

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-81062; File No. SR-NYSEArca-2017-56)

June 30, 2017

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change to Facilitate the Listing and Trading of Certain Series of Investment Company Units Listed Pursuant to NYSE Arca Equities Rule 5.2(j)(3)

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on June 19, 2017, 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, and II 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 facilitate the listing and trading of certain series of Investment Company Units listed pursuant to NYSE Arca Equities Rule 5.2(j)(3). 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

Pursuant to NYSE Arca Equities Rule 5.2(j)(3), the Exchange proposes to facilitate the listing and trading of certain series of Investment Company Units that do not otherwise meet the standards set forth in Commentary.02 to Rule 5.2(j)(3). Specifically, the Exchange proposes to facilitate the listing and trading of the following series of Investment Company Units based on a multistate index of fixed income municipal bond securities: iShares National Muni Bond ETF, iShares Short-Term National Muni Bond ETF, VanEck Vectors AMT-Free Intermediate Municipal Index ETF, VanEck Vectors AMT-Free Long Municipal Index ETF, VanEck Vectors AMT-Free Short Municipal Index ETF, VanEck Vectors High-Yield Municipal Index ETF, VanEck Vectors Pre-Refunded Municipal Index ETF, PowerShares VRDO Tax-Free Weekly Portfolio, SPDR Nuveen Bloomberg Barclays Short Term Municipal Bond ETF and SPDR Nuveen Bloomberg Barclays Municipal Bond ETF (collectively, the "Multistate Municipal Bond Funds").

In addition, the Exchange proposes to facilitate the listing and trading of the following series of Investment Company Units based on a single-state index of fixed income municipal bond securities: iShares California Muni Bond ETF and the iShares New York Muni Bond ETF (collectively, the "Single-state Municipal Bond Funds" and, together with the Multistate Municipal Bond Funds, the "Municipal Bond Funds").

Each of the Municipal Bond Funds listed on the Exchange prior to 2010 and is based on an index of fixed-income municipal bond securities. Commentary .02 to Rule 5.2(j)(3) sets forth

the generic listing requirements for an index of fixed income securities underlying a series of Investment Company Units. One of the enumerated listing requirements is that component fixed income securities that, in the aggregate, account for at least 75% of the weight of the index each shall have a minimum principal amount outstanding of \$100 million or more.⁴ The Exchange proposes to facilitate the listing and trading of the Municipal Bond Funds notwithstanding the fact that the indices on which they are based do not meet the requirements of Commentary .02(a)(2) to Rule 5.2(j)(3). Each of the indices on which the Municipal Bond Funds are based meet all of the other requirements of such rule.⁵

⁴ See Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3).

⁵ 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) (“iShares 2018 Notice”); 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) (“iShares 2020 Notice”); 72464 (June 25, 2014), 79 FR 37373 (July 1, 2014) (File No. SR-NYSEArca-2014-45) (order approving proposed rule change governing the continued listing and trading of shares of the PowerShares Insured California Municipal Bond Portfolio, PowerShares Insured National Municipal Bond Portfolio, and PowerShares Insured New York Municipal Bond Portfolio) (“PowerShares Order”); 75468 (July 16, 2015), 80 FR 43500 (July 22, 2015) (SR-NYSEArca-2015-25) (order approving proposed rule change relating to the listing and trading of iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF under NYSE Arca Equities Rule 5.2(j)(3)) (“iShares 2021/2022 Order”); 74730 (April 15, 2015), 76 FR 22234 (April 21, 2015) (notice of proposed rule change relating to the listing and trading of iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF under NYSE Arca Equities Rule 5.2(j)(3),

The Exchange believes it is appropriate to facilitate the listing and trading of the Municipal Bond Funds because each such fund is based on a broad-based index of fixed income municipal bond securities that is not readily susceptible to manipulation. As of April 1, 2017, the indices on which the Municipal Bond Funds are based had the following characteristics:

1. The iShares National Muni Bond ETF is based on the S&P National AMT-Free Municipal Bond Index, which included 11,333 component fixed income municipal bond securities from issuers in 47 different states or U.S. territories. The most heavily weighted security in the index represented approximately 0.25% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented less than 1% of the total weight of the index. Approximately 99.29% 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

Commentary .02) (“iShares 2021/2022 Notice”); 74730 75376 (July 7, 2015), 80 FR 40113 (July 13, 2015) (SR-NYSEArca-2015-18) (order approving proposed rule change relating to the listing and trading of Vanguard Tax-Exempt Bond Index Fund under NYSE Arca Equities Rule 5.2(j)(3)). 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 actively managed funds of [sic] that principally hold municipal bonds. See, e.g., Securities Exchange Act Release Nos. 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 Strategy Fund and PIMCO Intermediate Municipal Bond Strategy Fund); 79293 (November 10, 2016), 81 FR 81189 (November 17, 2016) (SR-NYSEArca-2016-107) (order approving listing and trading of shares of Cumberland Municipal Bond ETF). 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).

\$100 million or more for all maturities in the offering. Approximately 31.79% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$628,460,731,594 and the average dollar amount outstanding of issues in the index was approximately \$55,454,048.

2. The iShares Short Term National Muni Bond ETF is based on the S&P Short Term National AMT-Free Municipal Bond Index, which included 3,309 component fixed income municipal bond securities from issuers in 44 different states or U.S. territories. The most heavily weighted security in the index represented approximately 1% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 2% of the total weight of the index. Approximately 98.22% 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 in the offering. Approximately 27.63% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$166,147,941,156 and the average dollar amount outstanding of issues in the index was approximately \$50,210,922.
3. The VanEck Vectors AMT-Free Intermediate Municipal Index ETF is based on the Bloomberg Barclays AMT-Free Intermediate Continuous Municipal Index,

which included 17,272 component fixed income municipal bond securities from issuers in 50 different states or U.S. territories. The most heavily weighted security in the index represented less than 0.25% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 0.50% of the total weight of the index.

Approximately 96.13% 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 in the offering. Approximately 7.75% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$340,102,539,050 and the average dollar amount outstanding of issues in the index was approximately \$19,690,976.

4. The VanEck Vectors AMT-Free Long Municipal Index ETF is based on the Bloomberg Barclays AMT-Free Long Continuous Municipal Index, which included 7,657 component fixed income municipal bond securities from issuers in 50 different states or U.S. territories. The most heavily weighted security in the index represented less than 0.50% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 1.25% of the total weight of the index. Approximately 93.84% 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 in

the offering. Approximately 32.34% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more.

In addition, the total dollar amount outstanding of issues in the index was approximately \$279,575,285,082 and the average dollar amount outstanding of issues in the index was approximately \$36,512,379.

5. The VanEck Vectors AMT-Free Short Municipal Index ETF is based on the Bloomberg Barclays AMT-Free Short Continuous Municipal Index, which included 7,229 component fixed income municipal bond securities from issuers in 48 different states or U.S. territories. The most heavily weighted security in the index represented approximately 1% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 2.25% of the total weight of the index. Approximately 94.4% 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 in the offering. Approximately 13.60% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$152,020,140,995 and the average dollar amount outstanding of issues in the index was approximately \$21,026,299.

6. The VanEck Vectors High-Yield Municipal Index ETF is based on the Bloomberg Barclays Municipal Custom High Yield Composite Index, which included 4,702 component fixed income municipal bond securities from issuers in

50 different states or U.S. territories. The most heavily weighted security in the index represented approximately 1.25% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 6% of the total weight of the index. Approximately 75.16% 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 in the offering. Approximately 43.26% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$224,318,153,150 and the average dollar amount outstanding of issues in the index was approximately \$47,706,966.

7. The VanEck Vectors Pre-Refunded Municipal Index ETF is based on the Bloomberg Barclays Municipal Pre-Refunded-Treasury-Escrowed Index, which included 3,691 component fixed income municipal bond securities from issuers in 50 different states or U.S. territories. The most heavily weighted security in the index represented approximately 0.50% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 2.25% of the total weight of the index. Approximately 93.70% 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 in the offering. Approximately 19.23% of the weight of the components in the index

had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$94,289,476,486 and the average dollar amount outstanding of issues in the index was approximately \$25,545,780.

8. The PowerShares VRDO Tax-Free Weekly Portfolio is based on the Bloomberg US Municipal AMT-Free Weekly VRDO Index, which included 1,494 component fixed income municipal bond securities from issuers in 49 different states or U.S. territories. The most heavily weighted security in the index represented approximately 0.75% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 2.75% of the total weight of the index. Approximately 44.76% 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 in the offering. Approximately 34.88% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$68,489,564,000 and the average dollar amount outstanding of issues in the index was approximately \$45,843,082.
9. The SPDR Nuveen Bloomberg Barclays Short Term Municipal Bond ETF is based on the Bloomberg Barclays Managed Money Municipal Short Term Index, which included 4,263 component fixed income municipal bond securities from issuers in 44 different states or U.S. territories. The most heavily weighted

security in the index represented approximately 0.75% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 2% of the total weight of the index.

Approximately 94.54% 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 in the offering. Approximately 10.82% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$85,187,709,681 and the average dollar amount outstanding of issues in the index was approximately \$19,983,042.

10. The SPDR Nuveen Bloomberg Barclays Municipal Bond ETF is based on the Bloomberg Barclays Municipal Managed Money Index, which included 22,247 component fixed income municipal bond securities from issuers in 48 different states or U.S. territories. The most heavily weighted security in the index represented less than 0.25% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 0.50% of the total weight of the index. Approximately 95.05% 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 in the offering. Approximately 13.35% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In

addition, the total dollar amount outstanding of issues in the index was approximately \$496,240,108,998 and the average dollar amount outstanding of issues in the index was approximately \$22,305,934.

11. The iShares California Muni Bond ETF is based on the S&P California AMT-Free Municipal Bond Index, which included 2,115 component fixed income municipal bond securities from more than 150 distinct municipal bond issuers in the State of California. The most heavily weighted security in the index represented approximately 0.50% of the total weight of the index and the aggregate weight of the top five most heavily weighted securities in the index represented approximately 2.75% of the total weight of the index. Approximately 96.31% 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 in the offering. Approximately 38.89% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$137,796,471,640 and the average dollar amount outstanding of issues in the index was approximately \$65,151,996.
12. The iShares New York Muni Bond Fund is based on the S&P New York AMT-Free Municipal Bond Index, which included 2,191 component fixed income municipal bond securities from more than 20 distinct municipal bond issuers in the State of New York. The most heavily weighted security in the index represented approximately 1.50% of the total weight of the index and the

aggregate weight of the top five most heavily weighted securities in the index represented approximately 4.25% of the total weight of the index. Approximately 98.63% 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 in the offering. Approximately 34.50% of the weight of the components in the index had a minimum original principal amount outstanding of \$100 million or more. In addition, the total dollar amount outstanding of issues in the index was approximately \$124,381,556,872 and the average dollar amount outstanding of issues in the index was approximately \$56,769,309.

Based on the characteristics of each index as described above, the Exchange believes it is appropriate to facilitate the listing and trading of the Municipal Bond Funds. Each index underlying the Municipal Bond Funds satisfies all of the generic listing requirements for Investment Company Units based on a fixed income index, except for the minimum principal amount outstanding requirement of Commentary .02(a)(2) to Rule 5.2(j)(3). A fundamental purpose behind the minimum principal amount outstanding requirement is to ensure that component securities of an index are sufficiently liquid such that the potential for index manipulation is reduced.

As described above, each index underlying the Multistate Municipal Bond Funds is broad-based and currently includes, on average, more than 8,000 component securities. Whereas the generic listing rules require that an index contain securities from a minimum of 13 non-affiliated issuers,⁶ each index underlying the Multistate Municipal Bond Funds currently includes

⁶ See Commentary .02(a)(5) to NYSE Arca Equities Rule 5.2(j)(3).

securities issued by municipal entities in more than 40 states or U.S. territories. Further, whereas the generic listing rules permit a single component security to represent up to 30% of the weight of an index and the top five component securities to, in aggregate, represent up to 65% of the weight of an index,⁷ no single security currently represents more than approximately 1.5% of the weight of any index underlying the Multistate Municipal Bond Funds. Similarly, the aggregate weight of the five most heavily weighted securities in each index does not exceed approximately 6%. The Exchange believes that this significant diversification and the lack of concentration among constituent securities provides a strong degree of protection against index manipulation.

Each index on which the Single-state Municipal Bond Funds is based is similarly well diversified to protect against index manipulation. On average, the indices underlying the Single-state Municipal Bond Funds include more than 1,500 securities. Each index includes securities from at least 20 distinct municipal bond issuers and the most heavily weighted security in any of the indices underlying the Single-state Municipal Bond Funds represents approximately 2% and the aggregate weight of the five most heavily weighted securities in any of the indices represents approximately 6.25% of the total index weight.

On a continuous basis, each index underlying a Municipal Bond Fund will contain at least 500 component securities.⁸ In addition, the Exchange represents that: (1) except for

⁷ See Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3).

⁸ The Commission has previously approved a proposed rule change relating to the listing and trading on the Exchange of a series of Investment Company Units based on a municipal bond index that did not satisfy Commentary .02(a)(2) of Rule 5.2(j)(3) provided that such municipal bond index contained at least 500 component securities on a continuous basis. See Securities Exchange Act Release No. 79767 (January 10, 2017), 82 FR 4950 (January 17, 2017) (SR-NYSEArca-2016-62) (order approving proposed rule change relating to the listing and trading of the PowerShares Build America Bond Portfolio). The total dollar amount of issues in the index underlying the PowerShares Build America Bond Portfolio was approximately \$281,589,346,769 and the average dollar amount outstanding of issues in the index was approximately \$27,808,547. Those

Commentary .02(a)(2) to Rule 5.2(j)(3), each index currently satisfies all of the generic listing standards under Rule 5.2(j)(3); (2) the continued listing standards under Rules 5.2(j)(3) (except for Commentary .02(a)(2)) and 5.5(g)(2) applicable to Investment Company Units will apply to the shares of each Municipal Bond Fund; and (3) the issuer of each Municipal Bond Fund is required to comply with Rule 10A-3⁹ under the Act for the initial and continued listing of the shares of each Municipal Bond Fund. In addition, the Exchange represents that the shares of each Municipal Bond Fund will comply with all other requirements applicable to Investment Company Units including, but not limited to, requirements relating to the dissemination of key information such as the value of the underlying index and the applicable Intraday Indicative Value (“IIV”),¹⁰ rules governing the trading of equity securities, trading hours, trading halts, surveillance, information barriers and the Information Bulletin to Equity Trading Permit Holders (“ETP Holders”), as set forth in Exchange rules applicable to Investment Company Units and prior Commission orders approving the generic listing rules applicable to the listing and trading of Investment Company Units.¹¹

metrics are comparable to the metrics of the indices underlying the Municipal Bond Funds.

⁹ 17 CFR 240.10A-3.

¹⁰ 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.

¹¹ 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 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).

The current value of each index underlying the Municipal Bond Funds is 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 each Municipal Bond Fund is 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). In addition, the portfolio of securities held by each Municipal Bond Fund is disclosed daily on each Municipal Bond Fund's website.

The Exchange notes that each of the Municipal Bond Funds has been listed on the Exchange for at least eight years¹² and that, during such time, the Exchange has not become aware of any potential manipulation of the underlying indices. Further, the Exchange's existing rules require that the Municipal Bond Funds notify the Exchange of any material change to the methodology used to determine the composition of the index.¹³ Therefore, if the methodology of an index underlying the Municipal Bond Funds was changed in a manner that would materially alter its existing composition, the Exchange would have advance notice and would evaluate the index, as modified, to determine whether it was sufficiently broad-based and well diversified.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)¹⁴ 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,

¹² The VanEck Vectors High-Yield Municipal Index ETF is the most recently listed of the Multistate Municipal Bond Funds and listed on the Exchange on February 5, 2009.

¹³ See NYSE Arca Equities Rule 5.3(i)(1)(i)(P).

¹⁴ 15 U.S.C. 78f(b)(5).

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 of each Municipal Bond Fund 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) (except for Commentary .02(a)(2)) . The Exchange represents that trading in the shares of each Municipal Bond Fund will be subject to the existing trading surveillances administered by the Exchange as well as cross-market surveillances administered by the Financial Industry Regulatory Authority (“FINRA”) on behalf of the Exchange, which are designed to detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.¹⁵ The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the shares of each Municipal Bond Fund in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange. The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the shares of each Municipal Bond Fund with other markets that are members of the Intermarket Surveillance Group (“ISG”). In addition, the Exchange will communicate as needed regarding trading in the shares of each Municipal Bond Fund with other markets that are members of the 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 of each Municipal Bond Fund.

¹⁵ FINRA conducts cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services agreement.

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").

As discussed above, the Exchange believes that each index underlying the Municipal Bond Funds is sufficiently broad-based to deter potential manipulation. Each index underlying the Multistate Municipal Bond Funds currently includes, on average, more than 8,000 component securities. Whereas the generic listing rules require that an index contain securities from a minimum of 13 non-affiliated issuers,¹⁶ each index underlying the Multistate Municipal Bond Funds currently includes securities issued by municipal entities in more than 40 states or U.S. territories. Further, whereas the generic listing rules permit a single component security to represent up to 30% of the weight of an index and the top five component securities to, in aggregate, represent up to 65% of the weight of an index,¹⁷ no single security currently represents more than approximately 1.5% of the weight of any index underlying the Multistate Municipal Bond Funds. Similarly, the aggregate weight of the five most heavily weighted securities in each index does not exceed approximately 6%.

Further, the indices underlying the Single-state Municipal Bond Funds include, on average, more than 1,500 securities. Each such index includes securities from at least 20 distinct municipal bond issuers and the most heavily weighted security in any of the indices underlying the Single-state Municipal Bond Funds represents approximately 2% and the aggregate weight of the five most heavily weighted securities in any of the indices represents approximately 6.25% of the total index weight.

¹⁶ See Commentary .02(a)(5) to NYSE Arca Equities Rule 5.2(j)(3).

¹⁷ See Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3).

On a continuous basis, each index underlying a Municipal Bond Fund will contain at least 500 component securities.

The Exchange believes that, within a single municipal bond issuer, separate issues by the same issuer are likely to trade similarly to one another. In addition, the Exchange believes that individual CUSIPs within each index underlying the Municipal Bond Funds that share characteristics with other CUSIPs have a high yield to maturity correlation, and frequently have a correlation of one or close to one.

In support of its proposed rule change, the Exchange notes that the Commission has previously approved a rule change to facilitate the listing and trading of series of Investment Company Units based on an index of municipal bond securities that did not otherwise meet the generic listing requirements of NYSE Arca Rule 5.2(j)(3). For example, the Commission previously [sic] approved the listing and trading of the PowerShares Insured California Municipal Bond Portfolio, PowerShares Insured National Municipal Bond Portfolio and the PowerShares Insured New York Municipal Bond Portfolio (the “PowerShares Municipal Bond Funds”) notwithstanding the fact that the index underlying each fund did not satisfy the criteria of Commentary .02(a)(2) to Rule 5.2(j)(3).¹⁸ In finding such proposal to be consistent with the Act and the rules regulations thereunder, the Commission noted that each underlying index was sufficiently broad-based to deter potential manipulation. The Exchange believes that each of the indices underlying the Municipal Bond Funds shares comparable characteristics to the indices underlying the PowerShares Municipal Bond Funds.

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

¹⁸ See Securities Exchange Act Release No. 72464 (June 25, 2014), 79 FR 37373 (July 1, 2014) (File No. SR-NYSEArca-2014-45).

available regarding the Municipal Bond Funds, thereby promoting market transparency. Each Municipal Bond Fund's portfolio holdings will be disclosed on such Municipal Bond Fund's website daily after the close of trading on the Exchange and prior to the opening of trading on the Exchange the following day. Moreover, the IIV for shares of each Municipal Bond Fund 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 each index underlying the Municipal Bond Funds 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 of each Municipal Bond Fund 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 each Municipal Bond Fund will include the prospectus for such Municipal Bond Fund and additional data relating to net asset value ("NAV") and other applicable quantitative information. If the Exchange becomes aware that a Municipal Bond Fund's NAV is not being disseminated to all market participants at the same time, it will halt trading in the shares of such Municipal Bond Fund 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 a Municipal Bond 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 of a particular Municipal Bond Fund inadvisable. If the IIV and index value are not being disseminated for a particular Municipal Bond Fund as required, the Corporation may halt trading during the day in which the interruption to the dissemination of the IIV or index value occurs. If the interruption to the dissemination of an IIV or index value persists past the trading day in which it occurred, the

Corporation will halt trading. Trading in the shares of a Municipal Bond 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 of a particular Municipal Bond Fund inadvisable, and trading in the shares of each Municipal Bond Fund will be subject to NYSE Arca Equities Rule 7.34, which sets forth circumstances under which such shares may be halted. In addition, investors will have ready access to information regarding the applicable IIV, and quotation and last sale information for the shares of each Municipal Bond Fund. Trade price and other information relating to municipal bonds is available through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system.

All statements and representations made in this filing regarding (a) the description of each Municipal Bond Fund's portfolio, (b) limitations on portfolio holdings or reference assets, or (c) the applicability of Exchange listing rules specified in this rule filing shall constitute continued listing requirements for listing the shares of each Municipal Bond Fund on the Exchange. Each issuer of the Municipal Bond Funds is required to advise the Exchange of any failure by its Municipal Bond Fund to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If a Municipal Bond Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under NYSE Arca Rule 5.5(m).

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 exchange-traded products that principally hold municipal bonds and that will enhance

competition among market participants, to the benefit of investors and the marketplace. The Exchange has in place surveillance procedures relating to trading in the shares of each Municipal Bond Fund 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 of each Municipal Bond Fund.

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 not necessary or appropriate in furtherance of the purposes of the Act, as amended. The Exchange notes that the proposed rule change will facilitate the listing and trading of exchange-traded products that hold 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 within such longer period 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-2017-56 in 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-2017-56. This file number should be included in 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 the filing will also 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-2017-56 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.¹⁹

Brent J. Fields
Secretary

¹⁹ 17 CFR 200.30-3(a)(12).