

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-73464; File No. SR-NYSEArca-2014-120)

October 29, 2014

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to Listing and Trading Shares of the Sit Rising Rate Fund under NYSE Arca Equities Rule 8.200

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on October 16, 2014, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to list and trade shares of the Sit Rising Rate Fund under NYSE Arca Equities Rule 8.200. The text of the proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

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

NYSE Arca Equities Rule 8.200, Commentary .02 permits the trading of Trust Issued Receipts (“TIRs”) either by listing or pursuant to unlisted trading privileges (“UTP”).<sup>4</sup> The Exchange proposes to list and trade shares (“Shares”) of the Sit Rising Rate Fund (“Fund”) pursuant to NYSE Arca Equities Rule 8.200. The Fund is a series of the ETF Managers Group Commodity Trust I (the “Trust”), a Delaware statutory trust.<sup>5</sup>

The Exchange notes that the Commission has previously approved the listing and trading of other issues of TIRs on the American Stock Exchange LLC,<sup>6</sup> trading on NYSE Arca pursuant to UTP,<sup>7</sup> and listing on NYSE Arca.<sup>8</sup> In addition, the Commission has approved the listing and trading of other exchange-traded fund-like products linked to the performance

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<sup>4</sup> Commentary .02 to NYSE Arca Equities Rule 8.200 applies to Trust Issued Receipts that invest in “Financial Instruments.” The term “Financial Instruments,” as defined in Commentary .02(b)(4) to NYSE Arca Equities Rule 8.200, means any combination of investments, including cash; securities; options on securities and indices; futures contracts; options on futures contracts; forward contracts; equity caps, collars and floors; and swap agreements.

<sup>5</sup> The Trust submitted a registration statement with respect to the Fund on Form S-1 under the Securities Act of 1933 (“1933 Act”) on October 7, 2014 (File No. 333-199190) (the “Registration Statement”). The description of the Fund and the Shares contained herein are based, in part, on the Registration Statement.

<sup>6</sup> See, e.g., Securities Exchange Act Release No. 58161 (July 15, 2008), 73 FR 42380 (July 21, 2008) (SR-Amex-2008-39).

<sup>7</sup> See, e.g., Securities Exchange Act Release No. 58163 (July 15, 2008), 73 FR 42391 (July 21, 2008) (SR-NYSEArca-2008-73).

<sup>8</sup> See, e.g., Securities Exchange Act Release No. 70209 (August 15, 2013), 78 FR 51269 (June 24, 2013) (SR-NYSEArca-2013-60); Securities Exchange Act Release No. 58457 (September 3, 2008), 73 FR 52711 (September 10, 2008) (SR-NYSEArca-2008-91).

of underlying currencies and commodities.<sup>9</sup>

According to the Registration Statement, the Fund’s sponsor and investment manager is ETF Managers Capital LLC (“ETFMC” or the “Sponsor”), a limited liability company that is a commodity pool operator (“CPO”) that is registered with the Commodity Futures Trading Commission (“CFTC”)<sup>10</sup> and is a member of the National Futures Association (“NFA”). U.S. Bancorp Fund Services will be the transfer agent and for the Shares and administrator for the Fund. Esposito Securities LLC (the “Distributor”) will provide statutory and wholesaling distribution services.

#### Fund’s Investment Objective and Strategy

The Fund’s investment objective will be to profit from rising interest rates by tracking the performance of a portfolio (the “Benchmark Portfolio”) consisting of exchange traded futures contracts and options on futures on 2, 5 and 10-year U.S. Treasury securities (“Treasury Instruments”) weighted to achieve a targeted negative 10-year average effective portfolio duration (the “Benchmark Component Instruments”). The Fund will seek to achieve its investment objective by investing in the Benchmark Component Instruments currently constituting the Benchmark Portfolio. The Benchmark Portfolio will be maintained by Sit Fixed

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<sup>9</sup> See, e.g., Securities Exchange Act Release Nos. 56131 (July 25, 2007), 77 FR 42212 (August 1, 2007) (SR-NYSEArca-2007-57) (order approving listing and trading on NYSE Arca of shares of eight issues of Commodity Trust Shares); 57456 (March 7, 2008), 73 FR 13599 (March 13, 2008) (SR-NYSEArca-2007-91) (order granting accelerated approval for NYSE Arca listing and trading of shares of the iShares GS Commodity Trusts); 59781 (April 17, 2009), 74 FR 18771 (April 24, 2009) (SR-NYSEArca-2009-28) (order granting accelerated approval for NYSE Arca listing and trading of shares of the ETFS Silver Trust); 59895 (May 8, 2009), 74 FR 22993 (May 15, 2009) (SR-NYSEArca-2009-40) (order granting accelerated approval for NYSE Arca listing the ETFS Gold Trust); 62527 (July 19, 2010), 75 FR 43606 (July 26, 2010) (SR-NYSEArca-2010-44) (order approving listing and trading on NYSE Arca of shares of the United States Commodity Index Fund).

<sup>10</sup> The Sponsor is not a broker-dealer or affiliated with a broker-dealer.

Income Advisors II, LLC (“Sit”) and will be rebalanced, reconstituted, or both, monthly, typically on the 15th of each month and on the next business day if the 15th is a holiday, weekend, or other day on which the national exchanges are closed, to maintain a negative 10-year average effective duration. The Benchmark Portfolio will maintain a net short position in Treasury Instruments. There will normally be substantially more net short exposure than net long exposure. The Fund will not use futures contracts or options to obtain leveraged investment results. The Benchmark Component Instruments constituting the Benchmark Portfolio and anticipated rebalancing dates, as well as the daily holdings of the Fund, will be available on the Fund’s website at [www.risingratefund.com](http://www.risingratefund.com).

The weightings of the Treasury Instruments constituting the Benchmark Portfolio and the Fund will be based on each maturity’s duration contribution. Longer duration treasuries will account for a more meaningful portion of the Fund’s price sensitivity to changes in interest rates. As of October 9, 2014, the Benchmark Portfolio consisted of:

Treasury Instrument (%):	% of Portfolio
2 Year U.S. Treasury Futures	45%
5 Year U.S. Treasury Futures	30%
5 Year U.S. Treasury Call Options	15%
10 Year U.S. Treasury Put Options	10%
	100%

The relative weightings of the Benchmark Component Instruments will be shifted between maturities only when there are material changes in the shape of the yield curve, for example, if the Federal Reserve began raising short term interest rates more than long term interest rates. In such an instance, Sit, which maintains the Benchmark Portfolio, will increase the weightings of the 2-year and reduce the weighting in the 10-year maturity Treasury Instruments. Conversely, Sit will do the opposite if the Federal Reserve began raising long term

interest rates more than short term interest rates. Reconstitution and rebalancing each will occur monthly, on the 15<sup>th</sup>, unless there are radical changes in the yield curve such that effective duration is outside of a range from negative nine to negative 11-year average effective duration, in which case Sit will adjust the maturities of the Treasury Instruments before the next expected monthly reconstitution.

The Benchmark Portfolio will be invested in Benchmark Component Instruments and rebalanced, as noted above, to maintain a negative average effective portfolio duration of approximately 10 years. Duration is a measure of estimated price sensitivity relative to changes in interest rates. Portfolios with longer durations are typically more sensitive to changes in interest rates. For example, if interest rates rise by 1%, the market value of a security with an effective duration of 5 years would decrease by 5%, with all other factors being constant, and likewise the market value of a security with an effective duration of negative 5 years would increase by 5%, with all other factors being constant. Duration estimates are based on certain assumptions by Sit and are subject to a number of limitations. Duration is a more accurate estimate of price sensitivity provided interest rate changes are small and occur equally in short-term and long-term securities. Investments in debt securities typically decrease in value when interest rates rise. The risk is usually greater for longer-term debt securities.

The Fund will incur certain expenses in connection with its operations. The Fund will hold cash or cash equivalents such as U.S. Treasuries or other high credit quality, short-term fixed-income or similar securities (such as shares of money market funds and collateralized repurchase agreements) for direct investment or as collateral for the Treasury Instruments and for other liquidity purposes and to meet redemptions that may be necessary on an ongoing basis. These expenses and income from the cash and cash equivalent holdings may cause imperfect

correlation between changes in the Fund's NAV and changes in the Benchmark Portfolio, because the Benchmark Portfolio does not reflect expenses or income.

#### Net Asset Value

According to the Registration Statement, the net asset value ("NAV") of the Fund will be calculated by taking the current market value of its total assets, subtracting any liabilities, and dividing that total by the total number of outstanding shares.

The Administrator will calculate the NAV daily and the NAV will be released after 4:00 p.m. Eastern Time ("E.T."), the end of the Core Trading Session on the Exchange. For purposes of calculating NAV, the Administrator will use the closing price of the Treasury Instruments on the U.S. exchanges on which the Treasury Instruments are traded (primarily on the exchanges within the Chicago Mercantile Exchange Group of exchanges (collectively, the "CME")).

Reverse repurchase agreements will generally be valued at bid prices received from independent pricing services as of the announced closing time for trading in such instruments.

#### Intraday Indicative Value ("IIV")

According to the Registration Statement, the Exchange will calculate and disseminate throughout the core trading session on each trading day an updated IIV for the Fund. The IIV will be calculated by using the Fund's prior day's closing NAV per share as a base and updating that value throughout the trading day to reflect changes in the most recently reported trade price for the Benchmark Component Instruments. The net asset value of the Fund's cash and cash equivalent holdings, on the other hand, will not be updated throughout the day.

The IIV will be calculated on a per share basis every 15 seconds on a delayed basis during the Core Trading Session (9:30 a.m. E.T. to 4:00 p.m. E.T.) on the Exchange. The normal trading hours of the CME are 10:00 a.m. to 2:30 p.m. E.T. This means that there is a gap in time

at the beginning and the end of each day during which the Fund's Shares are traded on the Exchange but real-time CME trading prices for contracts traded on the CME are unavailable. During such gaps in time the IIV will be calculated based on the end of day price of such contracts from the CME's immediately preceding trading session.

According to the Registration Statement, the Fund will provide the independent third party calculator with information to calculate the IIV, but the Fund will not be involved in the actual calculation of the IIV and is not responsible for the calculation or dissemination of the IIV. The Fund makes no warranty as to the accuracy of the IIV. The IIV should not be viewed as a "real-time" update of NAV because the IIV is not calculated in the same manner as NAV, which will be computed once per day.

The Exchange disseminates the IIV through the facilities of CTA/CQ High Speed Lines. In addition, the IIV is published on the NYSE Arca's website and is available through on-line information services such as Bloomberg and Reuters.

According to the Registration Statement, dissemination of the IIV provides additional information that is not otherwise available to the public and is useful to investors and market professionals in connection with the trading of the Fund Shares on the Exchange. Investors and market professionals are able throughout the trading day to compare the market price of the Fund and the IIV. If the market price of the Fund Shares diverges significantly from the IIV, market professionals will have an incentive to execute arbitrage trades. Such arbitrage trades can tighten the tracking between the market price of the Fund and the IIV and thus can be beneficial to all market participants.

The IIV should not be viewed as an actual real time update of the NAV, because the NAV is calculated only once at the end of each trading day based upon the relevant end of day

values of the Fund's investments. The IIV also should not be viewed as a precise value of the Shares.

In addition to the IIV, the value of the Benchmark Portfolio (excluding the cash and cash equivalent holdings) will be calculated every 15 seconds on a delayed basis and disseminated through similar means as the IIV.

#### Creation and Redemption of Shares

The Fund will offer and issue Shares only in aggregations of a specified number of Shares (each, a "Creation Unit"). Creation Unit sizes will be 25,000 Shares per Creation Unit. The Creation Unit size for a Fund may change. The Fund will create and redeem Shares from time to time in one or more "Creation Baskets" or "Redemption Baskets" as described below. The creation and redemption of baskets will only be made in exchange for delivery to the Fund or the distribution by the Fund of the amount of Treasuries and any cash represented by the baskets being created or redeemed, the amount of which is based on the combined NAV of the number of shares included in the baskets being created or redeemed determined as of 4:00 p.m. E.T. on the day the order to create or redeem baskets is properly received.

On any business day other than a day when any of the NYSE Arca, the CME or the New York Stock Exchange are closed for regular trading ("Business Day"), an Authorized Purchaser<sup>11</sup> may place an order with the Distributor to create one or more baskets. Purchase

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<sup>11</sup> Authorized Purchasers will be the only persons that may place orders to create and redeem baskets. Authorized Purchasers must be (1) registered broker-dealers or other securities market participants, and (2) have an account with the Depository Trust Company. To become an Authorized Purchaser, a person must enter into an Authorized Purchaser Agreement with ETFMC. The Authorized Purchaser Agreement provides the procedures for the creation and redemption of baskets and for the delivery of the Treasuries and any cash required for such creation and redemptions. The Authorized Purchaser Agreement and the related procedures attached thereto may be amended by the Fund, without the consent of any limited partner or shareholder or Authorized Purchaser.



orders must be placed by 12:00 p.m. E.T. or the close of regular trading on the NYSE Arca, whichever is earlier. The day on which the Distributor receives a valid purchase order is referred to as the purchase order date. By placing a purchase order, an Authorized Purchaser agrees to deposit Treasuries, cash or a combination of Treasuries and cash, as described below. Prior to the delivery of baskets for a purchase order, the Authorized Purchaser must also have wired to the Custodian the non-refundable transaction fee due for the purchase order.

The total deposit required to create each basket (“Creation Basket Deposit”) is the amount of Treasuries and/or cash that is in the same proportion to the total assets of the Fund (net of estimated accrued but unpaid fees, expenses and other liabilities) on the purchase order date as the number of shares to be created under the purchase order is in proportion to the total number of shares outstanding on the purchase order dates. ETFMC determines, directly in its sole discretion or in consultation with the Administrator, the requirements for Treasuries and the amount of cash, including the maximum permitted remaining maturity of a Treasury and proportions of Treasury and cash that may be included in deposits to create baskets. The Distributor will publish such requirements at the beginning of each Business Day. The amount of cash deposit required is the difference between the aggregate market value of the Treasuries required to be included in a Creation Basket Deposit as of 4:00 p.m. E.T. on the date the order to purchase is properly received and the total required deposit.

The procedures by which an Authorized Purchaser can redeem one or more baskets mirror the procedures for the creation of baskets. On any Business Day, an Authorized Purchaser may place an order with the Distributor to redeem one or more baskets. Redemption orders must be placed by 12:00 p.m. E.T. or the close of regular trading on the NYSE Arca, whichever is earlier. A redemption order so received will be effective on the date it is received

in satisfactory form by the Distributor. The redemption procedures allow Authorized Purchasers to redeem baskets and do not entitle an individual shareholder to redeem any Shares in an amount less than a Redemption Basket, or to redeem baskets other than through an Authorized Purchaser.

The redemption distribution due from the Fund will be delivered to the Authorized Purchaser by 3:00 p.m. E.T. on the third business day following the redemption order date if, by 3:00 p.m. E.T. on such third business day, the Fund's account at the Depository Trust Company ("DTC") has been credited with the baskets to be redeemed. If the Fund's DTC account has not been credited with all of the baskets to be redeemed by such time, the redemption distribution will be delivered to the extent of whole baskets received. Any remainder of the redemption distribution will be delivered on the next business day to the extent of remaining whole baskets received if the Fund receives the fee applicable to the extension of the redemption distribution date which ETFMC may, from time to time, determine and the remaining baskets to be redeemed are credited to the Fund's DTC account by 3:00 p.m. E.T. on such next business day. Any further outstanding amount of the redemption order shall be cancelled.

The Exchange will obtain a representation prior to listing of the Fund from the Trust that the NAV per Share will be calculated daily and made available to all market participants at the same time.

The Fund will meet the initial and continued listing requirements applicable to TIRs in NYSE Arca Equities Rule 8.200 and Commentary .02 thereto. With respect to application of Rule 10A-3<sup>12</sup> under the Act, the Fund will rely on the exception contained in Rule 10A-3(c)(7).<sup>13</sup>

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<sup>12</sup> 17 CFR 240.10A-3.

<sup>13</sup> 17 CFR 240.10A-3(c)(7).

A minimum of 100,000 Shares of the Fund will be outstanding as of the start of trading on the Exchange.

The Fund's investments will be consistent with the Fund's investment objective and will not be used to enhance leverage. That is, the Fund's investments will not be used to seek performance that is a multiple (e.g., 2X or 3X) or inverse multiple of the Fund's Benchmark Portfolio.

A more detailed description of the Fund as well as investment risks, creation and redemption procedures and fees is set forth in the Registration Statement.

#### Availability of Information Regarding the Shares

The Fund's website, [www.risingratefund.com](http://www.risingratefund.com), will be publicly accessible at no charge prior to the public offering of Shares and will include a form of the prospectus for that may be downloaded. The website will include additional quantitative information updated on a daily basis, including (a) the current NAV per Share daily and the prior Business Day's NAV and the reported closing price; (b) the mid-point of the bid-ask price in relation to the NAV as of the time the NAV is calculated (the "Bid-Ask Price"); (c) calculation of the premium or discount of such price against such NAV; (d) the Bid-Ask Price of Shares determined using the highest bid and lowest offer as of the time of calculation of the NAV; (e) data in chart form displaying the frequency distribution of discounts and premiums of the Bid-Ask Price against the NAV, within appropriate ranges for each of the four (4) previous calendar quarters; (f) the prospectus; and (g) other applicable quantitative information.

In addition, a basket composition file, which includes the security names and share quantities required to be delivered in exchange for Fund Shares, together with estimates and actual cash components, will be publicly disseminated daily prior to the opening of the Exchange

via the NSCC. The basket represents one Creation Unit of the Fund.

Investors can also obtain the Trust's Statement of Additional Information ("SAI"), Shareholder Reports and Form N-CSR. The Trust's SAI and Shareholder Reports are available free upon request from the Trust, and those documents and the Form N-CSR may be viewed on-screen or downloaded from the Commission's website at [www.sec.gov](http://www.sec.gov). Information regarding market price and trading volume of 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.

This website disclosure of the portfolio composition of the Fund will occur at the same time as the disclosure by the Sponsor of the portfolio composition to authorized participants so that all market participants are provided portfolio composition information at the same time. Therefore, the same portfolio information will be provided on the public website as well as in electronic files provided to authorized participants. Accordingly, each investor will have access to the current portfolio composition of the Fund through the Fund's website.

The IIV will be calculated by using the Fund's prior day's closing NAV per share as a base and updating that value throughout the trading day to reflect changes in the most recently reported trade price for the Treasury Instruments. The IIV per Share will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session.

The NAV for the Shares will be disseminated to all market participants at the same time. The Exchange will also make available on its website daily trading volume of the Shares and the closing prices of such Shares. The intra-day closing prices and settlement prices of the Treasury

Instruments are or will be readily available from the websites of the relevant exchanges on which Treasury Instruments are traded (primarily the CME). The relevant exchanges trading Treasury Instruments also provide delayed futures information on current and past trading sessions and market news free of charge on their respective websites.

Quotation information from brokers and dealers or major market data vendors will be available for money market instruments and U.S. Treasuries.

Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the CTA. In addition, the Fund's website, [www.risingratefund.com](http://www.risingratefund.com), will display the applicable end of day closing NAV.

#### Availability of Information about the Benchmark Portfolio

The daily closing Benchmark Portfolio level and the percentage change in the daily closing level for the Benchmark Portfolio will be publicly available from one or more major market data vendors. Data regarding the Benchmark Portfolio, updated every 15 seconds, will also be available through a major market data vendor.

Data regarding the Treasury Instruments will also be available from the CME website. Data regarding the Treasury securities underlying the Treasury Instruments will be publicly available from various financial information service providers. Information relating to the weighting of Treasury Instruments and the Benchmark Portfolio methodology is also available on the website for Fund at [www.risingratefund.com](http://www.risingratefund.com).

#### Trading Rules

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. Shares will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m. E.T. in accordance with

NYSE Arca Equities Rule 7.34 (Opening, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, Commentary .03, the minimum price variation ("MPV") for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.200. The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A-3<sup>14</sup> under the Act, as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares for the Fund will be outstanding at the commencement of trading on the Exchange.

The trading of the Shares will be subject to NYSE Arca Equities Rule 8.200, Commentary .02(e), which sets forth certain restrictions on Equity Trading Permit ("ETP") Holders acting as registered Market Makers in TIRs to facilitate surveillance. See "Surveillance" below for more information.

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares. Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in the underlying securities, or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. In addition, trading in Shares will be subject to trading halts caused by extraordinary market volatility pursuant to the Exchange's

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<sup>14</sup> 17 CFR 240.10A-3.

“circuit breaker” rule<sup>15</sup> or by the halt or suspension of trading of the underlying securities.

The Exchange represents that the Exchange may halt trading during the day in which an interruption to the dissemination of the IIV occurs. If an interruption to the dissemination of the IIV persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. In addition, if the Exchange becomes aware that the NAV with respect to the Shares is not disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants.

### Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by the Financial Industry Regulatory Authority (“FINRA”) on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.<sup>16</sup> The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the

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<sup>15</sup> See NYSE Arca Equities Rule 7.12.

<sup>16</sup> FINRA surveils trading on the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services agreement.

Shares and underlying Treasury Instruments with other markets and entities that are members of the Intermarket Surveillance Group (“ISG”), and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares and underlying Treasury Instruments from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and underlying Treasury Instruments from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.<sup>17</sup> FINRA, on behalf of 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 (“TRACE”).

For components traded on exchanges, not more than 10% of the net assets of the Fund shall consist of components whose principal trading market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. Furthermore, not more than 10% of the net assets of a Fund in the aggregate shall consist of futures contracts or options contracts whose principal market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

#### Information Bulletin

Prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin (“Bulletin”) of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) the procedures for purchases

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<sup>17</sup> For a list of the current members of ISG, see [www.isgportal.org](http://www.isgportal.org). The Exchange notes that not all instruments traded by the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.



and redemptions of Shares in Creation Basket aggregations (and that Shares are not individually redeemable); (2) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated IIV will not be calculated or publicly disseminated; (4) how information regarding the IIV is disseminated; (5) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Bulletin will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Bulletin will discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act. The Bulletin will also disclose that the NAV for the Shares will be calculated after 4:00 p.m. E.T. each trading day.

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 basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>18</sup> that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent

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<sup>18</sup> 15 U.S.C. 78f(b)(5).

and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Equities Rule 8.200 and Commentary .02 thereto. The Fund will seek to achieve its investment objective by tracking the performance of the Benchmark Portfolio. The Sponsor represents that the Trust will invest in Treasury Instruments in a manner consistent with the Trust's investment objective and will not use futures contracts or options to obtain leveraged investment results. The Sponsor is not broker-dealer or affiliated with a broker-dealer. The Sponsor represents that it will implement and maintain procedures designed to prevent the use and dissemination of material non-public information. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares and underlying Treasury Instruments with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares and underlying Treasury Instruments from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and underlying Treasury Instruments from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by the Fund reported to TRACE. For components traded on exchanges, not more than 10% of the net assets of the Fund shall consist of components whose principal trading market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. Furthermore, not more than 10% of the net assets of a Fund in the aggregate shall consist of

futures contracts or options contracts whose principal market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. The NAV for the Shares will be disseminated to all market participants at the same time. The Exchange will also make available on its website daily trading volume of the Shares and the closing prices of such Shares. The intra-day closing prices and settlement prices of the Treasury Instruments are or will be readily available from the websites of the relevant exchanges on which Treasury Instruments are traded (primarily the CME). The relevant exchanges trading Treasury Instruments also provide delayed futures information on current and past trading sessions and market news free of charge on their respective websites.

In addition, quotation information from brokers and dealers or major market data vendors will be available for money market instruments.

Quotation and last-sale information regarding the Shares will be disseminated through the facilities of the CTA. In addition, the Fund's website, [www.risingratefund.com](http://www.risingratefund.com), will display the applicable end of day closing NAV.

The daily closing Benchmark Portfolio level and the percentage change in the daily closing level for the Benchmark Portfolio will be publicly available from one or more major market data vendors. Data regarding the Benchmark Portfolio, updated every 15 seconds, will also be available on a major market data vendor. Data regarding the Treasury Instruments will also be available from the CME website. Data regarding the Treasury securities underlying the Treasury Instruments will be publicly available from various financial information service providers. Information relating to the weighting of Treasury Instruments and the Benchmark Portfolio methodology is also available on the website for Fund at [www.risingratefund.com](http://www.risingratefund.com).

Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in the underlying securities, or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in Shares will be subject to trading halts caused by extraordinary market volatility pursuant to the Exchange's "circuit breaker" rule or by the halt or suspension of trading of the underlying securities. The Exchange represents that the Exchange may halt trading during the day in which an interruption to the dissemination of the IIV occurs. If an interruption to the dissemination of the IIV persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. In addition, if the Exchange becomes aware that the NAV with respect to the Shares is not disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that a large amount of information is publicly available regarding the Shares, thereby promoting market transparency. The Fund's NAV will be disseminated to all market participants at the same time. The IIV will be disseminated at least every 15 seconds during the Core Trading Session. Trading in the Shares will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Moreover, prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of an additional type of trust issued receipts that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, FINRA, on the Exchange's behalf, has in place surveillance procedures relating to trading in the Shares and underlying Treasury Instruments and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, IIV, and quotation and last sale information for the Shares.

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 Trust Issued Receipts product that will principally hold fixed income securities and derivatives thereon, and 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

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

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date 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 Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2014-120 on the subject line.

##### Paper comments:

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

All submissions should refer to File Number SR-NYSEArca-2014-120. 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 such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2014-120, 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>

Kevin M. O'Neill  
Deputy Secretary

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