

(4) The issuer of a series of Managed Fund Shares will be required to comply with Rule 10A-3 under the Act for the initial and continued listing of Managed Fund Shares, as provided under the IEX Rule Series 14.400;

(5) The Exchange, on a periodic basis and no less than annually, will review issues of Managed Fund Shares generically listed pursuant to Rule 16.135 and will provide a report to the Regulatory Oversight Committee of the Exchange's Board of Directors regarding the Exchange's findings;

(6) The Exchange will provide the Commission staff with a report each calendar quarter that includes the following information for issues of Managed Fund Shares listed during such calendar quarter under Rule 16.135(b)(1): (a) Trading symbol and date of listing on the Exchange; (b) the number of active authorized participants and a description of any failure of an issue of Managed Fund Shares or of an authorized participant to deliver shares, cash, or cash and financial instruments in connection with creation or redemption orders; and (c) a description of any failure of an issue of Managed Fund Shares to comply with Rule 16.135;

(7) Prior to listing pursuant to proposed Rule 16.135(b)(1), an issuer would be required to represent to the Exchange that it will advise the Exchange of any failure by a series of Managed Fund Shares to comply with the continued listing requirements;

(8) Pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements; and

(9) If a managed fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under IEX Rule Series 14.500.

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 Act<sup>27</sup> and the rules and regulations thereunder applicable to a national securities exchange.

and expenses, as described in the applicable registration statement, and will discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act. Further, the Circular will disclose that the net asset value for the Managed Fund Shares will be calculated after 4 p.m., ET, each trading day.

<sup>27</sup> 15 U.S.C. 78f(b)(5).

#### IV. Accelerated Approval of Amendment No. 1

As noted above, in Amendment No. 1, the Exchange proposed to adopt certain continued listing requirements for Managed Fund Shares. The Commission believes that the changes to the Managed Fund Shares listing standard proposed in Amendment No. 1: (1) Clarify how the Exchange will interpret and administer its listing requirements; (2) make Managed Fund Shares listed on the Exchange less susceptible to manipulation by adding the firewall provision discussed above; and (3) enhance consistency between the Exchange's Managed Fund Shares listing criteria and the requirements for Managed Fund Shares recently adopted by other national securities exchanges. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act, to approve the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

#### V. Solicitation of Comments on Amendment No. 1

Interested persons are invited to submit written data, views, and arguments concerning whether Amendment No. 1 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-IEX-2017-03 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-IEX-2017-03. This file number should be included on the subject line if email 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 Web site (<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 Web site 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-IEX-2017-03 and should be submitted on or before May 24, 2017.

#### VI. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>28</sup> that the proposed rule change (SR-IEX-2017-03), as modified by Amendment No. 1, be, and it hereby is, approved on an accelerated basis.<sup>29</sup>

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

**Eduardo A. Aleman,**  
Assistant Secretary.

[FR Doc. 2017-08902 Filed 5-2-17; 8:45 am]

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80546; File No. SR-FICC-2017-803]

#### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of No Objection To Advance Notice Filing To Establish the Centrally Cleared Institutional Triparty Service and Make Other Changes

April 27, 2017.

On March 9, 2017, Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") advance notice SR-FICC-2017-803 ("Advance Notice") pursuant to Section 806(e)(1) of the Payment, Clearing, and Settlement Supervision Act of 2010 ("Clearing Supervision Act")<sup>1</sup> and Rule 19b-

<sup>28</sup> 15 U.S.C. 78s(b)(2).

<sup>29</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 12 U.S.C. 5465(e)(1). The Financial Stability Oversight Council designated FICC a systemically important financial market utility on July 18, 2012. Financial Stability Oversight Council 2012 Annual Report, Appendix A, <http://www.treasury.gov/initiatives/fsoc/Documents/2012%20Annual%20Report.pdf>. Therefore, FICC is required to comply with the Clearing Supervision Act and file advance notices with the Commission. 12 U.S.C. 5465(e).

4(n)(1)(i)<sup>2</sup> under the Securities Exchange Act of 1934 (“Exchange Act”).<sup>3</sup> The Advance Notice was published for comment in the **Federal Register** on April 7, 2017.<sup>4</sup> Although the Commission received no comments to the Advance Notice, it received one comment letter<sup>5</sup> to the Proposed Rule Change in support of the proposal.<sup>6</sup> This publication serves as notice that the Commission does not object to the changes set forth in the Advance Notice.

## I. Description of the Advance Notice

Repurchase agreement (“repo”) transactions involve the sale of securities along with an agreement to repurchase the securities on a later date. Bilateral repo transactions involve a cash lender (e.g., a money market mutual fund, pension fund, or other entity with funds available for lending) and a cash borrower (typically a broker-dealer, hedge fund, or other entity seeking to finance securities that can be used to collateralize the loan). In the opening leg of the repo transaction, the cash borrower receives cash in exchange for securities equal in value to the amount of cash received, plus a haircut. In the closing leg of the repo transaction, the cash borrower pays back the cash plus interest in exchange for the securities posted as collateral. In tri-party repo transactions, a clearing bank tri-party agent provides to both the cash lender and the cash borrower certain operational, custodial, collateral valuation, and other services to facilitate the repo transactions. For example, the tri-party agent may facilitate and record the exchange of cash and securities on a book-entry basis for each of the counterparties to the repo transaction, as well as effectuating the collection and transfer of collateral that may be

required under the terms of the repo transaction. Cash lenders use tri-party repos as investments that offer liquidity maximization, principal protection, and a small positive return, while cash borrowers rely on them as a major source of short-term funding.<sup>7</sup>

FICC currently provides central clearing to a segment of the tri-party repo market through its general collateral finance repo service (“GCF Repo”<sup>®</sup> Service”).<sup>8</sup> The GCF Repo Service is available to sell-side entities, such as dealers, that enter into tri-party repo transactions, in GCF Repo Securities, with each other.<sup>9</sup>

The Advance Notice is a proposal by FICC to broaden the pool of entities that would be eligible to submit tri-party repo transactions for central clearing at FICC. Specifically, FICC proposes to amend its Government Securities Division (“GSD”) Rulebook (“GSD Rules”) <sup>10</sup> to establish the “Centrally Cleared Institutional Tri-Party Service” or the “CCIT”<sup>™</sup> Service.” <sup>11</sup> The proposed CCIT Service would allow the submission of tri-party repo transactions in GCF Repo Securities between GSD Netting Members <sup>12</sup> that participate in the GCF Repo Service and institutional counterparties (other than registered investment companies (“RICs”) under the Investment Company Act of 1940, as amended), <sup>13</sup> where the institutional

counterparties are the cash lenders in the transactions.

To effectuate the proposed CCIT Service, FICC proposes to create a new limited service membership category in GSD for institutional cash lenders. These new members would be referred to as CCIT members, and the GSD membership provisions that apply to the CCIT members would be addressed in proposed GSD Rule 3B. These new membership provisions include: <sup>14</sup>

- Membership eligibility criteria, including minimum financial requirements, operational capabilities, and opinions of counsel;
- joint account ownership, in which one authorized entity would act as agent for two or more CCIT Members;
- membership application processes, including document provision and disclosure requirements, operational testing requirements, reporting requirements, FATCA compliance certification requirements,<sup>15</sup> and the procedures for denying membership;
- membership agreement terms describing rights and obligations;
- procedures for the voluntary termination of CCIT membership; and
- ongoing membership requirements, including (i) annual financial and other disclosure requirements; (ii) operational testing requirements and related reporting requirements; (iii) notification of GSD rule non-compliance; (iv) penalties for GSD rule non-compliance; (v) mandatory assurances in the event that FICC has reason to believe a member may fall into GSD rule non-compliance; (vi) requirements to comply with applicable tax, money laundering, and sanctions laws; (vii) audit provisions allowing FICC to access relevant books and records; and (viii) financial/operational monitoring.

In addition to membership provisions, proposed Rule 3B also would set forth the applicable risk management provision relating to the new limited

<sup>7</sup> See Federal Reserve Bank of New York, Tri-Party Repo Infrastructure Reform, [https://www.newyorkfed.org/banking/tpr\\_infr\\_reform.html](https://www.newyorkfed.org/banking/tpr_infr_reform.html) (last visited Mar. 6, 2017).

<sup>8</sup> The term “GCF Repo” is a registered trademark of FICC. The GCF Repo Service is a service offered by FICC to compare, net, and settle general collateral repos. Notice, 82 FR at 17053.

<sup>9</sup> GCF Repo Securities are securities issued or guaranteed by the United States, a U.S. government agency or instrumentality, a U.S. government-sponsored corporation (or otherwise approved by FICC’s Board of Directors), and such securities are only eligible for submission to FICC in connection with the comparison, netting and/or settlement of repo transactions involving generic CUSIP numbers (i.e., identifying numbers established for a category of securities, as opposed to a specific security). Notice, 82 FR at 17053.

<sup>10</sup> Available at <http://www.dtcc.com/legal/rules-and-procedures>.

<sup>11</sup> CCIT is a trademark of The Depository Trust & Clearing Corporation, of which FICC is a subsidiary. FICC defines “Centrally Cleared Institutional Tri-Party Service” and “CCIT Service” as “the service offered by the Corporation to clear institutional tri-party repurchase agreement transactions, as more fully described in Rule 3B.” Proposed GSD Rule 1, Definitions.

<sup>12</sup> The term “Netting Member” is defined as a member of FICC’s Comparison System (i.e., the system of reporting, validating, and matching the long and short sides of securities trades to ensure that the details of such trades are in agreement between the parties) and FICC’s Netting System (i.e., the system for aggregating and matching offsetting obligations resulting from trades). GSD Rules, *supra* note 8.

<sup>13</sup> 15 U.S.C. 80a–1 *et seq.* According to FICC, the legal ability of such registered investment

companies to participate in the proposed CCIT Service is uncertain in light of applicable regulatory requirements under the Investment Company Act of 1940 (including, for example, liquid asset requirements and counterparty diversification requirements).

<sup>14</sup> For additional discussion of the membership provisions set forth in proposed GSD Rule 3B, see also Notice, 82 FR at 17054–64.

<sup>15</sup> FATCA is the Foreign Account Tax Compliance Act, 26 U.S.C. 1471 *et seq.* FATCA compliance means that an “. . . FFI [foreign financial institution] Member has qualified under such procedures promulgated by the Internal Revenue Service . . . to establish exemption from withholding under FATCA such that [FICC] would not be required to withhold [anything] under FATCA . . . .” GSD Rules 1, *supra* note 3.

<sup>2</sup> 17 CFR 240.19b–4(n)(1)(i).

<sup>3</sup> 15 U.S.C. 78s(b)(1).

<sup>4</sup> Securities Exchange Act Release No. 80361 (April 3, 2017), 82 FR 17053 (April 7, 2017) (SR–FICC–2017–803) (“Notice”). FICC also filed a proposed rule change with the Commission pursuant to Section 19(b)(1) of the Exchange Act and Rule 19b–4 thereunder, seeking approval of changes to its rules necessary to implement the proposal. 15 U.S.C. 78s(b)(1) and 17 CFR 240.19b–4, respectively. The proposed rule change was published for comment in the **Federal Register** on March 30, 2017. Securities Exchange Act Release No. 80303 (March 24, 2017), 82 FR 15749 (March 30, 2017) (SR–FICC–2017–803).

<sup>5</sup> See letter from Thomas Wipf, Chief Financial Officer, Morgan Stanley & Co. LLC, dated April 19, 2017, to Eduardo A. Aleman, Assistant Secretary, Commission, available at <https://www.sec.gov/comments/sr-ficc-2017-005/ficc2017005.htm>.

<sup>6</sup> Because the proposal contained in the Advance Notice was also filed as the Proposed Rule Change, see *supra* note 3, the Commission is considering any comment received on the Proposed Rule Change also to be a comment on the Advance Notice.

service membership category, including:<sup>16</sup>

- Non-mutualized loss allocation obligations of CCIT members, including FICC's perfected security interest in each CCIT member's underlying repo securities;
- a rules-based committed liquidity facility for CCIT members, in which CCIT members that have outstanding CCIT transactions with a defaulting member would be required to enter into CCIT master repurchase agreement transactions with FICC for specified periods of time;
- uncommitted liquidity repos between CCIT members and FICC; and
- application of certain other GSD Rules (e.g., comparison, netting, settlement, default, and other applicable provisions) to CCIT members and transactions.

In addition to the proposed changes to the GSD Rules related to the proposed CCIT Service, the Advance Notice also contains other changes to the GSD Rules, unrelated to the CCIT proposal. These non-CCIT related changes generally are intended to update the GSD Rules and provide additional specificity, clarity, and transparency for members that rely on them.<sup>17</sup> These non-CCIT related proposed rule changes include the following:

- Clarifying that Comparison-Only Members must conform to FICC's operational conditions and requirements;<sup>18</sup>
- clarifying the point of time in which a member is required to notify FICC that the member is no longer in compliance with a relevant membership qualification and standard;
- providing that a member's written notice of its membership termination is not effective until accepted by FICC;
- requiring all GCF Repo transactions to be fully collateralized by 9:00 a.m. New York Time;
- prohibiting a member that receives collateral in the GCF Repo process from

withdrawing the securities or cash collateral received;

- specifying the steps that members must take in the event of FICC's default so that FICC may determine the net amount owed by or to each member;
- reflecting FICC's current practice of annual study and evaluation of FICC's internal accounting control system; and
- correcting several grammatical and out-of-date cross-references.

In addition to the proposed changes listed above, the Advance Notice also includes a proposal for a non-CCIT related rule change that would provide FICC with access to the books and records of a RIC Netting Member's controlling management. The change is intended to enable FICC to determine whether the RIC has sufficient financial resources and monitor compliance with FICC's financial requirements on an ongoing basis.

## II. Discussion of Commission Findings

Although the Clearing Supervision Act does not specify a standard of review for an advance notice, its stated purpose is instructive: To mitigate systemic risk in the financial system and promote financial stability by, among other things, promoting uniform risk management standards for systemically important financial market utilities and strengthening the liquidity of systemically important financial market utilities.<sup>19</sup> Section 805(a)(2) of the Clearing Supervision Act authorizes the Commission to prescribe risk management standards for the payment, clearing, and settlement activities of designated clearing entities and financial institutions engaged in designated activities for which it is the Supervisory Agency or the appropriate financial regulator.<sup>20</sup> Section 805(b) of the Clearing Supervision Act<sup>21</sup> states that the objectives and principles for the risk management standards prescribed under Section 805(a) shall be to:

- Promote robust risk management;
- promote safety and soundness;
- reduce systemic risks; and
- support the stability of the broader financial system.

The Commission has adopted risk management standards under Section 805(a)(2) of the Clearing Supervision Act<sup>22</sup> and Section 17A of the Exchange Act ("Clearing Agency Standards").<sup>23</sup> The Clearing Agency Standards require registered clearing agencies to establish, implement, maintain, and enforce

written policies and procedures that are reasonably designed to meet certain minimum requirements for their operations and risk management practices on an ongoing basis.<sup>24</sup> Therefore, it is appropriate for the Commission to review proposed changes in advance notices against the objectives and principles of these risk management standards as described in Section 805(b) of the Clearing Supervision Act and in the Clearing Agency Standards.<sup>25</sup>

### A. Consistency With Section 805(b) of the Clearing Supervision Act

As discussed below, the Commission believes that the changes proposed in the Advance Notice are consistent with Section 805(b) of the Clearing Supervision Act because they (i) are designed to reduce systemic risk, (ii) are designed to support the stability of the financial system, (iii) are designed to promote robust risk management, and (iv) are consistent with promoting safety and soundness.

When considering the CCIT Service in its entirety, the Commission believes that the proposal could help to reduce systemic risk presented by FICC and a tri-party repo market member default, which in turn could help support the stability of the broader financial system. The CCIT Service would make the risk-reducing benefits of central clearing available to a wider range of types of repo transactions while at the same time ensuring that FICC is able to effectively manage the additional financial risk exposure. For example, as described above, the CCIT Service would enable a greater number of tri-party repo transactions to be eligible for netting and subject to guaranteed settlement, novation, and independent risk management through FICC, which would help decrease the settlement and operational risk of such transactions relative to those made outside of FICC, enhancing the stability of the tri-party repo market. Furthermore, by providing central clearing to a greater number of tri-party repo transactions, the CCIT Service would permit FICC to centralize and control the liquidation of a greater number of such positions in the event of a Netting Member's default, which in turn would help protect against the risk that an uncoordinated liquidation of the positions by multiple counterparties to a defaulting firm would cause a fire sale that destabilizes the broader financial system. Therefore, the Commission believes that the CCIT Service would help reduce systemic risks and support

<sup>16</sup> For additional discussion of the risk management provisions set forth in proposed GSD Rule 3B, see also Notice, 82 FR at 17055–64.

<sup>17</sup> For additional description and explanation of the non-CCIT-related changes included in the Advance Notice, see Notice, 82 FR at 17054–64.

<sup>18</sup> GSD Members may be either Comparison-Only Members or Netting Members. Comparison-Only Members are members of the GSD Comparison System, which is the GSD system for reporting, validating, and in some cases, matching of securities trades. Netting Members are members of both the GSD Comparison System and the GSD Netting System, which is the GSD system for aggregating and matching offsetting obligations resulting from securities trades. Pursuant to GSD Rule 2A, FICC may require an entity to be a Comparison-Only Member for a period of time (during which FICC assess the entity's operational soundness) before the entity becomes eligible to apply for netting membership.

<sup>19</sup> 12 U.S.C. 5461(b).

<sup>20</sup> 12 U.S.C. 5464(a)(2).

<sup>21</sup> 12 U.S.C. 5464(b).

<sup>22</sup> 12 U.S.C. 5464(a)(2).

<sup>23</sup> See 17 CFR 240.17Ad–22.

<sup>24</sup> *Id.*

<sup>25</sup> 12 U.S.C. 5464(b).

the stability of the financial system, consistent with Section 805(b) of the Clearing Supervision Act.

The Commission also believes that the CCIT Service designed by FICC is consistent with promoting robust risk management and safety and soundness at FICC and to the tri-party repo market. The CCIT Service includes certain risk management tools that facilitate FICC's management of credit, market, and liquidity risk arising from becoming a central counterparty to the new repo positions coming in via CCIT. For example, the CCIT Service would provide FICC with a perfected security interest in the underlying repo securities of a CCIT transaction and a built-in liquidity resource to support CCIT Service liquidity demands in the form of repo transactions under the CCIT Master Repurchase Agreement ("CCIT MRA").<sup>26</sup> Each of these elements of the CCIT Service would help FICC manage certain risks presented by the potential default of a CCIT member. Specifically, the perfected security interest would enable FICC, in the event of a Netting Member's default, to access the defaulter's collateral for the purposes of managing potential risks, such as credit risk, that may arise from the default.

In addition, the CCIT Service would enable FICC to manage instances where a default results in liquidity demands for FICC within the CCIT Service that exceed the level of financial resources FICC might otherwise have on hand (such as the defaulter's collateral) at the time of the default by requiring CCIT Members to engage in repo transactions to provide cash as a liquidity resource in such instances. In addition to the risk management tools described above, the CCIT Service also would establish initial and ongoing financial responsibility and operational capacity requirements for CCIT members, as well as requirements that would be applicable to Netting Members with respect to their participation in the proposed CCIT Service. Collectively, these requirements would enable FICC to monitor the likelihood of a CCIT member default and limit its counterparty risk by (i) ensuring that FICC only takes on exposure to entities that are creditworthy counterparties; and (ii) enabling FICC to monitor the ongoing capability of these members to perform their obligations to FICC. For these reasons, the Commission believes that the CCIT Service would help promote robust risk management and safety and soundness at FICC, consistent

with Section 805(b) of the Clearing Supervision Act.

In addition, the Commission believes that the CCIT Service is consistent with promoting robust risk management and safety and soundness to the tri-party repo market. As discussed above, the CCIT Service would make the risk-reducing benefits of central clearing available to a wider range of types of repo transactions, which would help decrease the settlement and operational risk of such transactions when made outside of FICC and thereby enhance stability for the tri-party repo market. Furthermore, the CCIT Service would enable a greater number of tri-party repo transactions to be subject to FICC's ability, in the event of a Netting Member's default, to centralize and control the liquidation of such positions at FICC, which in turn would help protect the tri-party repo market against the risk that a liquidation of the positions would cause a fire sale that destabilizes the broader financial system. Therefore, the Commission believes that the CCIT Service would help promote robust risk management and safety and soundness to the tri-party repo market, consistent with Section 805(b) of the Clearing Supervision Act.

#### *B. Consistency With Rules 17Ad-22(e)(1), (e)(4), and (e)(18)*

The Commission believes that the changes proposed in the Advance Notice are consistent with Rule 17Ad-22(e)(1) under the Act.<sup>27</sup> Rule 17Ad-22(e)(1) requires, in part, that FICC "establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . [p]rovide for a well-founded, clear, transparent and enforceable legal basis for each aspect of its activities."<sup>28</sup> As described above, FICC proposes a number of changes that are unrelated to the proposed CCIT Service and designed to make the GSD Rules more clear, consistent, and current for members that rely on them. The Commission believes that these non-CCIT related changes could make FICC's policies and procedures in the GSD Rules more clear, consistent, and transparent for members that rely on them, and therefore believes that the proposed changes would help support FICC's rules being clear and transparent, consistent with Rule 17Ad-22(e)(1), cited above.

The Commission believes that the changes proposed in the Advance Notice are consistent with Rule 17Ad-

22(e)(4)(iii) under the Act.<sup>29</sup> Rule 17Ad-22(e)(4)(iii) requires, in part, that FICC "establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . [e]ffectively identify, measure, monitor, and manage its credit exposures to participants and those arising from [FICC's] payment, clearing, and settlement processes, including by . . . maintaining . . . financial resources at the minimum to enable [FICC] to cover a wide range of stress scenarios. . . ." <sup>30</sup> As discussed above, the CCIT Service includes risk management tools, such as the perfected security interest and the CCIT MRA liquidity resource. The Commission believes that these risk management tools would help facilitate FICC's management of credit, market, and liquidity risk that would arise from becoming a central counterparty to the new repo positions coming in via the proposed CCIT Service. Accordingly, the Commission believes that the proposed changes to its policies and procedures in the GSD Rules are designed to help effectively manage FICC's exposure, including its credit exposure to participants, arising from its payment, clearing, and settlement processes for the proposed CCIT transactions by providing for financial resources to help cover a wide range of foreseeable stress scenarios, consistent with Rule 17Ad-22(e)(4)(iii), cited above.

The Commission also believes that the proposal is consistent with Rule 17Ad-22(e)(18) under the Act.<sup>31</sup> Rule 17Ad-22(e)(18) requires, in part, that FICC "establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . [e]stablish objective, risk-based, and publicly disclosed criteria for participation, which . . . require participants to have sufficient financial resources and robust operational capacity to meet obligations arising from participation in the clearing agency, and monitor compliance with such participation requirements on an ongoing basis."<sup>32</sup>

In connection with the establishment of the proposed CCIT Service, FICC would include provisions in the GSD rules to incorporate membership standards, requiring, for example, ongoing financial responsibility and operational capacity requirements, as well as the requirements that would be applicable to Netting Members with respect to their participation in the proposed CCIT Service. The

<sup>29</sup> 17 CFR 240.17Ad-22(e)(4)(iii).

<sup>30</sup> *Id.*

<sup>31</sup> 17 CFR 240.17Ad-22(e)(18).

<sup>32</sup> *Id.*

<sup>26</sup> For additional details regarding the CCIT MRA, see Notice, 82 FR at 17060-61.

<sup>27</sup> 17 CFR 240.17Ad-22(e)(2).

<sup>28</sup> *Id.*

Commission believes that, by incorporating such requirements, FICC would establish in its policies and procedures objective, risk-based, and publicly disclosed criteria for participation in the CCIT Service, consistent with Rule 17Ad-22(e)(18).

Similarly, in connection with the proposed non-CCIT related change to provide FICC with access to the books and records of a RIC Netting Member's controlling management, FICC would be authorized to review the financial information of the RIC. Because this would enable FICC to determine whether the RIC has sufficient financial resources and monitor compliance with FICC's financial requirements on an ongoing basis, the Commission believes this requirement is consistent with Rule 17Ad-22(e)(18).

### III. Conclusion

*It is therefore noticed*, pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act,<sup>33</sup> that the Commission *does not object* to this advance notice proposal (SR-FICC-2017-803) and that FICC is *authorized* to implement the proposal as of the date of this notice or the date of an order by the Commission approving a proposed rule change that reflects rule changes that are consistent with this advance notice proposal (SR-FICC-2017-005), whichever is later.

By the Commission.

**Brent J. Fields,**  
Secretary.

[FR Doc. 2017-08903 Filed 5-2-17; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80541; File No. SR-NYSEArca-2017-48]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to the Listing and Trading of Shares of the Franklin Liberty Intermediate Municipal Opportunities ETF and Franklin Liberty Municipal Bond ETF Under NYSE Arca Equities Rule 8.600

April 27, 2017.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the "Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on April 24, 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 list and trade shares of the Franklin Liberty Intermediate Municipal Opportunities ETF and Franklin Liberty Municipal Bond ETF (each a "Fund" and, collectively, the "Funds") under NYSE Arca Equities Rule 8.600 ("Managed Fund Shares"). The proposed change is available on the Exchange's Web site at [www.nyse.com](http://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 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 list and trade shares ("Shares") of each Fund under NYSE Arca Equities Rule 8.600,<sup>4</sup> which governs the listing and trading of

Managed Fund Shares.<sup>5</sup> The Shares will be offered by the Franklin Templeton ETF Trust (the "Trust"), which is registered with the Commission as an open-end management investment company.<sup>6</sup> Each Fund is a series of the Trust.

The investment adviser to each Fund will be Franklin Advisers, Inc. (the "Adviser"). Franklin Templeton Distributors, Inc. will serve as the distributor (the "Distributor") of each Fund's Shares on an agency basis. Franklin Templeton Services, LLC will serve as the administrator and State Street Bank and Trust Company will serve as the sub-administrator, custodian and transfer agent for each Fund.

Commentary .06 to Rule 8.600 provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a "fire wall" between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.<sup>7</sup> In addition,

<sup>5</sup> A Managed Fund Share is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) ("1940 Act") organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Investment Company Units, listed and traded on the Exchange under NYSE Arca Equities Rule 5.2(j)(3), seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

<sup>6</sup> The Trust is registered under the 1940 Act. On March 23, 2017, the Trust filed with the Commission an amendment to its registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) ("Securities Act"), and under the 1940 Act relating to the Funds (File Nos. 333-208873 and 811-23124) ("Registration Statement"). The description of the operation of the Trust and the Funds herein is based, in part, on the Registration Statement. In addition, the Commission has issued an order granting certain exemptive relief to the Trust, Franklin Advisers, Inc. and Franklin Templeton Distributors, Inc. under the 1940 Act. See Investment Company Act Release No. 30350 (Jan. 15, 2013) (File No. 812-14042) ("Exemptive Order").

<sup>7</sup> An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the "Advisers Act"). As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful

<sup>33</sup> 12 U.S.C. 5465(e)(1)(I).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> The Securities and Exchange Commission ("Commission") has approved for Exchange listing and trading shares of actively managed funds 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 under Rule 8.600). 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).