

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74199; File No. SR-NYSEArca-2014-107)

February 3, 2015

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Instituting Proceedings to Determine Whether to Approve or Disapprove Proposed Rule Change, as Modified by Amendment No. 1 Thereto, to Reflect Changes to the Means of Achieving the Investment Objective Applicable to the Guggenheim Enhanced Short Duration ETF

On October 21, 2014, NYSE Arca, Inc. (“Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to reflect certain changes to the description of the Guggenheim Enhanced Short Duration ETF (“Fund”), a series of Claymore Exchange-Traded Fund Trust (“Trust”). On October 29, 2014, the Exchange filed Amendment No. 1 to the proposed rule change. The proposed rule change was published for comment in the Federal Register on November 7, 2014.³ The Commission received one comment on the proposal.⁴ On December 10, 2014, 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.⁵ This Order

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 73512 (Nov. 3, 2014), 79 FR 66442 (“Notice”).

⁴ All comments on the proposed rule change, including Amendment No. 1, are available on the Commission’s website at: <http://www.sec.gov/comments/sr-nysearca-2014-107/nysearca2014107.shtml>.

⁵ See Securities Exchange Act Release No. 73810, 79 FR 74783 (Dec. 16, 2014). The Commission determined that it was appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the proposed rule change. Accordingly, the Commission designated February 5, 2015 as the date by which it should approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change.

institutes proceedings under Section 19(b)(2)(B) of the Act⁶ to determine whether to approve or disapprove the proposed rule change, as modified by Amendment No. 1 thereto.

I. Description of the Proposal

The Exchange proposes to reflect a change, as described below, to the description of the measures that Guggenheim Funds Investment Advisors, LLC (“Adviser”) may use to implement the Fund’s investment objective, which is to seek maximum current income, consistent with preservation of capital and daily liquidity.⁷ The shares of the Fund (“Shares”) are currently listed and traded on the Exchange under NYSE Arca Equities Rule 8.600,⁸ which governs the listing and trading of Managed Fund Shares. The Shares are offered by the Trust, a statutory trust organized under the laws of the State of Delaware and registered with the Commission as an open-end management investment company.⁹ The Exchange represents that the Fund and the

⁶ 15 U.S.C. 78s(b)(2)(B).

⁷ According to the Prior Release (defined below), the Fund uses a low duration strategy to seek to outperform the 1-3 month Treasury Bill Index, in addition to providing returns in excess of those available in U.S. Treasury bills, government repurchase agreements, and money market funds, while providing preservation of capital and daily liquidity. The Prior Release states that the Fund would hold under normal circumstances a diversified portfolio of fixed income instruments of varying maturities, but that have an average duration of less than 1 year.

⁸ See Securities Exchange Act Release No. 64550 (May 26, 2011), 76 FR 32005 (June 2, 2011) (SR-NYSEArca-2011-11) (order approving listing and trading on the Exchange of the Guggenheim Enhanced Core Bond ETF and Guggenheim Enhanced Ultra-Short Bond ETF) (“Prior Order”). See also Securities Exchange Act Release No. 64224 (Apr. 7, 2011), 76 FR 20401 (Apr. 12, 2011) (SR-NYSEArca-2011-11) (“Prior Notice,” and together with the Prior Order, collectively “Prior Release”).

⁹ The Trust is registered under the Investment Company Act of 1940 (“1940 Act”). On September 27, 2013, the Trust filed with the Commission an amendment to its registration statement on Form N-1A under the Securities Act of 1933 (“Securities Act”) and the 1940 Act relating to the Fund (File Nos. 333-134551 and 811-21906) (“Registration Statement”). In addition, according to the Exchange, the Trust has obtained certain exemptive relief under the 1940 Act. See Investment Company Act

Shares are currently in compliance with the listing standards and other rules of the Exchange and the requirements set forth in the Prior Release.

Specifically, the proposal seeks to reflect a change to the Fund's limitation on investments in certain asset-backed securities ("ABS").¹⁰ According to the Prior Release, the Fund may invest up to 10% of its assets in mortgage-backed securities ("MBS") or in other ABS.¹¹ This 10% limitation does not apply to securities issued or guaranteed by federal agencies or U.S. government sponsored instrumentalities, such as the Government National Mortgage Administration ("GNMA"), the Federal Housing Administration ("FHA"), the Federal National Mortgage Association ("FNMA"), and the Federal Home Loan Mortgage Corporation ("FHLMC"). Under the proposal, the Fund would be permitted to invest up to 50% of its assets in ABS that are not mortgage-related.¹² This 50% limitation would not apply to securities issued

Release No. 29271, May 18, 2010 (File No. 812-13534).

¹⁰ Under the proposal, the Exchange seeks to reflect certain other conforming or clarifying changes to the description of the measures that the Adviser will utilize to implement the Fund's investment objective. These other proposed changes can be found in more detail in the Notice. See supra note 3.

¹¹ As stated in the Prior Release, the Fund may invest in MBS or other ABS issued or guaranteed by private issuers. The MBS in which the Fund may invest may also include residential MBS, collateralized mortgage obligations, and commercial MBS. In addition, the ABS in which the Fund may invest include collateralized debt obligations.

¹² Specifically, the Exchange notes that such ABS are bonds backed by pools of loans or other receivables and are securitized by a wide variety of assets that are generally broken into three categories: consumer, commercial, and corporate. The consumer category includes credit card, auto loan, student loan, and timeshare loan ABS. The commercial category includes trade receivables, equipment leases, oil receivables, film receivables, rental cars, aircraft securitizations, ship and container securitizations, whole business securitizations, and diversified payment right securitizations. Corporate ABS include cash flow collateralized loan obligations, collateralized by both middle market and broadly syndicated bank loans. ABS are issued through special purpose vehicles that are bankruptcy remote from the issuer of the collateral. The credit quality of an ABS tranche

or guaranteed by federal agencies or U.S. government sponsored instrumentalities, such as GNMA, FHA, FNMA, and FHLMC. The Fund would continue to be subject to a 10% limit on investments in MBS that are not issued or guaranteed by federal agencies or U.S. government sponsored instrumentalities. In addition, the Fund's holdings in MBS and ABS would be subject to the respective limitations on the Fund's investments in illiquid assets (as described below) and high yield securities.¹³

The Exchange states that this change to the Fund's investment limitations would allow the Adviser to better achieve the Fund's investment objective to seek maximum current income, consistent with preservation of capital and daily liquidity. In addition, according to the Exchange, the Fund's increased investment in ABS that are not mortgage-related would continue to adhere to the Fund's investment strategy of investing in short duration fixed income securities.¹⁴ The Exchange asserts that, due to the quality of ABS in which the Fund will invest, the Adviser does not expect that the Fund's additional investments in ABS that are not mortgage-related will expose the Fund to additional liquidity risk.

The Exchange states that there is no change to the Fund's investment objective and represents that the Fund will continue to comply with all initial and continued listing

depends on the performance of the underlying assets and the structure. To protect ABS investors from the possibility that some borrowers could miss payments or even default on their loans, ABS include various forms of credit enhancement.

¹³ According to the Prior Release, the Fund may invest no more than 10% of its net assets in high yield securities, which are debt securities that are rated below investment grade by nationally recognized statistical rating organizations, or are unrated securities that the Adviser believes are of comparable quality.

¹⁴ The Fund will target floating rate, shorter maturity, shorter spread duration and other amortizing securities. These securities' maturity and spread duration are consistent with the Fund's investment objective.

requirements under NYSE Arca Equities Rule 8.600. In addition, the Exchange represents that, other than the proposed change described above and in the Notice, all other facts presented and representations made in the Prior Release remain unchanged.

II. Proceedings to Determine Whether to Approve or Disapprove SR-NYSEArca-2014-107 and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act¹⁵ to determine whether the proposed rule change should be approved or disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide comments on the proposed rule change.

Pursuant to Section 19(b)(2)(B) of the Act,¹⁶ the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of the proposed rule change's consistency with Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be "designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade," and "to protect investors and the public interest."¹⁷

¹⁵ 15 U.S.C. 78s(b)(2)(B).

¹⁶ Id.

¹⁷ 15 U.S.C. 78f(b)(5).

III. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the proposal summarized above and information described in the Notice,¹⁸ as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposal is consistent with Section 6(b)(5) or any other provision of the Act, or the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4, any request for an opportunity to make an oral presentation.¹⁹

Interested persons are invited to submit written data, views, and arguments regarding whether the proposal should be approved or disapproved by [insert date 21 days from publication in the Federal Register]. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by [insert date 35 days from publication in the Federal Register].

The Commission asks that commenters address the sufficiency and merit of the Exchange's and commenter's statements in support of the proposal, in addition to any other

¹⁸ See supra note 3.

¹⁹ Section 19(b)(2) of the Act, as amended by the Securities Act Amendments of 1975, Pub. L. 94-29 (June 4, 1975), grants the Commission flexibility to determine what type of proceeding – either oral or notice and opportunity for written comments – is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Act Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

comments they may wish to submit about the proposed rule change. In particular, the Commission seeks comment on the following:

1. Does the Notice contain sufficient information about the Fund's proposed investments in ABS for commenters to evaluate the liquidity and transparency of the underlying markets for those ABS?

2. What are commenters' views on the liquidity of the Fund's proposed holdings in ABS? What are commenters' views on pricing transparency in the market for these ABS? Does the pricing transparency vary for investors, market makers, and other market participants? If so, how and why?

3. The Exchange states that, because the preponderance of the Fund's investments in ABS will be in investment-grade instruments, "the Adviser does not expect that the proposed additional investments in ABS that are not mortgage-related will expose the Fund to additional liquidity risk." Do commenters agree? Why or why not?

4. Do commenters believe that the proposal to increase the Fund's holdings in ABS would have any effect on the arbitrage mechanism with respect to the Fund? If so, what effect and why? If not, why not? Do commenters believe that the proposed change in the Fund's investments would have any effect on market pricing of the Fund relative to its net asset value? Why or why not?

5. What are commenters' views on whether the Fund's proposal to increase its ABS holdings would affect the ability of market makers to make markets in the Shares of the Fund?

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-NYSEArca-2014-107 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 Numbers SR-NYSEArca-2014-107. 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 these filings 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-2014-107 and should be submitted on or before [insert date 21 days from publication in the Federal Register]. Rebuttal comments should be submitted by [insert date 35 days from date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁰

Brent J. Fields
Secretary

²⁰ 17 CFR 200.30-3(a)(57).