

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-81876; File No. SR-BatsBZX-2017-53)

October 16, 2017

Self-Regulatory Organizations; Bats BZX Exchange, Inc.; Order Granting Approval of a Proposed Rule Change to List and Trade Shares of the WisdomTree CBOE Russell 2000 PutWrite Strategy Fund, a Series of the WisdomTree Trust, Under Rule 14.11(c)(3) (Index Fund Shares)

I. Introduction

On August 18, 2017, Bats BZX Exchange, Inc. (“Exchange” or “BZX”) 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 WisdomTree CBOE Russell 2000 PutWrite Strategy Fund (“Fund”). The proposed rule change was published for comment in the Federal Register on September 7, 2017.<sup>3</sup> The Commission has received no comments on the proposal. This order approves the proposed rule change.

II. Exchange’s Description of the Proposed Rule Change

The Exchange proposes to list and trade Shares of the Fund under Rule 14.11(c), which governs the listing and trading of Index Fund Shares on the Exchange. The Fund will be an index-based exchange-traded fund (“ETF”). The Shares will be offered by the WisdomTree Trust (“Trust”), which is registered with the Commission as an investment company and has

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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. 81510 (Aug. 31, 2017), 82 FR 42399 (“Notice”).

filed a registration statement on Form N-1A (“Registration Statement”) with the Commission on behalf of the Fund.<sup>4</sup>

The Fund will seek investment results that track the price and yield performance, before fees and expenses, of the CBOE Russell 2000 PutWrite Index (“Index”), which was developed and is maintained by the Chicago Board Options Exchange, Inc. (“CBOE” or “Index Provider”).<sup>5</sup> The Index consists of only two components: RUT Puts and one-month Treasury bills. The Index tracks the value of a passive investment strategy, which consists of selling (writing) Russell 2000 Index put options (“RUT Puts”) and investing the sale proceeds in one-month Treasury bills. All RUT Puts are standardized options traded on CBOE.<sup>6</sup>

The Exchange submitted the proposed rule change because the Index underlying the Fund does not meet all of the “generic” listing requirements of Rule 14.11(c), and more specifically, the requirements of Rule 14.11(c)(5) applicable to Index Fund Shares based on an Index of component securities representing a combination of the equity and the fixed income markets. Rule 14.11(c)(5) requires that the equity and fixed income component securities separately meet the criteria set forth in Rules 14.11(c)(3) and 14.11(c)(4), respectively. With respect to the Fund, the Index does not meet all of the generic requirements of Rule 14.11(c)(3) because the Index

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<sup>4</sup> See Post-Effective Amendment No. 595 to Registration Statement on Form N-1A for the Trust, dated July 27, 2017 (File Nos. 333-132380 and 811-21864).

<sup>5</sup> According to the Exchange, none of the Trust, WisdomTree Asset Management, Inc. (“Adviser”), Mellon Capital Management (“Sub-Adviser”), State Street Bank and Trust Company (administrator, custodian, and transfer agent for the Fund), or Foreside Fund Services, LLC (distributor for the Fund) is affiliated with the Index Provider.

<sup>6</sup> The Exchange notes that CBOE is a member of the Intermarket Surveillance Group (“ISG”).

consists primarily of RUT Puts.<sup>7</sup> The Exchange represents that the Shares will conform to the initial and continued listing criteria under Rule 14.11(c), except that the Index will not meet the requirements of Rule 14.11(c)(3) in that the Index will consist of options based on equity securities (i.e., RUT Puts).<sup>8</sup>

The Exchange has made the following representations and statements in describing the Fund and its investment strategies, including other assets and investment restrictions.<sup>9</sup>

A. Description of the Index Methodology

The Index is based on a passive investment strategy that consists of overlapping hypothetical investments in a single series of exchange-listed RUT Puts over a money market account hypothetically invested in one-month Treasury bills. Specifically, the Index hypothetically writes at-the-money RUT Puts on a monthly basis, usually on the third Friday of the month (“Roll Date”), which matches the expiration date of the hypothetical RUT Puts. At each Roll Date, any settlement loss in the Index based on the expiring RUT Puts is financed by the Treasury bill account and a new batch of hypothetical at-the-money RUT Puts is sold. Revenue from the sale of RUT Puts is added to the Index’s hypothetical Treasury bill account. On each Roll Date, the revenue from the hypothetical sale of RUT Puts is hypothetically invested

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<sup>7</sup> According to the Exchange, the fixed income security component of the Index, which consists of only one-month Treasury bills, meets the “generic” listing requirements of Rule 14.11(c)(4).

<sup>8</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>9</sup> Additional information regarding the Trust, the Fund, and the Shares, including information relating to the underlying Index, investment strategies, risks, net asset value (“NAV”) calculation, creation and redemption procedures, fees, portfolio holdings disclosure policies, distributions, and taxes, among other information, is included in the Notice and the Registration Statement, as applicable. See Notice, supra note 3 and Registration Statement, supra note 4.

separately at the one-month Treasury bill rate, and where applicable, any one-month Treasury bills purchased in the prior month are deemed to mature and hypothetically invested in new one-month Treasury bills at the one-month Treasury bill rate. As stated above, all investments used to determine Index value are hypothetical.

B. Principal Investments of the Fund

The Fund seeks to track the performance of an underlying index, the Index. Under Normal Market Conditions,<sup>10</sup> the Fund will invest not less than 80% of its assets in RUT Puts and one month or three-month U.S. Treasury bills. The Fund may invest up to 20% of its net assets (in the aggregate) in other investments, that are not included in the Index, but which the Adviser or the Sub-Adviser believes will help the Fund to track the Index and that will be disclosed daily (as discussed below, “Other Assets”). The Fund’s investment strategy will be designed to write a sequence of one-month, at-the-money, RUT Puts and invest cash and Other Assets targeted to achieve one-month Treasury bill rates. The number of RUT Puts written will vary from month to month, but will be limited to permit the amount held in the Fund’s investment in Treasury bills to finance the maximum possible loss from final settlement of the RUT Puts. According to the Exchange, the Fund will generally use a sampling strategy in seeking to track the Index.

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<sup>10</sup> 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. In response to adverse market, economic, political, or other conditions, the Fund reserves the right to invest in U.S. government securities, other money market instruments (as defined below), and cash, without limitation, as determined by the Adviser or Sub-Adviser. In the event the Fund engages in these temporary defensive strategies that are inconsistent with its investment strategies, the Fund’s ability to achieve its investment objectives may be limited.

The new RUT Puts will be struck and sold on a monthly basis on the Roll Date, (i.e., the same Roll Date at that used by the Index), which matches the expiration date of the current RUT Puts. The strike price of the new RUT Puts will be based on the strike price of Russell 2000 Index put options listed on CBOE, with the closest strike price below the last value of the Russell 2000 Index reported before 11:00 a.m. ET. For example, if the last Russell 2000 Index value reported before 11:00 a.m. ET is 1,137.02 and the closest listed Russell 2000 Index put option with a strike price below 1,137.02 is 1,130, then the 1,130 strike RUT put option will be sold by the Fund. RUT Puts are cash-settled and trade in competitive auction markets with price and quote transparency. According to the Exchange, Russell 2000 index options are among the most liquid options in the U.S. and derive their value from the actively traded Russell 2000 Index components.<sup>11</sup>

The Exchange represents that trading in the Shares and the underlying Fund investments will be subject to the federal securities laws and Exchange, CBOE, and Financial Industry Regulatory Authority (“FINRA”) rules and surveillance programs.<sup>12</sup> In addition, 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.

C. Other Investments of the Fund

The Fund may invest up to 20% of its net assets (in the aggregate) in Other Assets. Other Assets includes only the following: short-term, high quality securities issued or guaranteed by

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<sup>11</sup> The Exchange states that Russell 2000 Index options traded on CBOE are highly liquid, with average daily trading volume in 2016 of 71,365 contracts, with a notional size per contract of \$117,169.

<sup>12</sup> The Exchange also 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>.

the U.S. government and non-U.S. governments,<sup>13</sup> and each of their agencies and instrumentalities, and U.S. government-sponsored enterprises; repurchase agreements backed by U.S. government and non-U.S. government securities; money market mutual funds; deposit and other obligations of U.S. and non-U.S. banks and financial institutions (“money market instruments”);<sup>14</sup> Russell 2000 ETF put options;<sup>15</sup> Russell 2000 Index futures and options on Russell 2000 Index futures;<sup>16</sup> total return swaps;<sup>17</sup> other exchange traded products (“ETPs”);<sup>18</sup>

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<sup>13</sup> The Treasury securities in which the Fund may invest will include variable-rate Treasury securities, whose rates are adjusted daily (or at such other increment as may later be determined by the Department of the Treasury) to generally correspond with the rate paid on one-month Treasury securities.

<sup>14</sup> All money market instruments acquired by the Fund will be rated investment grade, except that a Fund may invest in unrated money market instruments that are deemed by the Adviser or Sub-Adviser to be of comparable quality to money market securities rated investment grade. The term “investment grade,” for purposes of money market instruments only, is intended to mean securities rated A1 or A2 by one or more nationally recognized statistical rating organizations.

<sup>15</sup> The Fund may invest up to 10% of its assets in over-the-counter Russell 2000 put options.

<sup>16</sup> The Fund will limit its direct investments in futures and options on futures to the extent necessary for the Adviser to claim the exclusion from regulation as a “commodity pool operator” with respect to the Fund under the rules promulgated by the Commodity Futures Trading Commission, as such rules may be amended from time to time. According to the Exchange, the exchange-listed futures contracts in which the Fund may invest will be listed on exchanges in the U.S. Each of the exchange-listed futures contracts in which the Fund may invest will be listed on exchanges that are members of ISG.

<sup>17</sup> The Fund may use total return swaps to create positions equivalent to investments in RUT Puts and the component securities underlying the Russell 2000 Index. The Fund’s investments in total return swap agreements will be backed by investments in U.S. government securities in an amount equal to the exposure of such contracts.

<sup>18</sup> The Fund may invest in shares of both taxable and tax-exempted money market funds. When used herein, ETPs may include, without limitation, Index Fund Shares (as described in Rule 14.11(c)); Linked Securities (as described in Rule 14.11(d)); Portfolio Depositary Receipts (as described in Rule 14.11(b)); Trust-Issued Receipts (as described in Rule 14.11(f)); Commodity-Based Trust Shares (as described in Rule 14.11(e)(4)); Currency Trust Shares (as described in Rule 14.11(e)(5)); Commodity Index Trust Shares (as described in Rule 14.11(e)(6)); Trust Units (as described in Rule 14.11(e)(9));

non-exchange-traded registered open-end investment companies (i.e., mutual funds); and variable or floating interest rate securities.<sup>19</sup> The foregoing investments include buying the derivative instrument or selling the derivative instrument (i.e., writing the applicable put option) and investing the proceeds.

### III. Discussion and Commission's Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of Section 6 of the Act<sup>20</sup> and the rules and regulations thereunder applicable to a national securities exchange.<sup>21</sup> In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,<sup>22</sup> which requires, among other things, that the Exchange's rules be designed to promote just and equitable principles of trade, to remove

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Managed Fund Shares (as described in Rule 14.11(i)); and closed-end funds. All of the ETPs in which the Fund may invest will be listed and traded on U.S. exchanges. The Fund may invest in the securities of ETPs registered under the Investment Company Act of 1940 ("1940 Act") consistent with the requirements of Section 12(d)(1) of the 1940 Act or any rule, regulation, or order of the Commission or interpretation thereof. The Fund will only make such investments in conformity with the requirements of Section 817 of the Internal Revenue Code of 1986. The ETPs in which the Fund may invest will primarily be index-based ETFs that hold substantially all of their assets in securities representing a specific index. The Fund will not invest in leveraged (e.g., 2X, -2X, 3X, or -3X) ETPs.

<sup>19</sup> The Fund may invest in securities (in addition to U.S. Treasury securities, described above) that have variable or floating interest rates which are readjusted on set dates (such as the last day of the month) in the case of variable rates or whenever a specified interest rate change occurs in the case of a floating rate instrument. Variable or floating interest rates generally reduce changes in the market price of securities from their original purchase price because, upon readjustment, such rates approximate market rates. Accordingly, as interest rates decrease or increase, the potential for capital appreciation or depreciation is less for variable or floating rate securities than for fixed rate obligations.

<sup>20</sup> 15 U.S.C. 78f.

<sup>21</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>22</sup> 15 U.S.C. 78f(b)(5).

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 Commission also finds that the proposal to list and trade the Shares on the Exchange is consistent with Section 11A(a)(1)(C)(iii) of the Act,<sup>23</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 and last-sale information for the Shares and any ETPs in which it invests will be available via the Consolidated Tape Association ("CTA") high-speed line. Quotation and last-sale information for U.S. exchange-listed options contracts cleared by The Options Clearing Corporation will be available via the Options Price Reporting Authority. The intra-day, closing, and settlement prices of exchange-traded portfolio assets, including ETPs, futures, and options will be readily available from the securities exchanges and futures exchanges trading such securities and futures, as the case may be, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Price information on fixed income portfolio securities, including money market instruments, and other Fund assets traded in the over-the-counter markets, is available from major broker-dealer firms or market data vendors, as well as from automated quotation systems, published or other public sources, or online information services. In addition, the value of the Index will be published by one or more major market data vendors every 15 seconds during Regular Trading Hours<sup>24</sup> on the Exchange. Information about the Index constituents, the weighting of the constituents, the Index's

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<sup>23</sup> 15 U.S.C. 78k-1(a)(1)(C)(iii).

<sup>24</sup> As defined in Rule 1.5(w), the term "Regular Trading Hours" means the time between 9:30 a.m. and 4:00 p.m. ET.

methodology, and the Index's rules will be available at no charge on the Index Provider's website. In addition, the Intraday Indicative Value ("IIV"), as defined in Rule 14.11(c)(3)(C), will be widely disseminated at least every 15 seconds during Regular Trading Hours by one or more major market vendors.<sup>25</sup> All Fund holdings will be included in calculating the IIV.

On each business day, before commencement of trading in Shares during Regular Trading Hours on the Exchange, the Trust will disclose on its website the following information regarding each portfolio holding, as applicable to the type of holding: ticker symbol, CUSIP number or other identifier, if any; a description of the holding (including the type of holding, such as the type of swap); the identity of the security, index, or other asset or instrument underlying the holding, if any; for options, the option strike price; quantity held (as measured by, for example, par value, notional value, or number of shares, contracts, or units); maturity date, if any; effective date, if any; coupon rate, if any; market value of the holding; and the percentage weighting of the holding in the Fund's portfolio. The website information will be publicly available at no charge. Information regarding market price and trading volume for the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers. The Trust's website, which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Fund that may be downloaded and additional quantitative information updated on a daily basis relating to the Fund.

In addition, a portfolio composition file, which will include the security names and quantities of securities and other assets required to be delivered in exchange for the Fund's

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<sup>25</sup> According to the Exchange, several major market data vendors display and/or make widely available IIV's taken from the CTA or other data feeds.

Shares, together with estimates and actual cash components, will be publicly disseminated prior to the opening of the Exchange via the National Securities Clearing Corporation. The portfolio will represent one Creation Unit of the Fund. Authorized Participants may refer to the portfolio composition file for information regarding RUT Puts, short-term U.S. Treasury Securities, money market instruments, and any other instrument that may constitute the Fund's portfolio on a given day. The NAV of the Fund's Shares will be calculated once daily Monday through Friday as of the close of regular trading on the New York Stock Exchange, generally 4:00 p.m. ET.

The Commission further believes that the proposal to list and trade the Shares is reasonably designed to promote fair disclosure of information that may be necessary to price the Shares appropriately and to prevent trading when a reasonable degree of transparency cannot be assured. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and will be made available to all market participants at the same time. Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable.<sup>26</sup> The Exchange states that it has a general policy prohibiting the distribution of material, non-public information by its employees. In addition, the Exchange states that the Index Provider is not registered as an investment adviser or broker-dealer and is not affiliated with any broker-dealers. The Exchange also represents that the Adviser is not registered as, or affiliated with, any broker-dealer. The

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<sup>26</sup> These may include: (1) the extent to which trading is not occurring in the securities or the financial instruments composing the daily disclosed portfolio of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund. Trading in the Shares also will be subject to Rule 14.11(c)(1)(B)(iv), which sets forth circumstances under which Shares of a Fund may be halted.

Exchange represents that the Sub-Adviser is affiliated with multiple broker-dealers and has implemented a “fire wall” with respect to those broker-dealers and their personnel regarding access to information concerning the composition of, and changes to, the Index. In addition, Sub-Adviser personnel who make decisions regarding the Fund’s portfolio are subject to procedures designed to prevent the use and dissemination of material, non-public information regarding the Fund’s portfolio. According to the Exchange, the Adviser and the Index Provider represent that a fire wall exists around the respective personnel who have access to information concerning changes and adjustments to the Index.

The Exchange represents that the Shares will be subject to the existing trading surveillances, which are designed to detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange. The Exchange further represents that these procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. Moreover, prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares.

The Commission notes that the Shares and the Fund must comply with the initial and continued listing criteria in Rule 14.11(c) for the Shares to be listed and traded on the Exchange. In addition, the Commission notes it has previously approved a proposal to list and trade shares of an ETF that employs a very similar strategy.<sup>27</sup>

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<sup>27</sup> See, e.g., Securities Exchange Act Release Nos. 74675 (Apr. 8, 2015), 80 FR 20038 (Apr. 14, 2015) (SR-NYSEArca-2015-05) (order approving proposed rule change to list shares of the WisdomTree Put Write Strategy Fund); and 77045 (Feb. 3, 2016), 81 FR 6916 (Feb. 9, 2016) (SR-NYSEArca-2015-113) (order approving a proposed rule change relating to the index underlying the WisdomTree Put Write Strategy Fund).

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. In support of this proposal, the Exchange has also made the following representations:

- (1) The Shares will conform to the initial and continued listing criteria under Rule 14.11(c), except that the Index will not meet the requirements of Rule 14.11(c)(3) because the Index will consist of options.
- (2) The Exchange has the appropriate rules to facilitate transactions in the Shares during all trading sessions.
- (3) FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares, ETPs, futures contracts, and exchange-traded options contracts with other market and other entities that are members of ISG and may obtain trading information in the Shares, futures contracts, exchange-traded options contracts, and ETPs from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares, futures contracts, exchange-traded options contracts, and ETPs from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, the Exchange is able to access, as needed, trade information for certain fixed income securities held by the Fund reported to FINRA's Trade Reporting and Compliance Engine.
- (4) Prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (a) the procedures for purchases and redemptions of Shares in Creation

Units (and that Shares are not individually redeemable); (b) BZX Rule 3.7, which imposes suitability obligations on Exchange members with respect to recommending transactions in the Shares to customers; (c) how information regarding the IIV and Index value is disseminated; (d) the risks involved in trading the Shares during the Pre-Opening<sup>28</sup> and After Hours Trading Sessions<sup>29</sup> when an updated Intraday Indicative Value will not be calculated or publicly disseminated; (e) the requirement that members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (f) trading information.

- (5) For initial and continued listing, the Fund will be in compliance with Rule 10A-3 under the Act,<sup>30</sup> as provided by Rule 14.10.
- (6) The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment).
- (7) A minimum of 100,000 Shares for the Fund will be outstanding at the commencement of trading on the Exchange.
- (8) All futures contracts (and options on futures), listed options, and ETPs held by the Fund will be traded on U.S. exchanges, all of which are members of ISG or are exchanges with which the Exchange has in place a comprehensive surveillance sharing agreement.
- (9) The Fund will not invest in any non-U.S. equity securities.

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<sup>28</sup> The Pre-Opening Session is from 8:00 a.m. to 9:30 a.m. ET.

<sup>29</sup> The After Hours Trading Session is from 4:00 p.m. to 5:00 p.m. ET.

<sup>30</sup> See 17 CFR 240.10A-3.

- (10) The Fund's investments will be consistent with the Fund's investment objective and will not be used to enhance leverage.<sup>31</sup> The Fund will not invest in leveraged (e.g., 2X, -2X, 3X, or -3X) ETPs.
- (11) The Fund's investments in total return swap agreements will be backed by investments in U.S. government securities in an amount equal to the exposure of those contracts.
- (12) The Fund may invest up to 10% of its assets in over-the-counter Russell 2000 put options.
- (13) All money market instruments acquired by the Fund will be rated investment grade, except that a Fund may invest in unrated money market instruments that are deemed by the Adviser or Sub-Adviser to be of comparable quality to money market securities rated investment grade.
- (14) The Russell 2000 Index options traded on CBOE are highly liquid, with average daily trading volume in 2016 of 71,365 contracts and a notional size per contract of \$117,169. CBOE is a member of the Option Price Regulatory Surveillance Authority, which was established 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.

The Exchange further represents that all statements and representations made in the filing regarding the index composition, the description of the portfolio or reference assets, limitations

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<sup>31</sup> The Exchange represents that the Fund will include appropriate risk disclosure in its offering documents, including leveraging risk. Leveraging risk is the risk that certain transactions of a fund, including a fund's use of derivatives, may give rise to leverage, causing a fund to be more volatile than if it had not been leveraged. To mitigate leveraging risk, the Adviser will segregate or earmark liquid assets or otherwise cover the transactions that give rise to such risk.

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 the filing 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 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. The Exchange further represents that FINRA conducts certain cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement, and the Exchange is responsible for FINRA's performance under this regulatory services agreement. If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under Rule 14.12.

This approval order is based on all of the Exchange's representations, including those set forth above and in the Notice. For the foregoing reasons, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act<sup>32</sup> and the rules and regulations thereunder applicable to a national securities exchange.

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<sup>32</sup> 15 U.S.C. 78f(b)(5).

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>33</sup> that the proposed rule change (SR-BatsBZX-2017-53) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>34</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>33</sup> 15 U.S.C. 78s(b)(2).

<sup>34</sup> 17 CFR 200.30-3(a)(12).