 14.11(c)(3)(A)(i) sets forth the requirements to be met by components of an index or portfolio of U.S. Component Stocks. Because the Index consists of FLEX Options, rather than “U.S. Component Stocks” as defined in

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<sup>13</sup> 15 U.S.C. 78f.

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

Rule 14.11(c)(1)(D), the Index does not satisfy the requirements of Rule 14.11(c)(3)(A)(i).<sup>15</sup>

The Exchange believes that the concerns that Rule 14.11(c)(3)(A)(i) are intended to address are mitigated by: (i) the liquidity in the market for options on the S&P 500;<sup>16</sup> (ii) the competitive quoting process for FLEX Options; and (iii) the diversity, liquidity, and market cap of the securities underlying the S&P 500.

Further, trading in the Shares and the underlying Fund investments will be subject to the federal securities laws and Exchange, CBOE and FINRA rules and surveillance programs.<sup>17</sup> In this regard, the Exchange has in place a surveillance program for transactions in ETFs to ensure the availability of information necessary to detect and deter potential manipulations and other trading abuses, thereby making the Shares less readily susceptible to manipulation as assets in the portfolio - comprised primarily of FLEX Options on the S&P 500 - will be acquired in extremely liquid and highly regulated markets.

As noted above, options on the S&P 500 are among the most liquid options in the world and derive their value from the actively traded S&P 500 Index components. The contracts are

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<sup>15</sup> Rule 14.11(c)(3)(A)(i)(e) provides that all securities in the applicable index or portfolio shall be U.S. Component Stocks listed on a national securities exchange and shall be NMS Stocks as defined in Rule 600 under Regulation NMS of the Act. Each component stock of the S&P 500 is a U.S. Component Stock that is listed on a national securities exchange and is an NMS Stock. Options are excluded from the definition of NMS Stock. The Funds and the Indexes meet all of the requirements of the listing standards for Index Fund Shares in Rule 14.11(c)(3), except the requirements in Rule 14.11(c)(3)(A)(i)(a)-(e), as the Index consists of options on U.S. Component Stocks. The S&P 500 consists of U.S. Component Stocks and satisfies the requirements of Rule 14.11(c)(3)(A)(i)(a)-(e).

<sup>16</sup> In 2016, 1,023,623 options contracts on the S&P 500 were traded per day on CBOE, which is more than \$200 billion in notional volume traded on a daily basis.

<sup>17</sup> The Exchange notes that CBOE is a member of the Option Price Regulatory Surveillance Authority, which was established in 2006, to provide efficiencies in looking for insider trading and serves as a central organization to facilitate collaboration in insider trading and investigations for the U.S. options exchanges. For more information, [see <http://www.cboe.com/aboutcboe/legal/departments/orsareg.aspx>](http://www.cboe.com/aboutcboe/legal/departments/orsareg.aspx).

cash-settled with no delivery of stocks or ETFs, and trade in competitive auction markets with price and quote transparency. The Exchange believes the highly regulated options markets and the broad base and scope of the S&P 500 Index make securities that derive their value from the index less susceptible to market manipulation in view of market capitalization and liquidity of the S&P 500 components, price and quote transparency, and arbitrage opportunities.

The Exchange believes that the efficiency and liquidity of the markets for S&P 500 securities, options on the S&P 500, and other related derivatives are sufficiently great to deter fraudulent or manipulative acts associated with the Funds' Shares price. The Exchange also believes that such efficiency and liquidity are sufficient to support the creation and redemption mechanism. Coupled with the extensive surveillance programs of the SROs described above, the Exchange does not believe that trading in the Fund's Shares would present manipulation concerns.

The Exchange represents that, except as described above, the Funds will satisfy, on an initial and continued listing basis, all of the generic listing standards under BZX Rule 14.11(c)(3)(A)(i) and all other applicable requirements for Index Fund Shares under Rule 14.11(c). The Trust is required to comply with Rule 10A-3 under the Act for the initial and continued listing of the Shares of the Fund. In addition, the Exchange represents that the Shares of the Funds will comply with all other requirements applicable to Index Fund Shares including, but not limited to, requirements relating to the dissemination of key information such as the Disclosed Portfolio, Net Asset Value, and the Intraday Indicative Value, rules governing the trading of equity securities, trading hours, trading halts, surveillance, and the information circular, as set forth in Exchange rules applicable to Index Fund Shares and the orders approving such rules. Moreover, all of the options contracts held by the Funds will trade on markets that

are a member of ISG or affiliated with a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.<sup>18</sup> All statements and representations made in this filing regarding the index composition, the description of the portfolio or reference assets, limitations on portfolio holdings or reference assets, dissemination and availability of index, 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 applicable listing requirements, the Exchange will commence delisting procedures under Exchange Rule 14.12.

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

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of an additional type of Index Fund Shares that will enhance competition among market participants, to the benefit of investors and the marketplace.

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

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<sup>18</sup> For a list of the current members and affiliate members of ISG, see [www.isgportal.com](http://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.

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 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 self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the 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 Exchange 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-BatsBZX-2017-56 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-BatsBZX-2017-56. 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; 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-BatsBZX-2017-56 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>19</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>19</sup> 17 CFR 200.30-3(a)(12).