

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83319; File No. SR-NYSEArca-2018-15)

May 24, 2018

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving a Proposed Rule Change, as Modified by Amendment No. 1 Thereto, to Continue Listing and Trading Shares of the PGIM Ultra Short Bond ETF Under NYSE Arca Rule 8.600-E

I. Introduction

On March 6, 2018, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to list and trade shares (“Shares”) of the PGIM Ultra Short Bond ETF (“Fund”), a series of PGIM ETF Trust (“Trust”), under NYSE Arca Rule 8.600-E. The proposed rule change was published for comment in the Federal Register on March 23, 2018.³ On April 25, 2018, the Exchange filed Amendment No. 1 to the proposal, which replaced and superseded the proposed rule change in its entirety.⁴ On May 4, 2018, the Commission extended the time the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 82899 (Mar. 19, 2018), 83 FR 12824.

⁴ In Amendment No. 1, the Exchange: (1) provided additional information regarding certain of the Fund’s permitted investments; (2) clarified that the Fund may invest up to 25% of its total assets in the Affiliated Short Term Bond Fund Shares (defined below) and 10% of its total assets in other non-exchange-traded open-end management investment company securities; (3) described the availability of price information for certain of the Fund’s permitted investments; and (4) made changes of a technical nature. Amendment No. 1 is not subject to notice and comment because it does not materially alter the substance of the proposed rule change or raise unique or novel regulatory issues. Amendment No. 1 is available at: <https://www.sec.gov/comments/sr-nysearca-2018-15/nysearca201815-3510337-162292.pdf>.

change, or institute proceedings to determine whether to disapprove the proposed rule change.⁵

The Commission has received no comments on the proposal. This order approves the proposed rule change as modified by Amendment No. 1.

II. Description of the Proposal⁶

The Trust is registered under the 1940 Act.⁷ The Shares⁸ are listed and traded on the Exchange under Commentary .01 to NYSE Arca Rule 8.600-E,⁹ which provides generic criteria applicable to the listing and trading of Managed Fund Shares.¹⁰ However, the Fund intends to

⁵ See Exchange Act Release No. 83174, 83 FR 21794 (May 10, 2018). The Commission designated June 21, 2018, as the date by which the Commission shall approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

⁶ Additional information regarding, among other things, the Shares, the Fund, its investment objective, its permitted investments, its investment strategies and methodology, its investment restrictions, its investment adviser and subadviser, its fees, its creation and redemption procedures, availability of information, trading rules and halts, and surveillance procedures can be found in Amendment No. 1 and in the Registration Statement. See Amendment No. 1, supra note 4, and Registration Statement, infra note 7, respectively.

⁷ On January 8, 2018, the Trust filed with the Commission its registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a), and under the 1940 Act relating to the Fund (File Nos. 333-222469 and 811-23324) (“Registration Statement”). The Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 31095 (Jun. 24, 2014) (File No. 812-14267).

⁸ The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange’s existing rules governing the trading of equity securities.

⁹ The Shares commenced trading on the Exchange on April 10, 2018. See Amendment No. 1, supra note 4, at 3, n.1.

¹⁰ A Managed Fund Share is a security that: (1) represents an interest in a registered investment company (“Investment Company”) organized as an open-end management investment company or similar entity, that invests in a portfolio of securities selected by the Investment Company’s investment adviser consistent with the Investment Company’s investment objectives and policies; (b) is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value; and (c) when aggregated in the same specified minimum number, may be redeemed at a holder’s request, which holder

change its investment strategy such that the Shares would no longer qualify for generic listing on the Exchange. Specifically, the Fund’s portfolio would continue to satisfy all of the generic listing requirements except that:

- investments in non-agency, non-government sponsored entity and privately issued mortgage-related and other asset-backed securities (“Private ABS/MBS”) may account for up to 20% of the total assets of the Fund (rather than 20% of the weight of the fixed income portion of the portfolio, as required under Commentary .01(b)(5));
- fixed income securities that do not meet any of the criteria in Commentary .01(b)(4) will not exceed 10% of the total assets of the Fund (rather than such securities not comprising more than 10% of the fixed income weight of the portfolio, as prescribed by that criterion); and
- the Fund’s investments in non-exchange-traded open-end management investment company securities, including “Affiliated Short Term Bond Fund Shares,”¹¹ would not meet the requirements of Commentary .01(a)(1)(A) through (E) to Rule 8.600-E.¹²

will be paid a specified portfolio of securities and/or cash with a value equal to the next determined net asset value. See NYSE Arca Rule 8.600-E(c)(1).

¹¹ “Affiliated Short Term Bond Fund Shares” are shares of the Prudential Core Ultra Short Bond Fund or, if the Prudential Core Ultra Short Bond Fund is no longer offered with the same investment objective, shares of any successor fund or other affiliated open-end investment company registered under the 1940 Act with a substantially similar investment objective. See Amendment No. 1, supra note 4, at 6-7.

¹² Investments in Affiliated Short Term Bond Fund Shares will not exceed 25% of the total assets of the Fund, and investments in other non-exchange-traded open-end management investment company securities will not exceed 10% of the total assets of the Fund. See id. at 15.

According to the Exchange, these deviations from the generic requirements are necessary for the Fund to achieve its investment objective in a manner that is cost-effective and that maximizes investors' returns.¹³

III. Discussion and Commission Findings

After careful review, the Commission finds that the Exchange's proposal to list and trade the Shares is consistent with the Exchange Act and the rules and regulations thereunder applicable to a national securities exchange.¹⁴ In particular, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with Section 6(b)(5) of the Exchange Act,¹⁵ which requires, among other things, that the Exchange's rules be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. As mentioned above, the Fund's portfolio would continue to meet all of the generic listing criteria except for the requirements of Commentary .01(b)(5) to NYSE Arca Rule 8.600-E,¹⁶ Commentary .01(b)(4) to NYSE Arca Rule 8.600-E,¹⁷ and

¹³ See id. at 13.

¹⁴ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition and capital formation. See 15 U.S.C. 78c(f).

¹⁵ 15 U.S.C. 78f(b)(5).

¹⁶ Commentary .01(b)(5) to NYSE Arca Rule 8.600-E provides that non-agency, non-government sponsored entity and privately issued mortgage-related and other asset-backed securities components of a portfolio may not account, in the aggregate, for more than 20% of the weight of the fixed income portion of the portfolio

¹⁷ Commentary .01(b)(4) provides that component securities that in the aggregate account for at least 90% of the fixed income weight of the portfolio must be either: (a) from issuers that are required to file reports pursuant to Sections 13 and 15(d) of the Act; (b) from issuers that have a worldwide market value of its outstanding common equity held by non-affiliates of \$700 million or more; (c) from issuers that have outstanding securities that are notes, bonds debentures, or evidence of indebtedness having a total remaining principal amount of at least \$1 billion; (d) exempted securities as defined in

Commentary .01(a)(1) to NYSE Arca Rule 8.600-E.¹⁸ The Commission believes that Fund's proposed maximum level of investment in Private ABS/MBS is consistent with the Commission's previous approval of the listing of shares of other actively managed ETFs that

Section 3(a)(12) of the Act; or (e) from issuers that are a government of a foreign country or a political subdivision of a foreign country.

¹⁸ Commentary .01(a)(1) to Rule 8.600-E provides that the component stocks of the equity portion of a portfolio that are U.S. Component Stocks shall meet the following criteria initially and on a continuing basis:

- (A) Component stocks (excluding Derivative Securities Products and Index-Linked Securities) that in the aggregate account for at least 90% of the equity weight of the portfolio (excluding such Derivative Securities Products and Index-Linked Securities) each shall have a minimum market value of at least \$75 million;
- (B) Component stocks (excluding Derivative Securities Products and Index-Linked Securities) that in the aggregate account for at least 70% of the equity weight of the portfolio (excluding such Derivative Securities Products and Index-Linked Securities) each shall have a minimum monthly trading volume of 250,000 shares, or minimum notional volume traded per month of \$25,000,000, averaged over the last six months;
- (C) The most heavily weighted component stock (excluding Derivative Securities Products and Index-Linked Securities) shall not exceed 30% of the equity weight of the portfolio, and, to the extent applicable, the five most heavily weighted component stocks (excluding Derivative Securities Products and Index-Linked Securities) shall not exceed 65% of the equity weight of the portfolio;
- (D) Where the equity portion of the portfolio does not include Non-U.S. Component Stocks, the equity portion of the portfolio shall include a minimum of 13 component stocks; provided, however, that there shall be no minimum number of component stocks if (i) one or more series of Derivative Securities Products or Index-Linked Securities constitute, at least in part, components underlying a series of Managed Fund Shares, or (ii) one or more series of Derivative Securities Products or Index-Linked Securities account for 100% of the equity weight of the portfolio of a series of Managed Fund Shares; and
- (E) Except as provided herein, equity securities in the portfolio shall be U.S. Component Stocks listed on a national securities exchange and shall be NMS Stocks as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934.

could invest up to 20% of their total assets in non-U.S. Government, non-agency, non-GSE and other privately issued ABS and MBS.¹⁹

With respect to the Fund's investments in shares of non-exchange-traded open-end management investment company securities, including "Affiliated Short Term Bond Fund Shares," the Commission notes that: (1) such securities must satisfy applicable 1940 Act diversification requirements; and (2) the value of such securities is based on the value of securities and financial assets held by those investment companies.²⁰ The Commission therefore believes that the Fund's investments in non-exchange-traded open-end management investment company securities,²¹ including "Affiliated Short Term Bond Fund Shares," would not make the Shares susceptible to fraudulent or manipulative acts and practices. Similarly, the Commission believes that the level of investment by the Fund in securities that do not satisfy the requirements of Commentary .01(b)(4) to NYSE Arca Rule 8.600-E, i.e., no more than 10% of the Fund's net assets, would not make the Shares susceptible to fraudulent or manipulative acts and practices.

The Exchange states that it has a general policy prohibiting the distribution of material, non-public information by its employees. The Exchange represents that the Fund's investment adviser and subadviser are not registered as broker-dealers but are affiliated with the Fund's distributor, which is a broker-dealer, and have implemented and will maintain a "fire wall" with

¹⁹ See, e.g., Securities Exchange Act Release No. 80946 (June 15, 2017) 82 FR 28126 (June 20, 2017) (SR-NASDAQ-2017-039); Securities Exchange Act Release No. 76412 (November 10, 2015), 80 FR 71880 (November 17, 2015) (SR-NYSEArca-2015-111).

²⁰ See Amendment No. 1, supra note 4, at 16.

²¹ See supra note 12.

respect to such broker-dealer regarding access to information concerning the composition or changes to the Fund's portfolio.²²

Trading in the Shares will be subject to the existing trading surveillances administered by the Exchange, as well as cross-market surveillances administered by Financial Industry Regulatory Authority ("FINRA") on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws. The Exchange may obtain information regarding trading in the Shares, certain exchange-traded options and certain futures from markets and other entities that are members of Intermarket Surveillance Group ("ISG") or with which the Exchange has in place a comprehensive surveillance sharing agreement. The Exchange is able to access from FINRA, as needed, trade information for certain fixed income securities held by the Fund reported to the Trade Reporting and Compliance Engine ("TRACE") of FINRA. FINRA also can access data obtained from the Municipal Securities Rulemaking Board relating to certain municipal bond trading activity for surveillance purposes in connection with trading in the Shares.

The Commission also finds that the proposal to list and trade the Shares on the Exchange is consistent with Section 11A(a)(1)(C)(iii) of the Exchange Act,²³ which sets forth Congress' finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and

²² See *id.* at 5. Additionally, the Exchange represents that, in the event (a) the adviser or the subadviser becomes registered as a broker-dealer or newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, it will implement and maintain a "fire wall" with respect to its relevant personnel or broker-dealer affiliate regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures, each designed to prevent the use and dissemination of material non-public information regarding such portfolio. See *id.*

²³ 15 U.S.C. 78k-1(a)(1)(C)(iii).

investors of information with respect to quotations for and transactions in securities. Intra-day and closing price information regarding exchange-traded options will be available from the exchange on which such instruments are traded. Intra-day and closing price information regarding the Principal Investment Instruments²⁴ also will be available from major market data vendors. Price information relating to over-the-counter options and swaps will be available from major market data vendors. Intra-day price information for exchange-traded derivative instruments will be available from the applicable exchange and from major market data vendors. For exchange-listed securities (including ETFs), intraday price quotations will generally be available from broker-dealers and trading platforms (as applicable). Intraday and other price information for the fixed income securities in which the Fund invests will be available through subscription services, such as Bloomberg, Markit and Thomson Reuters, which can be accessed by Authorized Participants and other market participants. Additionally, TRACE will be a source of price information for corporate bonds, privately-issued securities, MBS and ABS, to the extent transactions in such securities are reported to TRACE.²⁵ Money market funds and the Affiliated Short Term Bond Fund are typically priced once each Business Day and their prices will be available through the applicable fund's website or from major market data vendors.²⁶ Electronic

²⁴ The term "Principal Investment Instruments" is defined in Amendment No. 1, *supra* note 4, at 6.

²⁵ Broker-dealers that are FINRA member firms have an obligation to report transactions in specified debt securities to TRACE to the extent required under applicable FINRA rules. Generally, such debt securities will have at issuance a maturity that exceeds one calendar year. For fixed income securities that are not reported to TRACE, (i) intraday price quotations will generally be available from broker-dealers and trading platforms (as applicable) and (ii) price information will be available from feeds from market data vendors, published or other public sources, or online information services, as described above.

²⁶ The Fund's website (www.pgiminvestments.com) will include the prospectus for the Fund that may be downloaded. The Fund's website will include additional quantitative information updated on a daily basis.

Municipal Market Access (“EMMA”) will be a source of price information for municipal bonds. Price information regarding U.S. government securities, repurchase agreements, reverse repurchase agreements and cash equivalents generally may be obtained from brokers and dealers who make markets in such securities or through nationally recognized pricing services through subscription agreements.

The Commission believes that the proposal to list and trade the Shares is reasonably designed to promote fair disclosure of information that may be necessary to price the Shares appropriately and to prevent trading when a reasonable degree of transparency cannot be assured. On each Business Day, before commencement of trading in Shares in the Core Trading Session on the Exchange,²⁷ the Fund discloses on its website the Disclosed Portfolio as defined in NYSE Arca Rule 8.600-E(c)(2) that forms the basis for the Fund’s calculation of the net asset value (“NAV”) at the end of the Business Day.²⁸ The Exchange has obtained a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.

In addition, the Portfolio Indicative Value, as defined in NYSE Arca Rule 8.600-E(c)(3), will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session. The Transfer Agent, through the National Securities Clearing Corporation, makes available on each Business Day, immediately prior to the opening of business on the Exchange (currently 9:30 a.m. E.T.), the list of the names and the required number of securities for each Deposit Instrument to be included in the current Portfolio Deposit

²⁷ The “Core Trading Session” is defined in NYSE Arca Rule 7.34-E(a)(2).

²⁸ Under accounting procedures followed by the Fund, trades made on the prior Business Day (“T”) will be booked and reflected in NAV on the current Business Day (“T+1”). Accordingly, the Fund will be able to disclose at the beginning of the Business Day the portfolio that will form the basis for the NAV calculation at the end of the Business Day.

(based on information at the end of the previous Business Day), as well as information regarding the Cash Amount for the Fund. Such Portfolio Deposit is applicable, subject to any adjustments as described below, in order to effect creations of Creation Units of the Fund until such time as the next-announced Portfolio Deposit composition is made available.

The Exchange represents that trading in Shares will be halted if the circuit breaker parameters in NYSE Arca Rule 7.12-E have been reached. 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.²⁹ NYSE Arca Rule 8.600-E(d)(2)(D) also sets forth circumstances under which trading in the Shares may be halted.

In support of this proposal, the Exchange has also made the following representations:

- (1) The Shares will be subject to NYSE Arca Rule 8.600-E, which sets forth the initial and continued listing criteria applicable to Managed Fund Shares.³⁰
- (2) All statements and representations made in this filing regarding (a) the description of the 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 on the Exchange.³¹
- (3) The issuer will advise the Exchange of any failure by the 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

²⁹ These may include: (1) the extent to which trading is not occurring in the securities and/or the financial instruments comprising the Disclosed Portfolio of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. See Amendment No. 1, supra note 4, at 20.

³⁰ See id. at 21.

³¹ See id. at 22.

listing requirements. If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under NYSE Arca Rule 5.5(m)-E.³²

- (4) The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions.³³
- (5) The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.³⁴
- (6) For initial and continued listing, the Fund will be in compliance with Rule 10A-3 under the Act, as provided by NYSE Arca Rule 5.3-E.³⁵
- (7) A minimum of 100,000 Shares will be outstanding at the commencement of trading on the Exchange.³⁶
- (8) Investments in the Affiliated Short Term Bond Fund will not exceed 25% of the total assets of the Fund.³⁷
- (9) The Fund may invest up to 10% of the total assets of the Fund in shares of other non-exchange-traded open-end management investment company securities.³⁸

³² See id.

³³ See id. at 21.

³⁴ See id.

³⁵ See id. at 21. See also 17 CFR 240.10A-3.

³⁶ See id. at 21.

³⁷ See id. at 15.

³⁸ See id. at 8-9.

This approval order is based on all of the Exchange's representations, including those set forth above and in Amendment No. 1.

For the foregoing reasons, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with Section 6(b)(5) of the Act³⁹ and the rules and regulations thereunder applicable to a national securities exchange.

³⁹ 15 U.S.C. 78f(b)(5).

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Exchange Act, that the proposed rule change (SR-NYSEArca-2018-15), as modified by Amendment No. 1, is hereby approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁰

Eduardo A. Aleman
Assistant Secretary

⁴⁰ 17 CFR 200.30-3(a)(12).