

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-81792; File No. SR-NYSEArca-2017-113)

October 2, 2017

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Reflect a Change to the Administrator for the London Bullion Market Association Silver Price to ICE Benchmark Administration

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that, on September 21, 2017, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“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 reflect a change to the administrator for the London Bullion Market Association (“LBMA”) Silver Price from CME Group, Inc. and Thomson Reuters to ICE Benchmark Administration, effective as of October 2, 2017. 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 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

The Exchange proposes to reflect a change to the administrator for the LBMA Silver Price from CME Group, Inc. (“CME”) and Thomson Reuters to ICE Benchmark Administration (“IBA”), effective as of October 2, 2017, as described further below.³ The LBMA Silver Price is the price used with respect to calculation of the net asset value for the iShares Silver Trust,⁴ ETFS Silver Trust,⁵ and ETFS Precious Metals Basket Trust⁶ (together, the “Silver Trusts”), each of which is currently listed on the Exchange under NYSE Arca Rule 8.201-E (Commodity-

³ See press release dated July 14, 2017 from Intercontinental Exchange (“ICE”) and the LBMA announced [sic] that IBA has been chosen as the new administrator for the LBMA Silver Price, which is available here: http://www.lbma.org.uk/blog/lbma_media_centre/post/ice-benchmark-administration-to-take-over-administration-of-the-lbma-silver-price/. See also, ICE press release dated September 21, 2017, “ICE Benchmark Administration to Launch LBMA Silver Price on 2 October 2017”, which is available here: http://ir.theice.com/press/press-releases/all-categories/2017/09-21-2017-110006932?=news_promo.

⁴ See Securities Exchange Act Release Nos. 58956 (November 14, 2008), 73 FR 71074 (November 24, 2008) (SR-NYSEArca-2008-124) (approving listing on the Exchange of the iShares Silver Trust); 53520 (March 20, 2006), 71 FR 14977 (March 24, 2006) (SR-PCX-2005-117) (order approving listing and trading of shares of the iShares Silver Trust pursuant to unlisted trading privileges); 53521 (March 20, 2006), 71 FR 14967 (March 24, 2006) (SR-Amex-2005-72) (order approving listing and trading on the American Stock Exchange LLC of shares of the iShares Silver Trust).

⁵ See Securities Exchange Act Release No. 59781 (April 17, 2009), 78 FR 18771 (April 24, 2009) (SR-NYSEArca-2009-28) (notice of filing and order granting accelerated approval relating to listing and trading of shares of the ETFS Silver Trust).

⁶ See Securities Exchange Act Release No. 62402 (June 29, 2010), 75 FR 39292 (July 8, 2010) (SR-NYSEArca-2010-56) (notice of filing of proposed rule change to list and trade shares of the ETFS Precious Metals Basket Trust); 62692 (August 11, 2010), 75 FR 50789 (August 17, 2010) (order approving proposed rule change to list and trade shares of the ETFS Precious Metals Basket Trust).

Based Trust Shares), and is the underlying benchmark for ProShares Ultra Silver and ProShares UltraShort Silver (together, the “Silver Funds”),⁷ each of which is currently listed on the Exchange under NYSE Arca Rule 8.200-E (Trust Issued Receipts).

Revised Procedures for the LBMA Silver Price⁸

On July 14, 2017, the LBMA announced that IBA⁹ has been selected to be the third-party administrator for the “LBMA Silver Price.” IBA, an independent specialist benchmark administrator, will provide the auction platform and methodology as well as the overall administration and governance for the LBMA Silver Price benchmark.

As the administrator for the LBMA Silver Price benchmark and the operator of the “IBA

⁷ See Securities Exchange Act Release Nos. 58457 (September 3, 2008), (73 FR 52711 (September 10, 2008) (SR-NYSEArca-2008-91) (notice of filing and order granting accelerated approval of proposed rule change regarding listing and trading of shares of 14 funds of the Commodities and Currency Trust, now the ProShares Trust II); 58162 (July 15, 2008), 73 FR 42391 (July 21, 2008) (SR-NYSEArca-2008-73) (notice of filing and immediate effectiveness of proposed rule change relating to trading of shares of 14 funds of the Commodities and Currency Trust pursuant to unlisted trading privileges). See also Securities Exchange Act Release Nos. 58161 (July 15, 2008), 73 FR 42380 (July 21, 2008) (SR-Amex-2008-39) (order approving listing and trading on the American Stock Exchange LLC of shares of 14 funds of the Commodities and Currency Trust); 57932 (June 5, 2008), 73 FR 33467 (June 12, 2008) (notice of proposed rule change regarding listing and trading of shares of 14 funds of the Commodities and Currency Trust).

⁸ In connection with implementation of the LBMA Silver Price as a replacement for the London Silver Fix, the Exchange filed a proposed rule change regarding procedures to be implemented by CME as of August 14, 2014 in connection with administration of the LBMA Silver Price, as well as the change to the benchmark price for the Silver Trusts and the change to the underlying benchmark for the Silver Funds from the London Silver Fix to the LBMA Silver Price. See Securities Exchange Act Release No. 72847 (August 14, 2014), 79 FR 49350 (August 20, 2014) (SR-NYSEArca-2014-88) (notice of filing and immediate effectiveness of proposed rule change in connection with implementation of the LBMA Silver Price). See also Securities Exchange Act Release No. 77830 (May 13, 2016), 81 FR 31671 (May 19, 2016) (SR-NYSEArca-2016-72) (notice of filing and immediate effectiveness of proposed rule change relating to changes to procedures regarding establishing the LBMA Silver Price).

⁹ IBA is a London-based company that was created specifically to administer systemically important benchmarks. Formed in 2013, IBA is part of ICE.

Silver Auction,” IBA will implement procedures that provide a physically settled, electronic and tradeable auction, with the ability to settle trades in U.S. Dollars (“USD”), euros or British Pounds.¹⁰ Each London business day, at 12 p.m. (noon) IBA runs an auction to determine the final price to use as the benchmark. The benchmark is published when the auction finishes, typically a few minutes after 12 p.m. IBA will use ICE’s front-end system-- WebICE-- as the technology platform that will allow direct participants, as well as sponsored clients of direct participants, to manage their orders in the auction in real time via their desktops.¹¹

Participants in the auction will include direct participants and sponsored clients of direct participants. Direct participants may enter orders on their own behalf or on behalf of clients. Sponsored clients also may manage their own positions utilizing their own trading screens; however, a sponsored client’s orders would be backed by the sponsoring direct participant. WebICE allows sponsored clients to participate in the auction process with the same information and order management capabilities as direct participants.

At the opening of each auction, the auction chairman (“Chairman”) will announce an opening price (in USD) based on the current market conditions and begin auction rounds, with an expected duration of at least every 30 seconds each. During each auction round, participants may enter the volume they wish to buy or sell at that price, and such orders will be part of the price formation. Aggregate bid and offer volume will be shown live on WebICE, providing a

¹⁰ The procedures to be utilized by IBA will be similar to those that IBA utilizes in connection with its administration of the LBMA Gold Price. See Securities Exchange Act Release No. 74544 (March 19, 2015), 80 FR 15840 (March 25, 2015) (SR-NYSEArca-2015-19) (notice of filing and immediate effectiveness of proposed rule change relating to the LBMA Gold Price as a replacement for the London Gold Fix for certain gold related exchange traded products).

¹¹ The WebICE platform provides real-time order management as well as separation of direct participant and sponsored client orders, live credit limit controls, audit history, advanced Excel integration and automated deal notifications.

level playing field for all participants. At the end of each auction round, the total net volume will be calculated. If this ‘imbalance’ is larger than the imbalance tolerance (currently set at 500,000 oz) then the Chairman will choose a new price¹² (based on the current market conditions, and the direction and magnitude of the imbalance in the round) and begin a new auction round. If the imbalance is less than the tolerance, then the auction is complete with all volume tradeable at that price. The price will then be set in USD and also converted into in euros and British Pounds. The auction will continue to be run at 12:00 p.m. (London time).

During the auction, the price at the start of each round, and the volumes at the end of each round will be available through major market data vendors. As soon as the auction finishes, the final prices and volumes will be available through major market data vendors. IBA will also publish transparency reports, detailing the prices, volumes and times for each round of the auction. These transparency reports will be available through major market data vendors and IBA when the auction finishes. The process can also be observed real-time through a WebICE screen. The auction mechanism will provide a complete audit trail.

As of August 1, 2017, there were seven direct participants in the LBMA Silver Price administered by CME and Thomson Reuters. The number of direct participants upon IBA’s assumption of the role of LBMA Silver Price administrator is expected to equal or exceed the number of market participants currently participating in the auction process that determines the LBMA Silver Price.

Regulation of the LBMA Silver Price

¹² The Chairman will have significant experience in the silver markets and will be employed by IBA.

As of April 1, 2015, the LBMA Silver Price has been regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (“UK”).¹³ IBA is already authorized as a regulated benchmark administrator by the FCA. Under the UK benchmark regulation,¹⁴ the governance structure for a regulated benchmark must include an Oversight Committee, made up of market participants, industry bodies, direct participant representatives, infrastructure providers and the administrator (i.e., IBA).¹⁵ Through the Oversight Committee, the LBMA will continue to have

¹³ The conduct of financial institutions is overseen by the FCA, which was formed from the former Financial Services Authority and is separate from the Bank of England. The LBMA Silver Price is regulated under the FCA’s Market Conduct (MAR) Sourcebook (MAR 8.3).

¹⁴ On June 12, 2014, the UK Chancellor of the Exchequer announced steps to raise standards of conduct in the financial system with a joint review by the UK Treasury, the Bank of England and the FCA into the way wholesale financial markets operate. According to this announcement, the “Fair and Effective Markets Review”, led by Bank of England Deputy Governor for Markets and Banking, has been tasked with investigating those wholesale markets, both regulated and unregulated, where most of the recent concerns about misconduct have arisen: fixed-income, currency and commodity markets, including associated derivatives and benchmarks. It will make recommendations on: principles to govern the operation of fair and effective markets, focusing on fixed income, currency and commodities; reforms to ensure standards of behavior are in accordance with those principles; tools to strengthen the oversight of market conduct; whether the regulatory perimeter for wholesale financial markets should be extended, and to what extent international action is required; and additional reforms in relation to benchmarks, in order to strengthen market infrastructure. See <http://www.bankofengland.co.uk/markets/Documents/femraug2014.pdf>. On September 25, 2014, the Fair and Effective Markets Review announced its proposal that the silver fixing process may become regulated under UK benchmark regulation, effective from April 2015.

¹⁵ The Oversight Committee is a key decision making forum, with market representation that includes participants, users and infrastructure providers. The Oversight Committee’s responsibilities include review of methodology and process relating to the LBMA Silver Price; implementation of a Code of Conduct applicable to participants; expansion of membership; and surveillance oversight, among other functions. The Oversight Committee’s structure and responsibilities is described in the Oversight Committee Terms of Reference, available on the IBA website.

significant involvement in the oversight of the auction process, including, among other matters, changes to the methodology and accreditation of direct participants.¹⁶

The price discovery process for the LBMA Silver Price will be subject to surveillance by IBA. IBA is compliant with the UK benchmark regulation (MAR 8.3), regulated by the FCA,

¹⁶ The LBMA will continue to provide guidance with respect to the LBMA Silver Price through the Oversight Committee, which will facilitate communication among representatives of all market participants to ensure the process continues to fulfil the needs of the market. The Oversight Committee is responsible for decisions that affect the evolution of the process based on changes in the market and regulatory environments.

The term “LBMA Silver Price” means the price for an ounce of silver set by LBMA-authorized participating bullion banks and market makers in the electronic, over-the-counter auction operated by IBA at approximately 12:00 noon London time, on each working day and disseminated also by IBA. IBA provides the electronic auction platform on which the price is calculated, while the LBMA accredits market participants. IBA is also responsible for governance and oversight of the LBMA Silver Price, and is regulated by the FCA for its role as the benchmark administrator.

The LBMA Silver Price is regulated under the FCA’s Market Conduct (MAR) Sourcebook (MAR 8.3). As the administrator for the LBMA Silver Price, IBA will adopt and issue a Code of Conduct relating to administration of the LBMA Silver Price and undertake to perform the LBMA Silver Price administrator’s responsibilities in accordance with MAR 8.3. Among such responsibilities are that the administrator:

- (1) have in place effective arrangements and procedures that allow the regular monitoring and surveillance of the auction process;
- (2) monitor the benchmark submissions in order to identify breaches of its practice standards and conduct that may involve manipulation, or attempted manipulation, of the specified benchmark it administers and provide to the oversight committee of the specified benchmark timely updates of suspected breaches of practice standards and attempted manipulation;
- (3) notify the FCA and provide all relevant information where it suspects that, in relation to the specified benchmark it administers, there has been (i) a material breach of the benchmark administrator's practice standards; (ii) conduct that may involve manipulation or attempted manipulation of the specified benchmark it administers; or (iii) collusion to manipulate or to attempt to manipulate the specified benchmark it administers;
- (4) ensure that the specified benchmark it administers is determined using adequate benchmark submissions; and
- (5) establish an oversight committee.

The LBMA Silver Price Oversight Committee reviews and maintains the definition, setting, scope and methodology of the benchmark. The Code of Conduct can be found on the IBA website <https://www.theice.com/iba>.

and has been formally assessed against the IOSCO Principles for Financial Benchmarks (the “IOSCO Principles”).¹⁷ In order to meet the IOSCO Principles, the price discovery used for the LBMA Silver Price benchmark will be auditable and transparent.

The LBMA Silver Price benchmark is viewed as a full and fair representation of all market interest at the conclusion of the auction. IBA’s auction process will be fully transparent in real time to direct participants and sponsored clients and, at the close of each auction, to the general public. The auction process also will be fully auditable since an audit trail exists for every change made in the process. Moreover, the audit trail and active surveillance of the auction process by IBA, as well as FCA’s oversight of IBA, will deter manipulative and abusive conduct in establishing each day’s LBMA Silver Price.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)¹⁸ 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,

¹⁷ The IOSCO Principles are designed to enhance the integrity, the reliability and the oversight of benchmarks by establishing guidelines for benchmark administrators and other relevant bodies in the following areas: Governance: to protect the integrity of the benchmark determination process and to address conflicts of interest; Benchmark quality: to promote the quality and integrity of benchmark determinations through the application of design factors; Quality of the methodology: to promote the quality and integrity of methodologies by setting out minimum information that should be addressed within a methodology. These principles also call for credible transition policies in case a benchmark may cease to exist due to market structure change. Accountability mechanisms: to establish complaints processes, documentation requirements and audit reviews. The IOSCO Principles provide a framework of standards that might be met in different ways, depending on the specificities of each benchmark. In addition to a set of high level principles, the framework offers a subset of more detailed principles for benchmarks having specific risks arising from their reliance on submissions and/or their ownership structure. For further information concerning the IOSCO Principles, see <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf>.

¹⁸ 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 LBMA Silver Price benchmark, as administered by IBA, will be based on an auction that is electronic and auditable and is produced from tradeable volumes. The LBMA Silver Price and the transparency reports showing the prices, timings and total volumes for each round will be available electronically instantly after the conclusion of the auction, as described above. The LBMA Silver Price benchmark is viewed as a full and fair representation of all market interest at the conclusion of the auction. IBA's auction process will be fully transparent in real time to direct participants and sponsored clients and, at the close of each auction, to the general public. The auction process also will be fully auditable since an audit trail exists for every change made in the process. Moreover, the audit trail and active surveillance of the auction process by IBA, as well as FCA's oversight of IBA, will deter manipulative and abusive conduct in establishing each day's LBMA Silver Price.

The proposed rule change is designed to perfect the mechanism of a free and open market price discovery process and, in general, to protect investors and the public interest in that the silver auction will be transparent, auditable, and operated by a regulated benchmark administrator (IBA). The LBMA Silver price is widely disseminated by major market data vendors. The audit trail records every change made in the process and IBA has regulatory obligations to run surveillance on the activity in the process to deter and identify manipulative and abusive conduct in establishing each day's LBMA Silver Price. The LBMA Silver Price, as

administered by IBA, is designed to be a benchmark that meets the needs of the market and regulators (including the IOSCO Principles¹⁹).

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 purposes of the Act. The proposed rule change will facilitate the continued administration of the LBMA Silver Price utilizing a fully auditable auction process and will promote market competition by permitting the continued listing and trading of shares of the Silver Trusts and the Silver Funds utilizing the LBMA Silver Price.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act²⁰ and Rule 19b-4(f)(6) thereunder.²¹ Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest, (ii) impose any significant burden on competition, and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act²² and Rule 19b-4(f)(6) thereunder.²³

¹⁹ See note 18, *supra*.

²⁰ 15 U.S.C. 78s(b)(3)(A)(iii).

²¹ 17 CFR 240.19b-4(f)(6).

²² 15 U.S.C. 78s(b)(3)(A).

²³ 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii), the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. As noted above, the administrator for the LBMA Silver Price will change from CME and Thomson Reuters to IBA, effective October 2, 2017. The Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest as it will prevent the disruption in the trading of the Silver Trust and the Silver Fund shares. Therefore, the Commission designates the proposed rule change to be operative upon filing.²⁴

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

²⁴ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEArca-2017-113 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-2017-113. 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 the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; 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-2017-113 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.²⁵

Eduardo A. Aleman
Assistant Secretary

²⁵ 17 CFR 200.30-3(a)(12).