

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74701; File No. SR-NYSEArca-2015-18)

April 10, 2015

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to Listing and Trading under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 of Shares of the Vanguard Tax-Exempt Bond Index Fund

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that on April 6, 2015, NYSE Arca, Inc. (“NYSE Arca” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to list and trade under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02, the shares of the Vanguard Tax-Exempt Bond Index Fund. The text of the proposed rule change is available on the Exchange’s website at 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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 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

The Exchange proposes to list and trade shares (“Shares”) of the Vanguard Tax-Exempt Bond Index Fund’s ETF share class (“Fund”) under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02, which governs the listing and trading of Investment Company Units (“Units”) based on fixed income securities indexes.⁴ The Fund is a series of the Vanguard Municipal Bond

⁴ The Commission previously has approved proposed rule changes relating to listing and trading on the Exchange of Units based on municipal bond indexes. See Securities Exchange Act Release Nos. 67985 (October 4, 2012), 77 FR 61804 (October 11, 2012) (SR-NYSEArca-2012-92) (order approving proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 67729 (August 24, 2012), 77 FR 52776 (August 30, 2012) (SR-NYSEArca-2012-92) (notice of proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 71232 (January 3, 2014), 79 FR 1662 (January 9, 2014) (SR-NYSEArca-2013-118) (order approving listing and trading of shares of the Market Vectors Short High-Yield Municipal Index ETF under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 72523, (July 2, 2014), 79 FR 39016 (July 9, 2014) (SR-NYSEArca-2014-37) (order approving proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 72172 (May 15, 2014), 79 FR 29241 (May 21, 2014) (SR-NYSEArca-2014-37) (notice of proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02). The Commission also has issued a notice of filing and immediate effectiveness of a proposed rule change relating to listing and trading on the Exchange of shares of the iShares Taxable Municipal Bond Fund. See Securities Exchange Act Release No. 63176 (October 25, 2010), 75 FR 66815 (October 29, 2010) (SR-NYSEArca-2010-94). The Commission has approved for Exchange listing and trading of shares of two actively managed funds of the PIMCO ETF Trust that principally hold municipal bonds. See Securities Exchange Act Release No. 60981 (November 10, 2009), 74 FR 59594 (November 18, 2009) (SR-NYSEArca-2009-79) (order approving listing and trading of shares of the PIMCO Short-Term Municipal Bond

Funds Trust (“Trust”).⁵ The Vanguard Group, Inc. will be the investment adviser to the Fund (“Adviser”).

State Street Bank and Trust Company will serve as custodian for the Fund. Vanguard Marketing Corporation will be the distributor (“Distributor”) for the Fund’s Shares.

Principal Investments

According to the Registration Statement, the Fund will seek to track the performance of a benchmark index that measures the investment-grade segment of the U.S. municipal bond market. The Fund will invest by sampling its benchmark index, meaning that it holds a range of securities that, in the aggregate, approximates the full index in terms of key risk factors and other characteristics. All of the Fund’s investments will be selected through the sampling process, and, under normal circumstances⁶, at least 80% of the Fund’s assets will be invested in securities held

Strategy Fund and PIMCO Intermediate Municipal Bond Strategy Fund). The Commission also has approved listing and trading on the Exchange of shares of the SPDR® Nuveen S&P High Yield Municipal Bond Fund under Commentary .02 of NYSE Arca Equities Rule 5.2(j)(3). See Securities Exchange Act Release No.63881 (February 9, 2011), 76 FR 9065 (February 16, 2011) (SR-NYSEArca-2010-120).

⁵ On January 6, 2015, the Trust filed a registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) (“1933 Act”) and the Investment Company Act of 1940 (“1940 Act”) (15 U.S.C. 80a-1) (File Nos. 2-57689 and 811-02687) (the “Registration Statement”). The description of the operation of the Trust and the Fund herein is based, in part, on the Registration Statement. In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 27773 (April 2, 2007) (File No. 812-13336) (“Exemptive Order”).

⁶ The term “under normal circumstances” includes, but is not limited to, the absence of extreme volatility or trading halts in the fixed income markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

in its benchmark index. Under normal circumstances, at least 80% of the Fund's income will be exempt from federal income taxes.

The Fund has proposed to use the Standard & Poor's National AMT-Free Municipal Bond Index ("Index") as its benchmark index.⁷ The Index includes municipal bonds from issuers that are primarily state or local governments or agencies whose interest is exempt from U.S. federal income taxes and the federal alternative minimum tax (AMT). To be eligible for inclusion in the Index, each bond must have a rating of at least investment-grade, as determined by a nationally recognized statistical rating organization (e.g., at least BBB- by Fitch Ratings, Inc.); be denominated in U.S. dollars; and have a minimum par amount of \$25 million. In addition, to be included in the Index, each bond must have a minimum term to maturity and/or pre-refunded or call date greater than or equal to one calendar month. The following bond types are specifically excluded from the Index: bonds subject to the AMT; commercial paper; derivative securities (inverse floaters, forwards, swaps); housing bonds; insured conduit bonds where the obligor is a for-profit institution; non-insured conduit bonds; non-rated bonds; notes; taxable municipals; tobacco bonds; and variable rate debt. Each bond in the Index must be a constituent of a deal where the deal's original offering amount was at least \$100 million. Index constituents normally undergo a review and rebalancing once a month. At each monthly rebalancing, no one issuer can represent more than 25% of the weight of the Index; and individual issuers that represent at least 5% of the weight of the Index cannot account for more than 50% of the weight of the Index in the aggregate.

⁷ S&P Dow Jones Indices ("S&P") is the "Index Provider" with respect to the Index. The Index Provider is not a broker-dealer or affiliated with a broker-dealer and has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the Index.

Non-Principal Investments

While under normal circumstances, at least 80% of the Fund's assets will be invested in securities held in its benchmark index, as described above, the Fund may invest up to 20% of its assets in other securities and financial instruments, as described below.

According to the Registration Statement, up to 20% of the Fund's assets may be used to purchase nonpublic, investment-grade securities, generally referred to as 144A securities, as well as smaller public issues or medium-term notes not included in its benchmark index because of the small size of the issue. The vast majority of these securities will have characteristics and risks similar to those in the benchmark index. Subject to the same 20% limit, the Fund may also purchase other investments that are outside of its benchmark index or may hold bonds that, when acquired, were included in the benchmark index but subsequently were removed.

The Fund may invest in U.S. Treasury futures contracts, exchange-traded and over-the-counter ("OTC") options on such futures contracts, exchange-traded and OTC fixed income options, centrally cleared and non-centrally cleared interest rate swaps, centrally cleared and non-centrally cleared total return swaps, and centrally cleared and non-centrally cleared credit default swaps.

The Fund may invest in non-investment-grade securities, also referred to as "high-yield securities" or "junk bonds", which are debt securities that are rated lower than the four highest rating categories by a nationally recognized statistical rating organization (e.g., lower than Baa3/P-2 by Moody's Investors Service, Inc. (Moody's), or below BBB-/A-2 by Standard & Poor's) or, if unrated, are determined to be of comparable quality by the Adviser.

The Fund may invest in variable and floating rate securities, which are debt securities that provide for periodic adjustments in the interest rate paid on the security. Variable rate securities

provide for a specified periodic adjustment in the interest rate, while floating rate securities have interest rates that change whenever there is a change in a designated benchmark rate or the issuer's credit quality.

The Fund may purchase shares of exchange-traded funds ("ETFs")⁸, including ETF shares issued by other Vanguard funds.

The Fund may invest in hybrid instruments.⁹

In addition to the municipal securities referenced in the "Principal Investments" section above, the Fund may invest in other municipal securities, which are debt obligations issued by states, municipalities, U.S. jurisdictions or territories, and other political subdivisions and by agencies, authorities, and instrumentalities of states and multistate agencies or authorities (collectively, municipalities). Municipal securities also include a variety of structures geared toward accommodating municipal-issuer short-term cash flow requirements. These structures include, but are not limited to, general market notes, commercial paper, put bonds, and variable-rate demand obligations ("VRDOs").

The Fund may invest in Build America Bonds.

The Fund may purchase certain variable-rate demand-preferred securities ("VRDPs") issued by closed-end municipal bond funds, which, in turn, invest primarily in portfolios of tax-

⁸ For purposes of this filing, ETFs include Investment Company Units (as described in NYSE Arca Equities Rule 5.2(j)(3)); Portfolio Depositary Receipts (as described in NYSE Arca Equities Rule 8.100); and Managed Fund Shares (as described in NYSE Arca Equities Rule 8.600). The ETFs all will be listed and traded in the U.S. on national securities exchanges. While the Fund may invest in inverse ETFs, the Fund will not invest in leveraged or inverse leveraged ETFs (e.g., 2X or 3X).

⁹ According to the Registration Statement, a hybrid instrument is an interest in an issuer that combines the characteristics of an equity security, a debt security, a commodity, and/or a derivative. Examples of hybrid instruments include exchange-traded or OTC convertible securities, contingent convertible securities; trust-preferred securities, and commodity-linked bonds.

exempt municipal bonds. The Fund may invest in securities issued by single-state or national closed-end municipal bond funds. VRDPs are issued by closed-end funds to leverage returns for common shareholders.

The Fund may participate in tender option bond programs, which are a type of municipal bond derivative structure, which is taxed as a partnership for federal income tax purposes. These programs provide for tax-exempt income at a variable rate. In such programs, high-quality longer-term municipal bonds are held inside a trust and varying economic interests in the bonds are created and sold to investors.

Investment Restrictions

The Fund may invest in other investment companies to the extent permitted by applicable law or Commission exemption and consistent with Section 12(d)(1) of the 1940 Act.

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser, in accordance with Commission guidance.¹⁰ The Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of the Fund's net assets are held in illiquid securities. Illiquid securities include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission

¹⁰ Several factors considered in monitoring illiquidity determinations include the valuation of a security; the availability of qualified institutional buyers, brokers, and dealers that trade in the security; and the availability of information about the security's issuer.

staff guidance.¹¹

The Fund is classified as diversified within the meaning of the 1940 Act.¹²

The Fund intends to maintain the required level of diversification and otherwise conduct its operations so as to qualify as a “regulated investment company” for purposes of the Internal Revenue Code of 1986.¹³

The Exchange is submitting this proposed rule change because the Index for the Fund does not meet all of the “generic” listing requirements of Commentary .02(a) to NYSE Arca Equities Rule 5.2(j)(3) applicable to the listing of Units based on fixed income securities indexes. The Index meets all such requirements except for those set forth in Commentary .02(a)(2).¹⁴ Specifically, as of February 7, 2015, 33.69% of the weight of the Index components have a minimum original principal amount outstanding of \$100 million or more.

As of February 7, 2015, 98.72% of the weight of the Index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum

¹¹ The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. See also, Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding “Restricted Securities”); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund’s portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the 1933 Act).

¹² The diversification standard is set forth in Section 5(b)(1) of the 1940 Act.

¹³ 26 U.S.C. 851.

¹⁴ Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3) provides that components that in the aggregate account for at least 75% of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.

original principal amount outstanding of \$100 million or more for all maturities of the offering. In addition, the total dollar amount outstanding of issues in the Index was approximately \$2.424 billion and the average dollar amount outstanding of issues in the Index was approximately \$60 million. Further, the most heavily weighted component represents 0.27% of the weight of the Index and the five most heavily weighted components represent 0.96% of the weight of the Index.¹⁵ In addition, the average daily notional trading volume for Index components for the period from January 2, 2014 to December 31, 2014 was \$1,272,356,609 and the sum of the notional trading volumes for the same period was \$318,089,152,147.

Therefore, the Exchange believes that, notwithstanding that the Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the Index is sufficiently broad-based to deter potential manipulation, given that it is composed of approximately 10,015 issues and 969 unique issuers. In addition, the Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (98.72%) of the Index weight is composed of maturities that are part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of Index issues, as referenced above.

¹⁵ Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3) provides that no component fixed-income security (excluding Treasury Securities and GSE Securities, as defined therein) shall represent more than 30% of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the weight of the index or portfolio.

Purchase and Issuance of Shares in Creation Units

The Fund will issue and sell Shares only in “Creation Units” through the Distributor, without a sales load, at its net asset value (“NAV”) next determined after receipt of an order in proper form on any business day.

The consideration for purchase of a Creation Unit from the Fund generally will consist of the in-kind deposit of a designated portfolio of securities (Deposit Securities) and an amount of cash (“Cash Component”) consisting of a purchase balancing amount and a transaction fee (both described in the following paragraphs). Together, the Deposit Securities and the Cash Component constitute the “Fund Deposit”.

The purchase balancing amount is an amount equal to the difference between the NAV of a Creation Unit and the market value of the Deposit Securities (Deposit Amount). It ensures that the NAV of a Fund Deposit (not including the transaction fee) is identical to the NAV of the Creation Unit it is used to purchase. If the purchase balancing amount is a positive number (i.e., the NAV per Creation Unit exceeds the market value of the Deposit Securities), then that amount will be paid by the purchaser to the Fund in cash. If the purchase balancing amount is a negative number (i.e., the NAV per Creation Unit is less than the market value of the Deposit Securities), then that amount will be paid by the Fund to the purchaser in cash (except as offset by the transaction fee).

Vanguard, through the National Securities Clearing Corporation (“NSCC”), will make available after the close of each business day a list of the names and the number of shares of each Deposit Security to be included in the next business day’s Fund Deposit for the Fund (subject to possible amendment or correction). The Fund reserves the right to accept a nonconforming Fund Deposit.

The identity and number of shares of the Deposit Securities required for a Fund Deposit may change from one day to another to reflect rebalancing adjustments, corporate actions, and interest payments on underlying bonds or to respond to adjustments to the weighting or composition of the component securities of the Index.

In addition, the Fund reserves the right to permit or require the substitution of an amount of cash—referred to as “cash-in-lieu”—to be added to the Cash Component to replace any Deposit Security. This might occur, for example, if a Deposit Security is not available in sufficient quantity for delivery, is not eligible for transfer through the applicable clearance and settlement system, or is not eligible for trading by an “Authorized Participant” or the investor for which an Authorized Participant is acting.

To initiate a purchase order for a Creation Unit, an Authorized Participant must submit an order in proper form to the Distributor and such order must be received by the Distributor prior to the closing time of regular trading of the New York Stock Exchange (“NYSE”) (Closing Time) (ordinarily 4 p.m. Eastern time) to receive that day’s NAV. Authorized Participants must transmit orders using a transmission method acceptable to the Distributor pursuant to procedures set forth in the “Participant Agreement”.

Redemption of Shares in Creation Units

Redemption orders must be placed by an Authorized Participant. Shares may be redeemed only in Creation Units.

Unless cash redemptions are available or specified for the Fund, an investor tendering a Creation Unit generally will receive redemption proceeds consisting of (1) a basket of “Redemption Securities”; plus (2) a redemption balancing amount in cash equal to the difference between (x) the NAV of the Creation Unit being redeemed, as next determined after receipt of a

request in proper form, and (y) the value of the Redemption Securities; less (3) a transaction fee. If the Redemption Securities have a value greater than the NAV of a Creation Unit, the redeeming investor will pay the redemption balancing amount in cash to the Fund rather than receive such amount from the Fund.

Vanguard, through the NSCC, will make available after the close of each business day a list of the names and the number of shares of each Redemption Security to be included in the next business day's redemption basket for the Fund (subject to possible amendment or correction). The basket of Redemption Securities provided to an investor redeeming a Creation Unit may not be identical to the basket of Deposit Securities required of an investor purchasing a Creation Unit. If the Fund and a redeeming investor mutually agree, the Fund may provide the investor with a basket of Redemption Securities that differs from the composition of the redemption basket published through the NSCC.

The Fund reserves the right to deliver cash in lieu of any Redemption Security for the same reason it might accept cash in lieu of a Deposit Security, or if the Fund could not lawfully deliver the security or could not do so without first registering such security under federal or state law.

If an Authorized Participant, or a redeeming investor acting through an Authorized Participant, is subject to a legal restriction with respect to a particular security included in the basket of Redemption Securities, such investor may be paid an equivalent amount of cash in lieu of the security.

The right of redemption may be suspended or the date of payment postponed with respect to the Fund (1) for any period during which the NYSE or the Exchange is closed (other than customary weekend and holiday closings), (2) for any period during which trading on the NYSE

or the Exchange is suspended or restricted, (3) for any period during which an emergency exists as a result of which disposal of the Fund's portfolio securities or determination of its NAV is not reasonably practical, or (4) in such other circumstances as the Commission permits.

A creation and redemption transaction fee will be imposed to offset transfer and other transaction costs that may be incurred by the Fund.

The Exchange represents that: (1) except for Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3), the Shares of the Fund currently satisfy all of the generic listing standards under NYSE Arca Equities Rule 5.2(j)(3); (2) the continued listing standards under NYSE Arca Equities Rules 5.2(j)(3) and 5.5(g)(2) applicable to Units shall apply to the Shares; and (3) the Trust is required to comply with Rule 10A-3 under the Act¹⁶ for the initial and continued listing of the Shares. In addition, the Exchange represents that the Shares will comply with all other requirements applicable to Units including, but not limited to, requirements relating to the dissemination of key information such as the value of the Index and the applicable Intraday Indicative Value ("IIV"),¹⁷ rules governing the trading of equity securities, trading hours, trading halts, surveillance, and the Information Bulletin to Equity Trading Permit Holders ("ETP Holders"), as set forth in Exchange rules applicable to Units and prior Commission orders approving the generic listing rules applicable to the listing and trading of Units.¹⁸

¹⁶ 17 CFR 240.10A-3.

¹⁷ The IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session of 9:30 a.m. to 4:00 p.m., Eastern time. Currently, it is the Exchange's understanding that several major market data vendors display and/or make widely available IIVs taken from the Consolidated Tape Association ("CTA") or other data feeds.

¹⁸ See, e.g., Securities Exchange Act Release Nos. 55783 (May 17, 2007), 72 FR 29194 (May 24, 2007) (SR-NYSEArca-2007-36) (order approving NYSE Arca generic listing standards for Units based on a fixed income index); 44551 (July 12, 2001), 66 FR 37716 (July 19, 2001) (SR-PCX-2001-14) (order approving generic listing standards for Units

The current value of the Index will be widely disseminated by one or more major market data vendors at least once per day, as required by NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (b)(ii). The IIV for Shares of the Fund will be disseminated by one or more major market data vendors, updated at least every 15 seconds during the Exchange's Core Trading Session, as required by NYSE Arca Equities Rule 5.2(j)(3), Commentary .02(c).

The Index value, calculated and disseminated at least once daily, as well as the components of the Index and their percentage weighting, will be available from major market data vendors. In addition, as disclosed in the Registration Statement, the portfolio of securities held by the Fund will be disclosed monthly on the Fund's website at www.vanguard.com.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)¹⁹ 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 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 5.2(j)(3). 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

and Portfolio Depositary Receipts); 41983 (October 6, 1999), 64 FR 56008 (October 15, 1999) (SR-PCX-98-29) (order approving rules for listing and trading of Units).

¹⁹ 15 U.S.C. 78f(b)(5).

federal securities laws.²⁰ 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 Shares with other markets that are members of the Intermarket Surveillance Group (“ISG”) or with which the Exchange has in place a comprehensive surveillance sharing agreement. FINRA also can access data obtained from the Municipal Securities Rulemaking Board relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares. The Index Provider is not a broker-dealer or affiliated with a broker-dealer and has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the Index. As of February 7, 2015, there were approximately 10,015 issues in the Index. The Index meets all such requirements except for those set forth in Commentary .02(a)(2).²¹ Specifically, as of February 7, 2015, 33.69 % of the weight of the Index components have a minimum original principal amount outstanding of \$100 million or more.

²⁰ 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.

²¹ See note 14, supra.

As of February 7, 2015, 98.72% of the weight of the Index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering. In addition, the total dollar amount outstanding of issues in the Index was approximately \$2.424 billion and the average dollar amount outstanding of issues in the Index was approximately \$60 million. Further, the most heavily weighted component represents 0.27% of the weight of the Index and the five most heavily weighted components represent 0.96% of the weight of the Index.²² Therefore, the Exchange believes that, notwithstanding that the Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the Index is sufficiently broad-based to deter potential manipulation, given that it is composed of approximately 10,015 issues and 969 unique issuers. The Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (98.72 %) of the Index weight is composed of maturities that are part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of Index issues, as referenced above. In addition, the average daily notional trading volume for Index components for the period from January 2, 2014 to December 31, 2014 was \$1,272,356,609 and the sum of the notional trading volumes for the same period was \$318,089,152,147.

The Index value, calculated and disseminated at least once daily, as well as the components of the Index and their respective percentage weightings, will be available from major market data vendors. In addition, as disclosed in the Registration Statement, the portfolio of securities held by the Fund will be disclosed on the Fund's website. The IIV for Shares of the

²² See note 15, *supra*.

Fund will be disseminated by one or more major market data vendors, updated at least every 15 seconds during the Exchange's Core Trading Session. The Adviser represents that, within a single municipal bond issuer, separate issues by the same issuer are also likely to trade similarly to one another. In addition, the Adviser represents that individual CUSIPs within the Index that share characteristics with other CUSIPs have a high yield to maturity correlation, and frequently have a correlation of one or close to one.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest. In addition, a large amount of information is publicly available regarding the Fund and the Shares, thereby promoting market transparency. As disclosed in the Registration Statement, the Fund's portfolio holdings will be periodically disclosed on the Fund's website. Moreover, the IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. The current value of the Index will be disseminated by one or more major market data vendors at least once per day. 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, and quotation and last sale information will be available via the CTA high-speed line. The website for the Fund will include the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. 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. If the Exchange becomes aware that the NAV is not being 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. With respect to trading halts, the Exchange may consider all relevant factors

in exercising its discretion to halt or suspend trading in the Shares of the Fund. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. If the IIV or the Index values are not being disseminated as required, the Corporation may halt trading during the day in which the interruption to the dissemination of the applicable IIV or Index value occurs. If the interruption to the dissemination of the applicable IIV or Index value persists past the trading day in which it occurred, the Corporation will halt trading. Trading in Shares of the Fund 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, and trading in the Shares will be subject to NYSE Arca Equities Rule 7.34, which sets forth circumstances under which Shares of the Fund may be halted. In addition, investors will have ready access to information regarding the IIV, and quotation and last sale information for 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 exchange-traded product that invests principally in municipal securities and that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares 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, investors will have ready access to information regarding the 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 exchange-traded product that invests principally in municipal securities 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 up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the 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-NYSEArca-2015-18 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-2015-18. 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 offices of the Exchange and on its Internet website at www.nyse.com. 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-2015-18, 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.²³

Brent J. Fields
Secretary

²³ 17 CFR 200.30-3(a)(12).