I. Introduction


On February 22, 2018, pursuant to Section 19(b)(2) of the Act, the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.

On February 28, 2018, the Exchange filed Amendment No. 1 to the proposed rule change, which replaced and superseded the proposed rule change as originally filed. On April 4, 2018, the

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5 See Securities Exchange Act Release No. 82758, 83 FR 8717 (Feb. 28, 2018). The Commission designated April 11, 2018, as the date by which it should approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.
Exchange filed Amendment No. 2 to the proposed rule change, which replaced and superseded the proposed rule change as modified by Amendment No. 1. The Commission has received no

In Amendment No. 2, the Exchange: (1) made changes to reflect that the Fund’s name changed; (2) represented that the Adviser (as defined below) will erect and maintain fire walls with respect to its current and future broker-dealer affiliates; (3) stated that the Fund’s investments in fixed income instruments may not comply with Exchange Rule 14.11(i)(4)(C)(ii); (4) modified and clarified the Fund’s permitted investments, including with respect to the listed and over-the-counter derivatives and the fixed income instruments that the Fund may invest in; (5) represented that at least 80% of the Fund’s investments in Gold Futures (as defined below), as calculated using gross notional exposure, will be in CME-listed or LME-listed gold futures or other exchange-traded gold futures with a similar liquidity profile; (6) represented that all of the Listed Gold Derivatives (as defined below) held by the Fund will trade on markets that are a member of, or affiliated with a member of, the Intermarket Surveillance Group, or with which the Exchange has in place a comprehensive surveillance sharing agreement; (7) represented that all exchange-traded products held by the Fund will be listed on U.S. national securities exchanges; (8) stated that the Fund’s investments in derivatives will primarily consist of Gold Futures and clarified the circumstances under which the Fund may invest in other specified derivatives; (9) represented that the Fund will not hold mortgage-backed or other asset-backed government obligations; (10) clarified that the Fund will not invest in sovereign debt obligations of emerging market countries; (11) represented that all Fixed Income Investments (as defined below) held by the Fund will be investment grade and will not include instruments with a maturity longer than 397 days; (12) clarified the Cash Equivalents (as defined below) in which the Fund may invest; (13) stated that up to 25% of the total assets of the Fund may be indirectly held through the Subsidiary (as defined below); (14) made representations relating to the Fund’s investments in derivatives, including that such investments will be made consistent with the Investment Company Act of 1940 and the Fund’s objective and policies, that the Fund does not intend to make investments for the purposes of enhancing leverage, and that the Fund will take certain actions to mitigate and disclose leveraging risk; (15) stated where pricing information for the Fund’s permitted investments will be publicly available; (16) made additional representations regarding the Fund, including where information relating to the Fund and the Shares will be made available; (17) provided additional justification for why the Fund’s proposed investments are consistent with the Act, including why it is consistent with the Act for the Fund to hold fixed income instruments in a manner that may not comply with Exchange Rule 14.11(i)(4)(C)(ii); (18) represented that the Fixed Income Investments of the Fund will meet the requirements of Exchange Rule 14.11(i)(4)(C)(ii)(e); (19) made additional representations regarding the ability of the Exchange and the Financial Industry Regulatory Authority, on behalf of the Exchange, to surveil trading in the Shares and certain of the underlying investments; and (20) made other clarifications, corrections, and technical changes. Amendment No. 2 is available at: https://www.sec.gov/comments/sr-cboebzx-2017-023/cboebzx2017023-3383514-162149.pdf.
comments on the proposal. The Commission is publishing this notice to solicit comments on Amendment No. 2 from interested persons and is approving the proposed rule change, as modified by Amendment No. 2, on an accelerated basis.

II. Exchange’s Description of the Proposal, as Modified by Amendment No. 2

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

1. Purpose

This Amendment No. 2 to SR-CboeBZX-2017-023 amends and replaces in its entirety Amendment No. 1 to the proposal, which was submitted on February 28, 2018, which amended and replaced in its entirety the proposal as originally submitted on December 23, 2017. The Exchange submits this Amendment No. 2 in order to clarify certain points and add additional details about the Fund.

The Exchange proposes to list and trade the Shares under Exchange Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange. The Fund is a series of, and the Shares will be offered by, the Trust, which was established as a Delaware statutory trust on June 21, 2011. BlackRock Fund Advisors (the “Adviser”) will serve as the investment adviser to the Fund. The Trust is registered with the Commission as an open-end management investment company and has filed a registration statement on behalf of the Fund on Form N-1A (“Registration Statement”) with the Commission.


8 See Registration Statement on Form N-1A for the Trust, filed with the Commission on November 1, 2017 (File Nos. 333-179904 and 811-22649). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement.
As a result of the instruments that will be indirectly held by the Fund, the Adviser, which is a member of the National Futures Association (“NFA”), will register as a commodity pool operator with respect to the Fund. If the Fund retains any sub-adviser in the future, such sub-adviser will register as a commodity pool operator or commodity trading adviser, if required by Commodity Futures Trading Commission (“CFTC”) regulations. The Fund will be subject to regulation by the CFTC and NFA and applicable disclosure, reporting and recordkeeping rules imposed upon commodity pools.

Exchange Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect and maintain a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio. In addition, Exchange Rule 14.11(i)(7) further requires that

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9 As defined in Section 1a(11) of the Commodity Exchange Act.

10 An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the “Advisers Act”). As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted
personnel who make decisions on the investment company’s portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable investment company portfolio. Exchange Rule 14.11(i)(7) is similar to Exchange Rule 14.11(b)(5)(A)(i) (which applies to index-based funds); however, Exchange Rule 14.11(i)(7) in connection with the establishment of a “fire wall” between the investment adviser and the broker-dealer reflects the applicable open-end fund’s portfolio, not an underlying benchmark index, as is the case with index-based funds. The Adviser is not a registered broker-dealer, but is affiliated with multiple broker-dealers and has implemented and will maintain “fire walls” with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Fund’s portfolio. In addition, Adviser personnel who make decisions regarding the Fund’s portfolio are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Fund’s portfolio. In the event that (a) the Adviser becomes registered as a broker-dealer or newly affiliated with another broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, it will implement and maintain a fire wall with respect to its relevant personnel or such broker-dealer affiliate, as applicable, regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended.

The Exchange submits this proposal in order to allow the Fund to hold listed derivatives under subparagraph (i) above.
(i.e., Listed Gold Derivatives, as defined below) in a manner that does not comply with Exchange Rule 14.11(i)(4)(C)(iv)(b)\textsuperscript{11} and to employ a cash management strategy which include fixed income instruments that do not necessarily comply with Exchange Rule 14.11(i)(4)(C)(ii). Otherwise, the Fund will comply with all other listing requirements on an initial and continued listing basis under Exchange Rule 14.11(i) for Managed Fund Shares.

**iShares Gold Strategy ETF**

The Fund will seek to provide exposure, on a total return basis, to the price performance of gold. The Fund will seek to achieve its investment objective by investing primarily in a combination of (i) exchange-traded gold futures contracts ("Gold Futures")\textsuperscript{12} and exchange-listed options or listed swaps that correlate to the investment returns of physical gold (such other listed derivatives together with Gold Futures, "Listed Gold Derivatives"),\textsuperscript{13} based on the notional value of such derivative instruments; (ii) over-the-counter ("OTC") derivatives that correlate to the investment returns of physical gold ("OTC Gold Derivatives"),\textsuperscript{14} based on the notional value of such derivative instruments; and (iii) exchange-traded products ("ETPs")\textsuperscript{15} backed by or linked

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\textsuperscript{11} Exchange Rule 14.11(i)(4)(C)(iv)(b) provides that “the aggregate gross notional value of listed derivatives based on any five or fewer underlying reference assets shall not exceed 65% of the weight of the portfolio (including gross notional exposures), and the aggregate gross notional value of listed derivatives based on any single underlying reference asset shall not exceed 30% of the weight of the portfolio (including gross notional exposures).”

\textsuperscript{12} At least 80% of the Fund’s Gold Futures investment, as calculated using gross notional exposure, will be in CME-listed gold futures, LME-listed gold futures, or other exchange-traded gold futures with a similar liquidity profile.

\textsuperscript{13} All of the Listed Gold Derivatives held by the Fund will trade on markets that are a member of the Intermarket Surveillance Group ("ISG") or affiliated with a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

\textsuperscript{14} OTC Gold Derivatives include only OTC forwards, options, and swaps.

\textsuperscript{15} As defined in Exchange Rule 11.8(e)(1)(A), ETP means any security listed pursuant to Exchange Rule 14.11. All ETPs will be listed on a U.S. national securities exchange.
to physical gold ("Gold ETPs," and collectively with Listed Gold Derivatives and OTC Gold Derivatives, the “Gold Investments”). While the Fund may invest in Gold Futures, Listed Gold Derivatives, or OTC Gold Derivatives, the Fund’s investments in derivatives will primarily consist of Gold Futures. Should Gold Futures become unavailable or illiquid or under such other circumstances the Adviser deems to be in the best interest of shareholders of the Fund, however, the Fund may invest in other Listed Gold Derivatives or OTC Gold Derivatives.

In seeking total return, the Fund will additionally aim to generate interest income and capital appreciation through a cash management strategy consisting of repurchase agreements, reverse repurchase agreements, money market instruments, certificates of deposit issued against funds deposited in a bank or savings and loan association, bankers acceptances, bank time deposits, commercial paper, investments in government obligations, including U.S. government and agency securities,\textsuperscript{16} treasury inflation-protected securities, and sovereign debt obligations of non-U.S. countries excluding emerging market countries ("Non-U.S. Sovereign Debt")\textsuperscript{17} (collectively, “Fixed Income Investments”)\textsuperscript{18} and cash and Cash Equivalents\textsuperscript{19} (collectively, with

\textsuperscript{16} The Fund will not hold mortgage-backed or other asset-backed government obligations.

\textsuperscript{17} An “emerging market country” is a country that, at the time of investment, is considered an emerging market country for purposes of constructing a major emerging market securities index.

\textsuperscript{18} All of the Fixed Income Investments held by the Fund will be investment grade and will not include instruments with a maturity longer than 397 days.

\textsuperscript{19} As defined in Exchange Rule 14.11(i)(4)(C)(iii)(b), Cash Equivalents are short-term instruments with maturities of less than three months, which includes only the following: (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
Fixed Income Investments, “Cash Management Holdings”). The Fund will be an actively managed exchange-traded fund and will not seek to replicate the performance of a specified index.

The Fund’s investment strategy related to the Gold Investments will seek to maximize correlation with the Bloomberg Composite Gold Index (the “Bloomberg Benchmark”), which is comprised of exchange-traded gold futures contracts and one or more ETPs backed by or linked to physical gold. The Bloomberg Benchmark is designed to track the price performance of gold. Although the Fund generally will hold, among other instruments, the same futures contracts under the same futures rolling schedule, and the same ETPs backed by or linked to physical gold, as those included in the Bloomberg Benchmark, the Fund is not obligated to invest in any such futures contracts or ETPs included in, and does not seek to track the performance of, the Bloomberg Benchmark.

The Fund expects to seek to gain exposure to Gold Investments by investing through a wholly-owned subsidiary organized in the Cayman Islands (the “Subsidiary”). The Subsidiary is advised by the Adviser. Unlike the Fund, the Subsidiary is not an investment company registered under the Investment Company Act of 1940 (the “1940 Act”). The Subsidiary has the promissory notes; and (vii) money market funds.

The Fund’s Cash Management Holdings will consist of both fixed income securities, as described in Exchange Rule 14.11(i)(4)(C)(ii), and Cash Equivalents, as described in Exchange Rule 14.11(i)(4)(C)(iii). The Exchange is proposing to allow the Fund to hold such fixed income instruments in a manner that may not meet the requirements of Exchange Rule 14.11(i)(4)(C)(ii). The Fixed Income Investments portion of the Fund’s Cash Management Holdings will be only those instruments that are included in Cash Equivalents (with the exception of Non-U.S. Sovereign Debt), but are not considered Cash Equivalents because they have maturities of three months or longer. The Exchange believes, however, that because these instruments, including Non-U.S. Sovereign Debt, are highly liquid and of high credit quality, they are less susceptible than other types of fixed income instruments both to price manipulation and volatility and that the holdings as proposed are generally consistent with the policy concerns which Rule 14.11(i)(4)(C)(ii) is intended to address.
same investment objective as the Fund. References below to the holdings of the Fund, including any restrictions thereon that are described within this proposal, are inclusive of the direct holdings of the Fund as well as the indirect holdings of the Fund through the Subsidiary, which may constitute up to 25% of the total assets of the Fund.

In order to achieve its investment objective, under Normal Market Conditions, the aggregate gross notional value of Listed Gold Derivatives is generally not expected to exceed 75%, but may, in certain circumstances, approach 100%, of the Fund (including gross notional values). As noted above, Exchange Rule 14.11(i)(4)(C)(iv)(b) prohibits the Fund from holding listed derivatives based on any five or fewer underlying reference assets in excess of 65% of the weight of the portfolio (including gross notional exposures) and from holding listed derivatives based on any single underlying reference asset in excess of 30% of the weight of its portfolio (including gross notional exposures). The Exchange is proposing to allow the Fund to hold up to 100% of the weight of its portfolio (including gross notional exposures) in listed derivatives based on a single underlying reference asset (physical gold) through its investment in Listed Gold Derivatives. Allowing the Fund to hold a greater portion of its portfolio in Listed Gold Derivatives than permitted by the Generic Listing Rules would mitigate the Fund’s dependency on holding OTC derivative instruments, which would reduce the Fund’s operational burden by allowing the Fund to primarily use listed futures contracts and other listed derivatives to achieve its investment objective and would also reduce counter-party risk associated with holding OTC instruments. The Exchange also notes that holding listed derivatives instead of OTC derivatives

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21 As defined in Exchange 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.
would reduce the risk of manipulation because all of the Listed Gold Derivatives the Fund may invest in 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.

Under Normal Market Conditions, the Fund generally will hold Gold Investments (which include Listed Gold Derivatives, OTC Gold Derivatives, and Gold ETPs) and Cash Management Holdings. The Exchange represents that, except for the 65% and 30% limitations in Exchange Rule 14.11(i)(4)(C)(iv)(b) and except for the Cash Management Holdings that may not meet the requirements of Exchange Rule 14.11(i)(4)(C)(ii), the Fund’s proposed investments will satisfy, on an initial and continued listing basis, all of the Generic Listing Rules and all other applicable requirements for Managed Fund Shares under Exchange Rule 14.11(i).

The Fund’s investments, including derivatives, will be made consistent with the 1940 Act and the Fund’s investment objective and policies, and the Fund does not intend to make investments for the purposes of enhancing leverage (although certain derivatives and other investments may have a leveraging effect). That is, while the Fund will be permitted to borrow

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22 The aggregate gross notional value of the Fund’s holdings in OTC Gold Derivatives will not exceed 20% of the weight of the portfolio (including gross notional exposures) in compliance with Exchange Rule 14.11(i)(4)(C)(v).

23 The Fund’s holdings in Gold ETPs will comply with the requirements of Exchange Rule 14.11(i)(4)(C)(i)(a).

24 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. The Fund’s investments in derivative instruments will be made in accordance with the 1940 Act and consistent with the Fund’s investment objective and policies. To mitigate leveraging risk, the Fund will segregate or earmark liquid assets determined to be liquid by the Adviser in accordance with procedures established by the Trust’s Board of Trustees and in accordance with the 1940 Act (or, as permitted by applicable regulations, enter into certain offsetting positions) to cover its obligations under derivative instruments. These procedures have been adopted consistent with Section 18 of the 1940 Act and related Commission guidance. See 15 U.S.C. 80a-18; Investment Company Act Release No. 10666 (April 18, 1979), 44 FR 25128 (April
as permitted under the 1940 Act, the Fund’s investments will not be used to seek performance that is the multiple or inverse multiple (e.g., 2Xs and 3Xs) of the Fund’s “appropriate broad-based securities market index” (as defined in Form N-1A).

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 Fund will meet and be subject to all other requirements of the Generic Listing Rules and other applicable continued listing requirements for Managed Fund Shares under Exchange Rule 14.11(i), including those requirements regarding the Disclosed Portfolio (as defined in the Exchange rules) and the requirement that the Disclosed Portfolio and the net asset value (“NAV”) will be made available to all market participants at the same time, intraday indicative value, suspension of trading or removal, trading halts, disclosure, and firewalls. Further, at least 100,000 Shares will be outstanding upon the commencement of trading. Moreover, all of the Listed Gold Derivatives and Gold ETPs the Fund may invest in 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. Additionally, the Exchange or Financial


See Exchange Rule 14.11(i)(6).

See Exchange Rule 14.11(i)(7).


For a list of the current members and affiliate members of ISG, see www.isgportal.com. The Exchange notes that not all components of the Disclosed Portfolio for the Fund may
Industry Regulatory Authority ("FINRA"), on behalf of the Exchange, are able to access, as needed, trade information for certain fixed income instruments reported to FINRA’s Trade Reporting and Compliance Engine ("TRACE"). All statements and representations made in this filing regarding the description of the portfolio or reference assets, limitations on portfolio holdings or reference assets, dissemination and availability of reference assets and intraday indicative values, and the applicability of Exchange listing rules specified in this filing shall constitute continued listing requirements for the Fund. The Trust, on behalf of the Fund, 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.

**Availability of Information**

As noted above, the Fund will comply with the requirements under the Generic Listing Rules for Managed Fund Shares related to Disclosed Portfolio, NAV, and the intraday indicative value. Additionally, the intra-day, closing and settlement prices of exchange-traded portfolio assets, including the Gold ETPs and Listed Gold Derivatives, will be readily available from the exchanges trading such securities or derivatives, as the case may be, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Intraday price quotations on OTC Gold Derivatives and Fixed Income Investments are available from major broker-dealer firms and from third-parties, which may provide prices free with a time delay or in real-time for a paid fee. Price information for Cash Equivalents will be trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.
available from major market data vendors. The Disclosed Portfolio will be available on the Fund’s website (www.ishares.com) free of charge. The Fund’s website will include a form of the prospectus for the Fund and additional information related to NAV and other applicable quantitative information. Information regarding market price and trading volume of the Shares will be continuously available throughout the day on brokers’ computer screens and other electronic services. Information regarding the previous day’s closing price and trading volume for the Shares will be published daily in the financial section of newspapers. Trading in the Shares may be halted for market conditions or for reasons that, in the view of the Exchange, make trading inadvisable. 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. The Exchange has appropriate rules to facilitate trading in the Shares during all trading sessions. The Exchange prohibits the distribution of material non-public information by its employees. Quotation and last sale information for the Shares will be available via the CTA high-speed line.

Information Circular

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: (1) the procedures for purchases and redemptions of Shares in creation units (and that Shares are not individually redeemable); (2) Exchange Rule 3.7, which imposes suitability obligations on Exchange members with respect to recommending transactions in the Shares to customers; (3) how information regarding the intraday indicative value and the Disclosed Portfolio will be
disseminated; (4) the risks involved in trading the Shares during the Pre-Opening and After Hours Trading Sessions when an updated intraday indicative value will not be calculated or publicly disseminated; (5) the requirement that Exchange members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction in Shares; and (6) trading information.

The Information Circular will also discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the Act. The Information Circular will also reference that the Fund will be subject to various fees and expenses described in the Registration Statement. The Information Circular will also disclose the trading hours of the Shares of the Fund and the applicable NAV calculation time for the Shares. The Information Circular will disclose that information about the Shares of the Fund will be publicly available on the Fund’s website.

2. **Statutory Basis**

The Exchange believes that the proposal is consistent with Section 6(b) of the Act in general and Section 6(b)(5) of the Act in particular because 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 given that the Shares will meet each of the initial and continued

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34 The Pre-Opening Session is from 8:00 a.m. to 9:30 a.m. Eastern Time.
35 The After Hours Trading Session is from 4:00 p.m. to 5:00 p.m. Eastern Time.
listing criteria in Exchange Rule 14.11(i) with the exception of (a) Exchange Rule 14.11(i)(4)(C)(iv)(b), which requires that the aggregate gross notional value of listed derivatives based on any five or fewer underlying reference assets shall not exceed 65% of the weight of the portfolio (including gross notional exposures), and the aggregate gross notional value of listed derivatives based on any single underlying reference asset shall not exceed 30% of the weight of the portfolio (including gross notional exposures), and (b) Exchange Rule 14.11(i)(4)(C)(ii) related to fixed income securities. The Exchange believes that the liquidity in the spot gold and the underlying derivatives markets, in particular the market for Gold Futures, minimize the risk for manipulation in the underlying gold market, which mitigates the risk of manipulation in Listed Gold Derivatives and the concerns related to the susceptibility to manipulation of an underlying reference asset that Exchange Rule 14.11(i)(4)(C)(iv)(b) is intended to address. Further, at least 80% of the Fund’s Gold Futures investment, as calculated using gross notional exposure, will be in CME-listed gold futures, LME-listed gold futures, or other exchange-traded gold futures with a similar liquidity profile. As such, the Exchange believes that the liquidity in the spot gold and Gold Futures markets acts to prevent manipulation in Listed Gold Derivatives and will act to prevent manipulation in the Shares. Further, allowing the Fund to hold a greater portion of its portfolio in Listed Gold Derivatives would mitigate the Fund’s dependency on holding OTC instruments, which would reduce the Fund’s operational burden by allowing the Fund to primarily use listed futures contracts and other listed derivatives to achieve its

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38 According to the London Precious Metals Clearing Limited, there was an average of $29.8 billion and $25.3 billion cleared daily by its five member firms in January and February of 2018, respectively, which represents only a part of the total spot gold trading volumes. See http://www.lbma.org.uk/clearing-statistics.

39 For the months of February and March of 2018, CME-listed gold futures traded an average of approximately $40 billion in daily notional value, while LME-listed gold futures traded an average of approximately $280 million in daily notional value.
investment objective and would also reduce counter-party risk associated with holding OTC instruments. The Exchange also notes that Listed Gold Derivatives are traded on markets with surveillance procedures and price transparency. Trading in the Shares is subject to the Exchange’s surveillance procedures for derivative securities products. The Exchange believes that its surveillance 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.

While Exchange Rule 14.11(i)(4)(C)(ii) includes rules intended to ensure that the fixed income securities included in a fund’s portfolio are sufficiently large, diverse, and have sufficient publicly available information regarding the issuances, the Exchange believes that such concerns are mitigated by the types of instruments that the Fund would hold. The Fixed Income Investments portion of the Fund’s Cash Management Holdings includes only those instruments that are included in Cash Equivalents (with the exception of Non-U.S. Sovereign Debt), but are not considered Cash Equivalents because they have maturities of three months or longer. The Exchange believes, however, that because these instruments, including Non-U.S. Sovereign Debt, are highly liquid and investment grade, they are less susceptible than other types of fixed income instruments both to price manipulation and volatility and that the holdings as proposed are generally consistent with the policy concerns which Rule 14.11(i)(4)(C)(ii) is intended to address. The Cash Equivalents portion of the Cash Management Holdings will meet Exchange Rule 14.11(i)(4)(C)(iii), which allows a fund to hold Cash Equivalents without limitation. Because the Cash Management Holdings will consist of both high-quality fixed income securities described above and other instruments that meet the definition of Cash Equivalents, the

40 The Fixed Income Investments will not include instruments with a maturity longer than 397 days.
Exchange believes that the policy concerns that Exchange Rule 14.11(i)(4)(C)(ii) is intended to address are otherwise mitigated and that the Fund should be permitted to hold its Cash Management Holdings in a manner that may not comply with Exchange Rule 14.11(i)(4)(C)(ii).  

All of the Listed Gold Derivatives and Gold ETPs the Fund may invest in 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. The Exchange, or FINRA, on behalf of the Exchange, or both, will communicate with ISG, other markets or entities who are members or affiliates of the ISG, or other markets or entities with which the Exchange has entered into a comprehensive surveillance sharing agreement regarding trading in the Shares and the underlying Listed Gold Derivatives and Gold ETPs held by the Fund. The Exchange, FINRA, on behalf of the Exchange, or both, may obtain information regarding trading in the Shares and the Listed Gold Derivatives and Gold ETPs via the ISG from other markets or entities who are members or affiliates of the ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. Additionally, the Exchange or FINRA, on behalf of the Exchange, are able to access, as needed, trade information for certain fixed income instruments reported to TRACE. The Exchange further notes that other than Rule 14.11(i)(4)(C)(ii) and Rule 14.11(i)(4)(C)(iv)(b), the Fund will meet and be subject to all other requirements of the Generic Listing Rules and other applicable continued listing requirements for

41 The Exchange notes that the Fixed Income Investments portion of the Fund will meet the requirement of Rule 14.11(i)(4)(C)(ii)(e)

42 FINRA conducts cross-market surveillances on behalf of the exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA's performance under this regulatory services agreement.

43 See note 33, supra.
Managed Fund Shares under Exchange Rule 14.11(i), including those requirements regarding the Disclosed Portfolio and the requirement that the Disclosed Portfolio and the NAV will be made available to all market participants at the same time, intraday indicative value, suspension of trading or removal, trading halts, disclosure, and firewalls. Further, at least 100,000 Shares will be outstanding upon the commencement of trading.

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 rather will facilitate the listing and trading of an additional actively-managed exchange-traded fund that will enhance competition among both market participants and listing venues, 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

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 2, is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.\(^4\) In particular, the Commission finds that the proposal is

\(^4\) 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).
consistent with Section 6(b)(5) of the Act,\textsuperscript{45} which requires, among other things, that the Exchange’s rules be 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 a national market system, and, in general, to protect investors and the public interest.

As noted above, the Fund’s investments in listed derivatives will not comply with Rule 14.11(i)(4)(C)(iv)(b). Under the proposal, the Fund could hold up to 100\% of the weight of its portfolio (including gross notional exposures) in listed derivatives based on a single underlying reference asset (physical gold) through its investment in Listed Gold Derivatives. According to the Exchange, the liquidity in the spot gold market and the underlying derivatives markets, and in particular the market for Gold Futures,\textsuperscript{46} minimizes the risk for manipulation in the underlying gold market, which in turn mitigates the risk of manipulation in Listed Gold Derivatives and the concerns that Rule 14.11(i)(4)(C)(iv)(b) is intended to address. The Commission notes that the Fund’s investments in derivatives will primarily consist of Gold Futures, and at least 80\% of the Fund’s investment in Gold Futures, as calculated using gross notional exposure, will be in CME-listed gold futures, LME-listed gold futures, or other exchange-traded gold futures with a similar liquidity profile. In addition, the Commission notes that all of the Listed Gold Derivatives the Fund may invest in 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.

In addition, as noted above, the Fund’s Fixed Income Investments may not comply with

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\textsuperscript{45} 15 U.S.C. 78f(b)(5).

\textsuperscript{46} See supra notes 38 and 39 and accompanying text.
Rule 14.11(i)(4)(C)(ii). The Exchange states that the types of fixed income instruments that the Fund will hold are highly liquid and of high credit quality and are, therefore, less susceptible to price manipulation and volatility than other types of fixed income instruments. The Commission notes that the Fixed Income Investments will consist of only those instruments that are included in the definition of “Cash Equivalents” as set forth in Rule 14.11(i)(4)(C)(iii), with the exception of Non-U.S. Sovereign Debt, but are not considered Cash Equivalents because they have maturities of three months or longer. The Commission further notes that the Fixed Income Investments will all be investment grade and will have a maturity of 397 days or less, and that the Fund will not invest in mortgage-backed or other asset-backed government obligations or sovereign debt obligations of emerging market countries.

The Commission also notes that, other than Rule 14.11(i)(4)(C)(iv)(b) with respect to the Listed Gold Derivatives and Rule 14.11(i)(4)(C)(ii) with respect to the Fixed Income Investments, the Fund will meet all other requirements of Rule 14.11(i). The Commission believes that these proposed initial and continued listing requirements, including the requirements with respect to Listed Gold Derivatives and Fixed Income Investments, are designed to mitigate the potential for manipulation of the Shares.

The Commission also finds that the proposal is consistent with Section 11A(a)(1)(C)(iii) of the Act, which sets forth Congress’s 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

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47 The Exchange represents that the Fixed Income Investments will meet the requirement in Rule 14.11(i)(4)(C)(ii)(e) that any non-agency, non-GSE, and privately-issued mortgage-related and other asset-backed securities components of a portfolio shall not account, in the aggregate, for more than 20% of the weight of the fixed income portion of the portfolio.

transactions in, securities. Quotation and last-sale information for the Shares will be available via the CTA high-speed line. Further, as required by Rule 14.11(i)(4)(B)(i), the Intraday Indicative Value (as defined in Rule 14.11(i)(3)(C)) will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange’s Regular Trading Hours (as defined in Rule 1.5(w)). Information regarding market price and trading volume of the Shares will be continually available throughout the day on brokers’ computer screens and other electronic services. Information regarding the previous day’s closing price and trading volume for the Shares will be published daily in the financial section of newspapers. The intra-day, closing, and settlement prices of exchange-traded portfolio assets, including the Gold ETPs and Listed Gold Derivatives, will be readily available from the exchanges trading such securities or derivatives, as the case may be, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Intraday price quotations on OTC Gold Derivatives and Fixed Income Investments are available from major broker-dealer firms and from third-parties, which may provide prices free with a time delay or in real-time for a paid fee. Price information for Cash Equivalents will be available from major market data vendors.

In addition, the Fund’s website will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information.

The Commission also believes that the proposal 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. As required by Rule 14.11(i)(4)(A)(ii), 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 the Disclosed Portfolio (as defined in Rule 14.11(i)(3)(B)) will be made available to all market participants at the same time. The
Exchange represents that the Disclosed Portfolio will be available on the Fund’s website free of charge. Further, trading in the Shares may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Trading in the Shares will also be subject to Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which Shares of a Fund may be halted.

The Exchange states that it prohibits the distribution of material, non-public information by its employees. The Exchange states that the Adviser is not a registered broker-dealer but the Adviser is affiliated with multiple broker-dealers and has implemented and will maintain “fire walls” with respect to such broker-dealers regarding access to information concerning the composition of and/or changes to the Fund’s portfolio. Further, the Commission notes that the Reporting Authority that provides the Disclosed Portfolio must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material, non-public information regarding the actual components of the portfolio.49

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 represents that:

1. Other than Rule 14.11(i)(4)(C)(iv)(b) and Rule 14.11(i)(4)(C)(ii), the Fund will comply with all other requirements under Rule 14.11(i) for Managed Fund Shares on an initial and continued listing basis.

2. The Fund’s investments in derivatives will primarily consist of Gold Futures. However, should Gold Futures become unavailable or illiquid or under such other circumstances the Adviser deems to be in the best interest of shareholders of the

Fund, the Fund may invest in other Listed Gold Derivatives or OTC Gold Derivatives.

(3) At least 80% of the Gold Futures held by the Fund, as calculated using gross notional exposure, will be in CME-listed gold futures, LME-listed gold futures, or other exchange-traded gold futures with a similar liquidity profile.

(4) All of the Listed Gold Derivatives and Gold ETPs held by the Fund 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.

(5) All of the Fixed Income Investments held by the Fund will be investment grade and will have a maturity of 397 days or less. The Fixed Income Investments will consist of only those instruments that are included in the definition of “Cash Equivalents” (with the exception of Non-U.S. Sovereign Debt), but are not considered Cash Equivalents because they have maturities of three months or longer. The Fund will not invest in mortgage-backed or other asset-backed government obligations or sovereign debt obligations of emerging market countries.

(6) At least 100,000 Shares will be outstanding upon the commencement of trading.

(7) Trading of the Shares on the Exchange will be subject to the Exchange’s surveillance procedures for derivative securities products, and 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.
The Exchange, or FINRA, on behalf of the Exchange, or both, will communicate with ISG, other markets or entities who are members or affiliates of the ISG, or other markets or entities with which the Exchange has entered into a comprehensive surveillance sharing agreement regarding trading in the Shares and the underlying Listed Gold Derivatives and Gold ETPs held by the Fund.50 The Exchange, FINRA, on behalf of the Exchange, or both, may obtain information regarding trading in the Shares, the Listed Gold Derivatives, and Gold ETPs via the ISG from other markets or entities who are members or affiliates of the ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. Additionally, the Exchange or FINRA, on behalf of the Exchange, are able to access, as needed, trade information for certain fixed income instruments reported to TRACE.

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) Exchange 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 Intraday Indicative Value and Disclosed Portfolio will be disseminated; (d) the risks involved in trading the Shares during the Pre-Opening and After Hours Trading Sessions when an updated Intraday Indicative Value will

50 See supra note 42.
not be calculated or publicly disseminated; (e) the requirement that Exchange members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction in Shares; and (f) trading information.

(10) The Exchange has appropriate rules to facilitate trading in the Shares during all trading sessions.

(11) For initial and continued listing of the Shares, the Trust is required to comply with Rule 10A-3 under the Act.\textsuperscript{51}

The Exchange represents that all statements and representations made in the filing regarding the description of the portfolio or reference assets, limitations on portfolio holdings or reference assets, dissemination and availability of reference assets and intraday indicative values, and the applicability of Exchange listing rules specified in the filing shall constitute continued listing requirements for the Fund. In addition, the Trust, on behalf of the Fund, 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.

This approval order is based on all of the Exchange’s statements and representations, including those set forth above and in Amendment No. 2 to the proposed rule change.

\textsuperscript{51} See 17 CFR 240.10A-3.
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\textsuperscript{52} and Section 11A(a)(1)(C)(iii) of the Act\textsuperscript{53} and the rules and regulations thereunder applicable to a national securities exchange.

IV. Solicitation of Comments on Amendment No. 2 to the Proposed Rule Change

Interested persons are invited to submit written data, views, and arguments concerning whether Amendment No. 2 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. Please include File Number SR-CboeBZX-2017-023 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CboeBZX-2017-023. 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

\textsuperscript{52} 15 U.S.C. 78f(b)(5).
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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeBZX-2017-023, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

V. **Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 2**

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 2, prior to the thirtieth day after the date of publication of notice of the filing of Amendment No. 2 in the Federal Register. The Commission notes that Amendment No. 2 clarified the application of Exchange Rule 14.11(i) to the Fund’s investments. Amendment No. 2 also provided other clarifications and additional information to the proposed rule change. The changes and additional information in Amendment No. 2 assisted the Commission in finding that the proposal is consistent with the Act. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,\(^\text{54}\) to approve the proposed rule change, as modified by Amendment No. 2, on an accelerated basis.

VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,\textsuperscript{55} that the proposed rule change (SR-CboeBZX-2017-023), as modified by Amendment No. 2 be, and it hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.\textsuperscript{56}

\begin{flushright}
Eduardo A. Aleman  
Assistant Secretary
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\textsuperscript{55} Id.  
\textsuperscript{56} 17 CFR 200.30-3(a)(12).