

**PLACE:** Closed Commission Hearing Room 10800.

**STATUS:** This meeting will be closed to the public.

**MATTERS TO BE CONSIDERED:**

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters also may be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(3), (5), (6), (7), (8), 9(B) and (10) and 17 CFR 200.402(a)(3), (a)(5), (a)(6), (a)(7), (a)(8), (a)(9)(ii) and (a)(10), permit consideration of the scheduled matters at the closed meeting.

Commissioner Stein, as duty officer, voted to consider the items listed for the closed meeting in closed session.

The subject matters of the closed meeting will be:

Institution and settlement of injunctive actions;

Institution and settlement of administrative proceedings; and

Other matters relating to enforcement proceedings.

At times, changes in Commission priorities require alterations in the scheduling of meeting items.

**CONTACT PERSON FOR MORE INFORMATION:**

For further information and to ascertain what, if any, matters have been added, deleted or postponed; please contact Brent J. Fields from the Office of the Secretary at (202) 551-5400.

Dated: July 12, 2018.

**Lynn M. Powalski,**  
Deputy Secretary.

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-83618; File No. SR-NASDAQ-2018-050]

**Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change Relating to the First Trust Senior Loan Fund of First Trust Exchange Traded Fund IV**

July 11, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 27, 2018, The Nasdaq Stock Market LLC

(“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

[sic] Exchange’s proposed rule change relating to the First Trust Senior Loan Fund (the “Fund”) of First Trust Exchange-Traded Fund IV (the “Trust”), the shares of which have been approved by the Commission for listing and trading under Nasdaq Rule 5735 (“Managed Fund Shares”). The shares of the Fund are collectively referred to herein as the “Shares.”

**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 Exchange 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 these 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 aspects of such statements.

*A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

**1. Purpose**

The Commission has approved the listing and trading of Shares under Nasdaq Rule 5735, which governs the listing and trading of Managed Fund Shares on the Exchange.<sup>3</sup> The Exchange believes the proposed rule change reflects no significant issues not previously addressed in the Prior Release.

The Fund is an actively-managed exchange-traded fund (“ETF”). The Shares are offered by the Trust, which was established as a Massachusetts

business trust on September 15, 2010. The Trust, which is registered with the Commission as an investment company under the Investment Company Act of 1940 (the “1940 Act”), has filed a registration statement on Form N-1A (“Registration Statement”) relating to the Fund with the Commission.<sup>4</sup> The Fund is a series of the Trust. The Adviser is the investment adviser to the Fund. First Trust Portfolios L.P. is the principal underwriter and distributor of the Fund’s Shares. The Bank of New York Mellon acts as the administrator, custodian and fund accounting and transfer agent to the Fund.

**(1) Introduction**

The purpose of this proposed rule change is to modify certain provisions set forth in the Prior Notice pertaining to (1) the meaning of the term “under normal market conditions”; (2) the Fund’s investments in Senior Loans<sup>5</sup> and other debt, including, in particular, its investments in Senior Loans and other floating rate loans that are in default; and (3) the Fund’s ability to retain various instruments that, although not specifically selected by the Adviser, may be received by the Fund under certain circumstances.

It is important to note that notwithstanding the proposed changes, consistent with the Prior Notice, it is anticipated that the Fund, in accordance with its principal investment strategy, would continue to invest approximately 50% to 75% of its net assets in Senior Loans that are eligible for inclusion in and meet the liquidity thresholds of the S&P/LSTA U.S. Leveraged Loan 100 Index (the “Primary Index”) and/or the Markit iBoxx USD Liquid Leveraged Loan Index (the “Secondary Index”<sup>6</sup>). Brief descriptions of the eligibility criteria (including those relating to

<sup>4</sup> See Post-Effective Amendment No. 150 to Registration Statement on Form N-1A for the Trust, dated February 28, 2018 (File Nos. 333-174332 and 811-22559). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement, as amended. First Trust Advisors L.P. (the “Adviser”) represents that the Adviser will not implement the changes described herein until the instant proposed rule change is operative.

<sup>5</sup> For purposes of this filing, consistent with the description included in the Prior Notice, the Adviser considers “Senior Loans” to be first lien senior secured floating rate bank loans.

<sup>6</sup> As a conforming change, the reference to the index that was defined as the Secondary Index in the Prior Notice has been updated to include “Liquid” in the name, which is consistent with footnote 9 (and accompanying text) of this filing and footnote 34 (and accompanying text) of the Prior Notice.

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> The Commission approved Nasdaq Rule 5735 in Securities Exchange Act Release No. 57962 (June 13, 2008), 73 FR 35175 (June 20, 2008) (SR-NASDAQ-2008-039). The Commission previously approved the listing and trading of the Shares of the Fund. See Securities Exchange Act Release Nos. 69072 (March 7, 2013), 78 FR 16006 (March 13, 2013) (“Prior Notice”) and 69464 (April 26, 2013), 78 FR 25774 (May 2, 2013) (“Prior Order” and, together with the Prior Notice, the “Prior Release”) (SR-NASDAQ-2013-036).

liquidity) for the Primary Index and the Secondary Index are set forth below.<sup>7</sup>

**Primary Index:**<sup>8</sup> The Primary Index measures the performance of 100 large loan facilities meeting specific inclusion criteria. All syndicated leveraged loans covered by the S&P/LSTA Leveraged Loan Index (“LLI”) universe are eligible for inclusion in the Primary Index. Term loans from syndicated credits must meet the following criteria at issuance in order to be eligible for inclusion in the LLI: (i) Senior secured; (ii) U.S. dollar denominated; (iii) minimum initial term of one year; (iv) minimum initial spread of LIBOR + 125 basis points (LIBOR is calculated as the average rate for US Loans in Markit’s WSO Database); (v) US\$ 50 million initially funded loans; and (vi) the loan must have been bought by an institutional investor, and must currently be in their portfolio. All constituents of the Primary Index (the index loans) must have a publicly assigned CUSIP. There is no minimum size requirement on individual facilities in the Primary Index, but the LLI universe minimum is US\$ 50 million. Only the 100 largest facilities from the LLI that meet all eligibility requirements are considered for inclusion. The Primary Index covers all issuers regardless of origin; however, all facilities must be denominated in U.S. dollars.

**Secondary Index:**<sup>9</sup> The Secondary Index is a subset of the benchmark Markit iBoxx USD Leveraged Loan Index (“USD LLI”). The Secondary Index limits the number of constituent loans in the index by selecting larger and more liquid loans from the USD LLI index universe as determined by a liquidity ranking procedure. As described further below, the procedure utilizes daily liquidity scores from the Markit Loan Pricing Service, which is a broader measure of liquidity, summarizing the performance of each loan across several liquidity metrics, such as number of quotes, or bid-offer sizes.

The following selection criteria are used to derive the eligible universe from the Markit/WSO USD-denominated loan

universe: (i) Loan type (only USD-denominated loans are eligible, and the Secondary Index Description includes a list of eligible loan types and ineligible loan types); (ii) minimum size (a minimum facility size of USD \$500 million nominal is required); (iii) liquidity/depth of market (described below); (iv) credit rating (only sub-investment grade loans are eligible, defaulted loans are eligible provided they meet all other criteria, and loans designated as “Not Rated” by both Moody’s Investors Service, Inc., and Standard & Poor’s must have a minimum current spread of 125 basis points over LIBOR); (v) spread (rated loans must have a minimum current spread of 125 basis points over LIBOR); and (vi) minimum time to maturity (a minimum initial time to maturity of one year is required).

According to the Secondary Index Description, liquidity/depth of the market can be measured by the number of prices available for a particular loan and the length of time prices have been provided by the minimum required number of price contributors. The liquidity check is based on the 3-month period prior to the rebalancing cut-off date (liquidity test period). Only loans with a minimum liquidity/depth of 2 for at least 50% of trading days of the liquidity test period are eligible. Loans issued less than three months prior to the rebalancing cut-off date require a minimum liquidity/depth of 3 for at least 50% of trading days in the period from the issue date to the rebalancing cut-off date.

In conjunction with the liquidity ranking procedure referenced above, in order to determine the final Secondary Index constituents, the loans in the eligible universe are ranked according to their liquidity scores, as provided by the Markit Loan Pricing Service. Each loan in the MarkitWSO database is assigned a daily score based on the loan’s performance on the following liquidity metrics:

- Sources Quote:** The number of dealers sending out runs.
- Frequency of Quotes:** Total number of dealer runs.
- Number of Sources With Size:** The number of dealer runs with associated size.
- Bid-Offer Spreads:** The average bid-offer spread in dealer runs.
- Average Quote Size:** The average size parsed from quotes.
- Movers Count:** The end of the day composite contributions which have moved on that day.

Each loan carries a score ranging from 1 to 5 in ascending order of liquidity,

depending on the daily values for the above components. A loan with a score of 1 will have the best performance in each of the categories above. In the liquidity ranking procedure (described in detail in the Secondary Index Description), average liquidity scores are calculated for each loan, over a calendar one- or three-month period immediately preceding each rebalancing date.

In addition, consistent with the Prior Notice, the aggregate amount of the Fund’s net assets permitted to be held in illiquid securities (calculated at the time of investment), including Rule 144A securities, junior subordinated loans and unsecured loans deemed illiquid by the Adviser, would continue to be limited to 15%.

#### (2) Proposed Changes to the Term “Under Normal Market Conditions”

The Prior Notice stated that according to the Fund’s Registration Statement, in pursuing its investment objective, the Fund, under normal market conditions, would seek to outperform a primary and secondary loan index by investing at least 80% of its net assets (plus any borrowings for investment purposes) in “Senior Loans” (the “80% Requirement”). In conjunction with describing and defining the term “under normal market conditions,” footnote 10 of the Prior Notice provided the following (the “Normal Market Conditions Definition”):

The term “under normal market conditions” as used herein includes, but is not limited to, the absence of adverse market, economic, political or other conditions, including extreme volatility or trading halts in the fixed income markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or *force majeure* type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance. In periods of extreme market disturbance, the Fund may take temporary defensive positions, by overweighting its portfolio in cash/cash-like instruments; however, to the extent possible, the Adviser would continue to seek to achieve the Fund’s investment objective. Specifically, the Fund would continue to invest in Senior Loans (as defined herein). In response to prolonged periods of constrained or difficult market conditions the Adviser will likely focus on investing in the largest and most liquid loans available in the market.

To provide additional flexibility and greater consistency with more recent proposed rule change filings relating to other ETFs advised by the Adviser,<sup>10</sup> the

<sup>10</sup> See Securities Exchange Act Release No. 80745 (May 23, 2017), 82 FR 24755 (May 30, 2017) (SR–

<sup>7</sup> The Prior Notice included descriptions of, and information relating to, the Primary Index and the Secondary Index. However, except to the extent provided below, such descriptions and information have not been updated for purposes of this filing.

<sup>8</sup> The following information regarding the Primary Index is based on information in “S&P/LSTA U.S. Leveraged Loan 100 Index Methodology (February 2018)”. Information on the Primary Index is available at [www.spindices.com](http://www.spindices.com).

<sup>9</sup> The following information regarding the Secondary Index is based on “Markit iBoxx USD Liquid Leveraged Loan Index—Index Guide (November 2014)” (the “Secondary Index Description”). Information on the Secondary Index is available at [www.markit.com](http://www.markit.com).

Exchange is proposing that, going forward, the Normal Market Conditions Definition be replaced with the following:

The term “under normal market conditions” as used herein includes, but is not limited to, the absence of adverse market, economic, political or other conditions, including extreme volatility or trading halts in the fixed income markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or *force majeure* type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance. The Fund may adopt a defensive strategy (and depart from its principal investment strategies) when the Adviser believes securities in which the Fund normally invests have elevated risks due to political or economic factors and in other extraordinary circumstances. In addition, on a temporary basis, including for defensive purposes, during periods of extreme market disturbance and during periods of high cash inflows or outflows (*i.e.*, rolling periods of seven calendar days during which inflows or outflows of cash, in the aggregate, exceed 10% of the Fund’s net assets as of the opening of business on the first day of such periods), the Fund may depart from its principal investment strategies; for example, it may hold a higher than normal proportion of its assets in cash. Under the circumstances described in the prior two sentences, the Fund may not be able to achieve its investment objectives; however, to the extent possible, the Adviser would continue to seek to achieve the Fund’s investment objectives by continuing to invest in Senior Loans (as defined herein). In response to prolonged periods of constrained or difficult market conditions the Adviser will likely focus on investing in the largest and most liquid loans available in the market.

The proposed new Normal Market Conditions Definition reflects additional situations where it would be appropriate for the Fund to have the ability to depart from its principal investment strategies, including “periods of high cash inflows or outflows” and times when the Adviser believes that securities in which the Fund normally invests “have elevated risks due to political or economic factors and in other extraordinary circumstances.” The Exchange does not believe that the proposed changes to the Normal Market Conditions Definition raise concerns. Rather, the Exchange believes that the changes would provide the Fund with appropriate flexibility to

NASDAQ–2017–033) (order approving listing and trading of First Trust California Municipal High Income ETF); and Securities Exchange Act Release No. 78913 (September 23, 2016), 81 FR 69109 (October 5, 2016) (SR–NASDAQ–2016–002) (order approving listing and trading of First Trust Municipal High Income ETF).

adapt to challenging conditions. In particular, the Exchange notes that the term “periods of high cash inflows or outflows” is specifically and narrowly defined, and the proposed modifications would potentially help the Fund mitigate risks that may accompany adverse political or economic factors and other extraordinary circumstances.

### (3) Proposed Changes to Provisions Pertaining to the Fund’s Investments in Senior Loans and Other Debt

Under the heading “Principal Investments” (and in certain other provisions of the Prior Notice), the Prior Notice included various representations that were applicable to Senior Loans and, in certain cases, to other debt in which the Fund may invest. As described below, the Adviser is seeking to modify certain of these representations to permit the Fund to invest a limited portion of its net assets in Senior Loans and other floating rate loans that are in default. The Adviser believes that while the proposed changes would provide additional flexibility, the changes would not conflict with the Fund’s investment objectives or overall investment strategies or be inconsistent with the Adviser’s overall approach to managing the Fund. Rather, the proposed changes would enhance the Adviser’s investment opportunities in managing the Fund. In this regard, as stated in the Prior Notice, in selecting securities for the Fund, the Adviser would continue to seek to construct a portfolio of loans that it believes is less volatile than the general loan market. In addition, as stated in the Prior Notice, when making investments, the Adviser would continue to seek to maintain appropriate liquidity and price transparency for the Fund, and the key considerations of portfolio construction would continue to include liquidity, diversification and relative value. The Exchange believes that concerns related to manipulation should be mitigated given that the proposed changes (a) would be limited in scope, and (b) would be subject to the provisions set forth below, which should provide support regarding the Fund’s anticipated liquidity profile going forward.

The discussion set forth in the Prior Notice under the heading “Principal Investments” included the following “Defaulted Senior Loan Representation”: “The Adviser does not intend to purchase Senior Loans that are in default. However, the Fund may hold a Senior Loan that has defaulted subsequent to its purchase by the Fund.” In addition, the discussion under the heading “Other Investments”

(pursuant to which the Fund may invest a portion of its assets in, among other things, floating rate loans) included the following “Floating Rate Loan Representation”: “The Fund will not invest in floating rate loans of companies whose financial condition is troubled or uncertain and that have defaulted on current debt obligations, as measured at the time of investment.”

The Adviser believes that there may be situations where it would be desirable for the Fund, in pursuing its investment objectives, to have the ability to invest a limited portion of its net assets in Senior Loans and/or other floating rate loans that are in default (collectively, “Defaulted Loans”). Therefore, to provide the Adviser with additional flexibility in managing the Fund, the Exchange is proposing that, going forward, the Defaulted Senior Loan Representation and the Floating Rate Loan Representation would be deleted and the Fund would be specifically permitted to purchase Defaulted Loans.<sup>11</sup> However, Defaulted Loans would comprise no more than 15% of the Fund’s net assets, as determined at the time of purchase (the “15% Limitation”).<sup>12</sup> If, subsequent to being purchased or otherwise obtained by the Fund, a Senior Loan or other floating rate loan defaults, the Fund may continue to hold such Senior Loan or other floating rate loan without regard to the 15% Limitation; however, such Senior Loan or other floating rate loan would be considered a Defaulted Loan for purposes of determining whether the Fund’s purchase of additional Defaulted Loans would comply with the 15% Limitation.<sup>13</sup>

<sup>11</sup> As a conforming matter, the representation set forth in footnote 37 of the Prior Notice, which indicated that the Adviser does not intend to invest in defaulted Senior Loans, would be deleted.

<sup>12</sup> For the avoidance of doubt, Defaulted Loans that are Senior Loans would be taken into account for purposes of compliance with the 80% Requirement. In addition, for the avoidance of doubt, the 15% Limitation would not restrict the Fund’s ability to invest in loans of companies that have defaulted only on other debt obligations.

<sup>13</sup> Currently, the Prior Notice does not limit the Fund’s ability to hold Senior Loans that have defaulted subsequent to being purchased by the Fund. In addition, the Commission has previously approved other proposed rule change filings involving actively-managed ETFs that incorporated the ability to invest a certain portion of their respective assets in defaulted securities. *See, e.g.*, Securities Exchange Act Release No. 80946 (June 15, 2017), 82 FR 28126 (June 20, 2017) (SR–NASDAQ–2017–039) (order approving listing and trading of Guggenheim Limited Duration ETF); Securities Exchange Act Release No. 80865 (June 6, 2017), 82 FR 26970 (June 12, 2017) (SR–NYSEArca–2017–48) (order approving listing and trading of Franklin Liberty Intermediate Municipal Opportunities ETF); Securities Exchange Act Release No. 80745 (May 23, 2017), 82 FR 24755

For consistency with the above proposed changes, the Exchange is proposing that certain other representations that are set forth under the heading “Principal Investments”, but that apply to both Senior Loans and other debt, be modified. First, the discussion set forth under the heading “Principal Investments” included the following statement (the “Credit Metrics Representation”): “The Fund will include borrowers that the Adviser believes have strong credit metrics, based on its evaluation of cash flows, collateral coverage and management teams.” In light of the proposed changes described above, the Exchange is proposing that the Credit Metrics Representation be modified to read as follows: “As a general matter, the Fund will include borrowers that the Adviser believes have strong credit metrics, based on its evaluation of cash flows, collateral coverage and management teams.”

Additionally, to enhance consistency with the above proposed changes, the Exchange is proposing that the three paragraphs set forth in the Prior Notice immediately below the Defaulted Senior Loan Representation (which related to certain attributes that the Adviser intended to seek in selecting investments for the Fund) (the “Senior Loan/Other Debt Representations”) be replaced with the following:

“As a general matter, the Adviser intends to invest in Senior Loans or other debt of companies that it believes have developed strong positions within their respective markets and exhibit the potential to maintain sufficient cash flows and profitability to service their obligations in a range of economic environments. The Adviser will generally seek to invest in Senior Loans or other debt of companies that it believes possess advantages in scale, scope, customer loyalty, product pricing, or product quality versus their competitors, thereby minimizing business risk and protecting profitability.

As a general matter, the Adviser will seek to invest in Senior Loans or other debt of established companies it believes have demonstrated a record of profitability and cash flows over several

economic cycles. The Adviser does not generally intend to invest in Senior Loans or other debt of primarily start-up companies, companies in turnaround situations or companies with speculative business plans; however, it may invest in such companies from time to time.

As a general matter, the Adviser intends to focus on investments in which the Senior Loans or other debt of a target company has an experienced management team with an established track record of success. The Adviser will generally require companies to have in place proper incentives to align management’s goals with the Fund’s goals.”

The discussion set forth in the Prior Notice under the heading “Criteria to Be Applied to the Fund” included a representation by the Adviser that under normal market conditions, the Fund would generally satisfy the generic fixed income initial listing requirements in Nasdaq Rule 5705(b)(4) on a continuous basis measured at the time of purchase, as described in the discussion under such heading. The Adviser confirms that going forward, the Fund would generally satisfy the generic fixed income listing requirements in Nasdaq Rule 5705(b)(4) (as such requirements have been modified since the issuance of the Prior Order) on a continuous basis measured at the time of purchase,<sup>14</sup> as described in the discussion under such heading, subject to the exceptions and modifications described in the Prior Notice and in this filing.<sup>15</sup>

Additionally, the discussion set forth in the Prior Notice under the heading “Description of Senior Loans and the Senior Loan Market” (the “Senior Loan Discussion”) included certain representations as well as information pertaining to the Senior Loan market as it existed at or close to the time of the Prior Notice. Given the time that has elapsed, the Adviser believes that although certain provisions of the Senior Loan Discussion continue to be relevant, much of such discussion is no

<sup>14</sup> In conjunction with the Adviser’s confirmation of this representation, the Exchange believes that is appropriate to retain the phrase “at the time of purchase” in order to be consistent with the Prior Notice and to avoid causing the representation to become more burdensome than originally approved. The Exchange also notes that the Fund is subject to extensive representations, set forth both in the Prior Notice and in this filing, that were specifically tailored for the Fund and are not included in Nasdaq Rule 5705(b)(4) or Nasdaq Rule 5735(b)(1)(B).

<sup>15</sup> See *infra* the discussions relating to the proposed changes regarding the “Convertible Securities Restriction” (referencing Nasdaq Rule 5705(b)(4)(A)(iii)) and the “Par Amount Representation” (referencing Nasdaq Rule 5705(b)(4)(A)(vi)).

longer particularly useful. Therefore, the Exchange is proposing that the Senior Loan Discussion and accompanying heading be deleted in their entirety and, for purposes of this filing, replaced with the following:

*Additional Information About the Fund’s Investments in Senior Loans*

The Fund will primarily invest in the more liquid and higher rated segment of the Senior Loan market. In this regard, the average credit rating of the Senior Loans that the Fund typically will hold will be rated between the categories of BB and B as rated by S&P. Further, the most actively traded loans in the Senior Loan market will generally have a tranche size outstanding (or total float of the issue) in excess of \$250 million. The borrowers of these broadly syndicated bank loans will typically be followed by many “buy-side” and “sell-side” credit analysts who will in turn rely on the borrower to provide transparent financial information concerning its business performance and operating results. The Adviser represents that such borrowers typically provide significant financial transparency to the market through the delivery of financial statements on at least a quarterly basis as required by the executed credit agreements. Additionally, bids and offers in the Senior Loans are available throughout the trading day on larger Senior Loans issues with multiple dealer quotes available.

The Adviser represents that the underwriters, or agent banks, which distribute, syndicate and trade Senior Loans are among the largest global financial institutions. It is common for multiple firms to act as underwriters and market makers for a specific Senior Loan issue.

The Adviser represents that the segment of the Senior Loan market that the Fund will focus on is highly liquid.<sup>16</sup>

(4) Proposed Changes to Provisions Pertaining to “Received Instruments” (as defined below)

As described in the Prior Notice, under normal market conditions, the Fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in Senior Loans. Additionally, under the heading “Other Investments”, the Prior Notice stated that the Fund “may receive equity, warrants, corporate bonds and other such securities” (collectively, “Received

<sup>16</sup> See the discussion under “Introduction,” *supra*. Further, based on data available from the Loan Syndications and Trading Association (“LSTA”), the average monthly market breadth (*i.e.*, the number of unique loans traded monthly) reached a record 1,472 loans during the first quarter of 2018, with March 2018 being the fifth consecutive month during which more than 1,450 unique loans traded. Further, secondary loan trading volume totaled \$54.6 billion in March 2018, bringing first quarter 2018 volumes to \$164 billion. Trade activity increased 10% quarter-over-quarter, but fell 11% year-over-year. However, a record-breaking \$181.6 billion of secondary trading volume occurred during the first quarter of 2017.

(May 30, 2017) (SR–NASDAQ–2017–033) (order approving listing and trading of First Trust California Municipal High Income ETF); Securities Exchange Act Release No. 78913 (September 23, 2016), 81 FR 69109 (October 5, 2016) (SR–NASDAQ–2016–002) (order approving listing and trading of First Trust Municipal High Income ETF); and Securities Exchange Act Release No. 68972 (February 22, 2013), 78 FR 13721 (February 28, 2013) (SR–NASDAQ–2012–147) (order approving listing and trading of First Trust High Yield Long/Short ETF).

Instruments”) as a result of the restructuring of the debt of an issuer, or a reorganization of a senior loan or bond, or acquired together with a high yield bond or senior loan(s) of an issuer (collectively, the “Received Instruments Triggers”). Further, the Prior Notice stated that such investments (*i.e.*, the Received Instruments) would be subject to the Fund’s investment objectives, restrictions and strategies, as described therein.

Although the Adviser’s overall approach to managing the Fund would not change, the Adviser believes that under certain circumstances, a limited ability to retain Received Instruments beyond the parameters set forth in the Prior Notice may serve to benefit shareholders to the extent it helps the Fund to pursue its investment objectives by retaining an investment interest, which the Adviser believes has merit, relating to a particular issuer.<sup>17</sup> Accordingly, to provide the Fund with additional flexibility with respect to its ability to retain Received Instruments, going forward, the Exchange is proposing that the Received Instruments Triggers and certain other restrictions and representations set forth in the Prior Notice be modified, as described below. The Exchange believes that concerns related to manipulation should be mitigated given that the proposed changes (a) would be limited in scope, and (b) would be subject to the limits described below, which should provide support regarding the Fund’s anticipated liquidity profile going forward. Additionally, in this regard, the Exchange believes that the Adviser’s expectation that generally, over time, significantly less than 20% of the Fund’s net assets would be comprised of Equity-Based Received Instruments (which means that significantly less than 20% of the Fund’s net assets are expected to be comprised of instruments that do not satisfy the “ISG Restriction” (as defined below)) should help to alleviate manipulation concerns.

**Received Instruments Triggers.** Going forward, the Exchange is proposing that the Received Instruments Triggers be modified to provide that the Fund may receive Received Instruments (a) in conjunction with the restructuring or

reorganization, as applicable, of an issuer or any debt issued by an issuer, whether accomplished within or outside of a bankruptcy proceeding under 11 U.S.C. 101 *et seq.* (or any other similar statutory restructuring or reorganization proceeding) or (b) together with one or more Senior Loans (or other debt instruments) of an issuer.<sup>18</sup> The Fund’s ability to retain Received Instruments would be subject to the Fund’s investment objectives, restrictions and strategies, as described in the Prior Notice, subject to the modifications set forth in this filing. The Fund’s aggregate holdings in (1) Received Instruments that are not Senior Loans and (2) Received Instruments that are Senior Loans and do not satisfy the Par Amount Representation (as defined below) would be limited to 20% of the Fund’s net assets.

**Equity and Equity-Like Instruments and Interests.** Under the heading “Other Investments,” the Prior Notice stated that except for investments in ETFs that may hold non-U.S. issues, the Fund would not otherwise invest in non-U.S. equity issues (the “Non-U.S. Equity Restriction”). The Prior Notice also stated that the equity securities in which the Fund may invest would be limited to securities that trade in markets that are members of the Intermarket Surveillance Group (“ISG”), which includes all U.S. national securities exchanges and certain foreign exchanges, or are parties to a comprehensive surveillance sharing agreement with the Exchange (the “ISG Restriction”). In light of the many types of interests that may be received under the circumstances described above in the proposed Received Instruments Triggers and variations in nomenclature, the Exchange is proposing that, going forward, the Fund may retain, without regard to the Non-U.S. Equity Restriction or the ISG Restriction, Received Instruments that would encompass a broad range of U.S. and non-U.S. equity and equity-like positions and interests (“Equity-Based Received Instruments”). For the avoidance of doubt, for purposes of this filing, such Equity-Based Received Instruments shall mean any one or more of the following (whether received individually or as part of a unit or package of securities and/or other instruments): (i) Common and preferred equity interests in corporations; (ii) membership interests (*e.g.*, in limited

liability companies), partnership interests, and interests in other types of entities (*e.g.*, state law business trusts and real estate investment companies); (iii) warrants; (iv) Tax Receivable Agreement (TRA) rights; (v) claims (generally, rights to payment, which can come in various forms, including without limitation claims units and claims trusts); (vi) trust certificates representing an interest in a trust established under a confirmed plan of reorganization; (vii) interests in liquidating, avoidance or other types of trusts; (viii) interests in joint ventures; and (ix) rights to acquire any of the Equity-Based Received Instruments described in clauses (i) through (viii).<sup>19</sup>

Except as described in this filing, the Fund’s ability to retain Equity-Based Received Instruments would continue to be subject to the Fund’s investment objectives, restrictions and strategies, as described in the Prior Notice. As indicated above, the Fund would not hold more than 20% of its net assets in Equity-Based Received Instruments.<sup>20</sup>

**Convertible Securities/Debt Instruments.** Under the heading “Principal Investments”, the Prior Notice included a representation that each of the Fund’s Senior Loan investments was expected to have no less than \$250 million USD par outstanding (the “Par Amount Representation”).<sup>21</sup> Further, under the heading “Criteria to Be Applied to the Fund,” in connection with certain criteria to be applied to the Fund based on the generic listing standards for Index Fund Shares set forth under Nasdaq Rule 5705(b)(4), the Prior Notice included a representation by the Adviser that the Fund would not typically invest in convertible securities, but that should the Fund make such investments, the Adviser would direct the Fund to divest any

<sup>19</sup> The Fund may be entitled to acquire additional Equity-Based Received Instruments by exercising warrants (included in clause (iii)) and/or rights (included in clause (ix)). For the avoidance of doubt, the Fund’s ability to retain Equity-Based Received Instruments that it acquires by exercising such warrants and/or rights will be the same as its ability to retain Equity-Based Received Instruments that it otherwise receives.

<sup>20</sup> In this regard, however, the Adviser expects that, generally, over time, significantly less than 20% of the Fund’s net assets would be comprised of Equity-Based Received Instruments. In addition, for the avoidance of doubt, Equity-Based Received Instruments would not be taken into account for purposes of compliance with the 80% Requirement.

<sup>21</sup> The Par Amount Representation is also deemed to include the similar representation set forth under “Criteria to Be Applied to the Fund” which provided that the Fund may invest in Senior Loans borrowed by entities that would not meet the criteria set forth in Nasdaq Rule 5705(b)(4)(A)(vi) provided the borrower has at least \$250 million outstanding in Senior Loans.

<sup>17</sup> For example, a situation may arise where in lieu of a Senior Loan, bond, or other debt instrument that the Adviser originally selected, the Fund would be presented with new equity of or relating to the applicable issuer, but, in light of certain restrictions and representations in the Prior Notice, would be precluded from retaining the instrument and would therefore be required to dispose of the instrument despite its perceived benefit to shareholders of the Fund, in order to maintain compliance with the continued listing standards of the Exchange.

<sup>18</sup> For example, incidental to the Fund’s purchase of a Senior Loan, the Fund may from time to time receive warrants and/or other equity securities as part of a unit or package combining a Senior Loan and such warrants and/or other equity securities.

converted equity security as soon as practicable (the “Convertible Securities Restriction”).

Going forward, the Exchange is proposing that the Fund may retain in its portfolio, without regard to the Credit Metrics Representation (modified as described above), the Senior Loan/ Other Debt Representations (modified as described above), the Par Amount Representation or the Convertible Securities Restriction, Received Instruments. Further, the Exchange is proposing that the Fund would be permitted to continue to retain in its portfolio Received Instruments that are convertible securities after such securities have converted (*i.e.*, as Equity-Based Received Instruments, which would not be taken into account for purposes of compliance with the 80% Requirement) without regard to the Convertible Securities Restriction, the Non-U.S. Equity Restriction or the ISG Restriction. In addition, for the avoidance of doubt, Received Instruments that are convertible securities, bonds, loans or other debt instruments of any type may be issued by U.S. and/or non-U.S. issuers.<sup>22</sup>

Except as described in this filing, the Fund’s investments in, and ability to hold, Senior Loans, convertible securities and other debt instruments would continue to be subject to the Fund’s investment objectives, restrictions and strategies, as described in the Prior Notice. As indicated above, the Fund would not hold more than 20% of its net assets, in the aggregate, in (1) Received Instruments that are not Senior Loans and (2) Received Instruments that are Senior Loans and do not satisfy the Par Amount Representation. Although it is possible that the Fund’s holdings may include certain Received Instruments that are Senior Loans that *do not* satisfy the Par Amount Representation, at least 80% of the Fund’s net assets would be comprised of Senior Loans that *do* satisfy the Par Amount Representation.

#### Availability of Information

Intra-day executable price quotations for the Senior Loans, fixed income securities and other assets (including any Received Instruments and Defaulted

Loans) held by the Fund would be available from major broker-dealer firms and/or market data vendors (and/or, if applicable, on the exchange on which they are traded). Intra-day price information for the holdings of the Fund would be available through subscription services, such as Markit, Bloomberg and Thomson Reuters, which can be accessed by authorized participants and other investors, and/or from independent pricing services.<sup>23</sup> In addition, the Fund’s Disclosed Portfolio, as defined in Nasdaq Rule 5735(c)(2), would include the Received Instruments and Defaulted Loans held by the Fund. Further, for the Fund, an estimated value, defined in Nasdaq Rule 5735(c)(3) as the “Intraday Indicative Value” that reflects an estimated intraday value of the Fund’s portfolio, would continue to be disseminated.

#### Surveillance

The Exchange represents that trading in the Shares would be subject to the existing trading surveillances, administered by both Nasdaq and also the Financial Industry Regulatory Authority (“FINRA”), on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.<sup>24</sup> The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

FINRA, on behalf of the Exchange, would communicate as needed regarding trading in the Shares and the exchange-listed instruments held by the Fund (including exchange-listed Equity-Based Received Instruments (if any) and any other exchange-listed equity securities) with other markets and other entities that are members of ISG or exchanges with which the Exchange has

a comprehensive surveillance sharing agreement<sup>25</sup> and FINRA and the Exchange both may obtain trading information regarding trading in the Shares and such exchange-listed instruments held by the Fund from markets and other entities that are members of ISG, which include securities exchanges, or with which the Exchange has in place a comprehensive surveillance sharing agreement. Moreover, FINRA, on behalf of the Exchange, would be 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”).

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

#### Continued Listing Representations

All statements and representations made in this filing regarding (a) the description of the portfolio or reference assets, (b) limitations on portfolio holdings or reference assets, (c) dissemination and availability of the reference asset or intraday indicative values, or (d) the applicability of Exchange listing rules shall constitute continued listing requirements for listing the Shares on the Exchange. In addition, the issuer has represented to the Exchange that it 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 listing requirements. If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under the Nasdaq 5800 Series.

The Adviser represents that there would be no change to the Fund’s investment objectives. Except as provided herein, all other representations made in the Prior Notice would remain unchanged.<sup>26</sup> Except for the generic listing provisions of Nasdaq Rule 5735(b)(1) (the “generic listing standards”)<sup>27</sup> and as otherwise

<sup>22</sup> This is consistent with the terms of the Prior Release, which, as set forth under the heading “Principal Investments” in the Prior Notice, stated that the Fund would invest in Senior Loans that are made predominantly to businesses operating in North America, but may also invest in Senior Loans made to businesses operating outside of North America, and, as set forth under the heading “Other Investments” in the Prior Notice, permits the Fund to invest in debt securities issued by non-U.S. companies that are traded over-the-counter or listed on an exchange.

<sup>23</sup> In conjunction with the information provided in this paragraph, the Exchange is proposing that the second sentence of footnote 40 of the Prior Notice (which provided that International Data Corporation (“IDC”) is the primary price source for “Other Investments”) be deleted.

<sup>24</sup> FINRA surveils trading on the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services agreement.

<sup>25</sup> For a list of the current members of ISG, see [www.isgportal.org](http://www.isgportal.org). The Exchange notes that not all components of the Disclosed Portfolio may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

<sup>26</sup> Certain provisions of the Prior Notice, however, were based on information as of a particular date and there has not been an undertaking to update such information for purposes of this filing.

<sup>27</sup> In particular, consistent with the statements in the Prior Notice to the effect that the Fund may not meet the criteria set forth in Nasdaq Rule

provided in this filing, the Fund and the Shares would continue to comply with the requirements applicable to Managed Fund Shares under Nasdaq Rule 5735.

## 2. Statutory Basis

Nasdaq believes that the proposal is consistent with Section 6(b) of the Act in general and Section 6(b)(5) of the Act, in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest. The purpose of the proposed rule change is to modify certain provisions set forth in the Prior Notice pertaining to (1) the Normal Market Conditions Definition; (2) the Fund's investments in Senior Loans and other debt, including, in particular, its investments in Defaulted Loans; and (3) the Fund's ability to retain Received Instruments. Except as provided herein, all other representations made in the Prior Notice would remain unchanged. Except for the generic listing standards and as otherwise provided in this filing, the Fund and the Shares would continue to comply with the requirements applicable to Managed Fund Shares under Nasdaq Rule 5735.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares would continue to be listed and traded on the Exchange pursuant to Nasdaq Rule 5735. The Exchange also notes the continued listing representations set forth above and that except as provided herein, all other representations made in the Prior Notice would remain unchanged. The Exchange represents that trading in the Shares would continue to be subject to the existing

trading surveillances, administered by both Nasdaq and also FINRA, on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws. FINRA, on behalf of the Exchange, would communicate as needed regarding trading in the Shares and the exchange-listed instruments held by the Fund (including exchange-listed Equity-Based Received Instruments (if any) and any other exchange-listed equity securities) with other markets and other entities that are members of ISG or exchanges with which the Exchange has a comprehensive surveillance sharing agreement and FINRA and the Exchange both may obtain information regarding trading in the Shares and such exchange-listed instruments held by the Fund from markets and other entities that are members of ISG, which include securities exchanges, or with which the Exchange has in place a comprehensive surveillance sharing agreement. Moreover, FINRA, on behalf of the Exchange, would be able to access, as needed, trade information for certain fixed income securities held by the Fund reported to FINRA's TRACE. The Exchange notes that although the proposed changes in this filing would permit the Fund to retain, without regard to the ISG Restriction and the Non-U.S. Equity Restriction, Equity-Based Received Instruments, the Fund would not hold more than 20% of its net assets in Equity-Based Received Instruments (which would not be taken into account for purposes of compliance with the 80% Requirement), and the Adviser expects that generally, over time, significantly less than 20% of the Fund's net assets would be comprised of Equity-Based Received Instruments, which, together, should mitigate the risks associated with manipulation.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Adviser represents that the purpose of the proposed changes is to provide it with greater flexibility in meeting the Fund's investment objectives by modifying certain provisions in the Prior Notice. Notwithstanding the proposed changes, however, consistent with the Prior Notice, it is anticipated that the Fund, in accordance with its principal investment strategy, would continue to invest approximately 50% to 75% of its net assets in Senior Loans that are eligible for inclusion in and meet the liquidity thresholds of the Primary Index and/or the Secondary Index.<sup>28</sup>

<sup>28</sup> See *supra* footnotes 6–9 and accompanying text.

Additionally, consistent with the Prior Notice, the aggregate amount of the Fund's net assets permitted to be held in illiquid securities (calculated at the time of investment), including Rule 144A securities, junior subordinated loans and unsecured loans deemed illiquid by the Adviser, would continue to be limited to 15%.

With respect to the proposed changes relating to the Normal Market Conditions Definition, the Exchange does not believe that the proposed changes raise concerns. Rather, the Exchange believes that the proposed changes would provide the Fund with appropriate flexibility to adapt to challenging conditions and would potentially help the Fund mitigate risks that may accompany adverse political or economic factors and other extraordinary circumstances. Moreover, the proposed changes are consistent with prior Commission approvals of proposed rule changes relating to other ETFs advised by the Adviser.

With respect to the proposed changes relating to Defaulted Loans, the Exchange notes that the Adviser believes that while the proposed changes would provide additional flexibility, the changes would not conflict with the Fund's investment objectives or overall investment strategies or be inconsistent with the Adviser's overall approach to managing the Fund. Rather, the proposed changes would enhance the Adviser's investment opportunities in managing the Fund. In this regard, as stated in the Prior Notice, in selecting securities for the Fund, the Adviser would continue to seek to construct a portfolio of loans that it believes is less volatile than the general loan market.

In addition, when making investments, the Adviser would continue to seek to maintain appropriate liquidity and price transparency for the Fund, and the key considerations of portfolio construction would continue to include liquidity, diversification and relative value. The Exchange believes that concerns related to manipulation should be mitigated given that the proposed changes (a) would be limited in scope, and (b) would be subject to the provisions described above, which should provide support regarding the Fund's anticipated liquidity profile going forward. In particular, pursuant to the 15% Limitation, Defaulted Loans would comprise no more than 15% of the Fund's net assets, as determined at the time of purchase. If, subsequent to being purchased or otherwise obtained by the Fund, a Senior Loan or other floating rate loan defaulted, the Fund could continue to hold such Senior

5705(b)(4)(A)(vi), the Fund may not meet the similar criteria of Nasdaq Rule 5735(b)(1)(B)(iv); however, under normal market conditions, the Fund would generally be expected to meet the other criteria set forth in Nasdaq Rule 5735(b)(1)(B). Additionally, the Fund's investments in equity securities are not generally expected to meet the criteria set forth in Nasdaq Rule 5735(b)(1)(A) and, to the extent the Fund invests in cash equivalents, such investments may not necessarily satisfy the criteria set forth in Nasdaq Rule 5735(b)(1)(C) (for example, the requirement that maturities be less than three months). The criteria set forth in Nasdaq Rules 5735(b)(1)(D), (E) and (F) are irrelevant given that the Fund does not and will not invest in listed or over-the-counter derivatives (and, for the avoidance of doubt, Equity-Based Received Instruments (including without limitation warrants and rights referenced above in footnote 19 and the accompanying text) will not be considered to be options or any other type of derivative).

Loan or other floating rate loan without regard to the 15% Limitation; however, such Senior Loan or other floating rate loan would be considered a Defaulted Loan for purposes of determining whether the Fund's purchase of additional Defaulted Loans would comply with the 15% Limitation. Based on the foregoing, the Exchange does not believe that the proposed changes will adversely affect investors or Exchange trading.

With respect to the proposed changes relating to Received Instruments, although the Adviser's overall approach to managing the Fund would not change, the Adviser believes that under certain circumstances, a limited ability to retain Received Instruments beyond the parameters set forth in the Prior Notice may serve to benefit shareholders to the extent it helps the Fund to pursue its investment objectives by retaining an investment interest, which the Adviser believes has merit, relating to a particular issuer. The Exchange believes that concerns related to manipulation should be mitigated given that the proposed changes (a) would be limited in scope, and (b) would be subject to the limits described above, which should provide support regarding the Fund's anticipated liquidity profile going forward. As indicated above, the Fund would not hold more than 20% of its net assets, in the aggregate, in (1) Received Instruments that are not Senior Loans and (2) Received Instruments that are Senior Loans and do not satisfy the Par Amount Representation. Further, although it is possible that the Fund's holdings may include certain Received Instruments that are Senior Loans that *do not* satisfy the Par Amount Representation, at least 80% of the Fund's net assets would be comprised of Senior Loans that *do* satisfy the Par Amount Representation.

Additionally, the Exchange believes that the Adviser's expectation that generally, over time, significantly less than 20% of the Fund's net assets would be comprised of Equity-Based Received Instruments (which means that significantly less than 20% of the Fund's net assets are expected to be comprised of instruments that do not satisfy the ISG Restriction) should help to alleviate manipulation concerns. Further, Equity-Based Received Instruments would not be taken into account for purposes of compliance with the 80% Requirement. Based on the foregoing, the Exchange does not believe that the proposed changes will adversely affect investors or Exchange trading.

In addition, a large amount of information would continue to be

publicly available regarding the Fund and the Shares, thereby promoting market transparency. For example, the Intraday Indicative Value, available on the Nasdaq Information LLC proprietary index data service, would continue to be widely disseminated by one or more major market data vendors and broadly displayed at least every 15 seconds during the Regular Market Session. On each business day, before commencement of trading in Shares in the Regular Market Session on the Exchange, the Fund would continue to disclose on the applicable website<sup>29</sup> the Disclosed Portfolio that will form the basis for the Fund's calculation of net asset value ("NAV") at the end of the business day. Intra-day executable price quotations for the Senior Loans, fixed income securities and other assets (including any Received Instruments and Defaulted Loans) held by the Fund would be available from major broker-dealer firms and/or market data vendors (and/or, if applicable, on the exchange on which they are traded). Intra-day price information for the holdings of the Fund would be available through subscription services, such as Markit, Bloomberg and Thomson Reuters, which can be accessed by authorized participants and other investors, and/or from independent pricing services. In addition, the Fund's Disclosed Portfolio would include the Received Instruments and Defaulted Loans held by the Fund.

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 the additional flexibility to be afforded to the Adviser under the proposed rule change is intended to enhance its ability to meet the Fund's investment objectives, to the benefit of investors. In addition, consistent with the Prior Notice, NAV per Share would continue to be calculated daily, and NAV and the Disclosed Portfolio would continue to be made available to all market participants at the same time. Further, as noted above and/or in the Prior Notice, investors would continue to have ready access to information regarding the Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

For the above reasons, Nasdaq believes the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act.

#### *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 Exchange believes that the proposed rule change would provide the Adviser with additional flexibility, thereby helping the Fund to achieve its investment objectives. As such, it is expected that the Fund may become a more attractive investment product in the marketplace and, therefore, that the proposed rule change would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

No written comments were either solicited or received.

### **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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2018-050 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-NASDAQ-2018-050. This

<sup>29</sup> [www.ftportfolios.com](http://www.ftportfolios.com).

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 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASDAQ-2018-050 and should be submitted on or before August 7, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>30</sup>

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

[FR Doc. 2018-15177 Filed 7-16-18; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 33159; 812-14829]

### TriLine Index Solutions, LLC and ETF Series Solutions

July 11, 2018.

**AGENCY:** Securities and Exchange Commission ("Commission").

**ACTION:** Notice.

Notice of an application under section 6(c) of the Investment Company Act of 1940 ("Act") for an exemption from section 15(a) of the Act and rule 18f-2 under the Act, as well as from certain disclosure requirements in rule 20a-1

under the Act, Item 19(a)(3) of Form N-1A, Items 22(c)(1)(ii), 22(c)(1)(iii), 22(c)(8) and 22(c)(9) of Schedule 14A under the Securities Exchange Act of 1934, and Sections 6-07(2)(a), (b), and (c) of Regulation S-X ("Disclosure Requirements"). The requested exemption would permit an investment adviser to hire and replace certain sub-advisers without shareholder approval and grant relief from the Disclosure Requirements as they relate to fees paid to the sub-advisers.

**APPLICANTS:** ETF Series Solutions (the "Trust"), a Delaware statutory trust registered under the Act as an open-end management investment company with multiple series, and TriLine Index Solutions, LLC (the "Initial Adviser"), a Delaware limited liability company registered as an investment adviser under the Investment Advisers Act of 1940.

**FLING DATES:** The application was filed on October 4, 2017 and amended on May 2, 2018.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on August 3, 2018, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Pursuant to rule 0-5 under the Act, hearing requests should state the nature of the writer's interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

**ADDRESSES:** Secretary, U.S. Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090. Applicants: ETF Series Solutions, 615 E Michigan Street, Milwaukee, WI 53202, and TriLine Index Solutions, LLC, 8117 Preston Road, Suite 260, Dallas, TX 75225.

**FOR FURTHER INFORMATION CONTACT:** Bruce R. MacNeil, Senior Counsel, at (202) 551-6817, or Kaitlin C. Bottock, Branch Chief, at (202) 551-6825 (Division of Investment Management, Chief Counsel's Office).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained via the Commission's website by searching for the file

number, or for an applicant using the Company name box, at <http://www.sec.gov/search/search.htm> or by calling (202) 551-8090.

### Summary of the Application

1. The Initial Adviser is the investment adviser to the Trust's Pickens Oil Response ETF ("Initial Fund") pursuant to an investment management agreement with the Trust ("Investment Management Agreement").<sup>1</sup> Under the terms of the Investment Management Agreement, the Adviser, subject to the supervision of the board of trustees of the Trust ("Board"), provides continuous investment management of the assets of each Subadvised Fund. Consistent with the terms of the Investment Management Agreement, the Adviser may, subject to the approval of the Board, delegate portfolio management responsibilities of all or a portion of the assets of a Subadvised Fund to one or more Sub-Advisers.<sup>2</sup> The Adviser will continue to have overall responsibility for the management and investment of the assets of each Subadvised Fund. The Adviser will evaluate, select, and recommend Sub-Advisers to manage the assets of a Subadvised Fund and will oversee, monitor and review the Sub-Advisers and their performance and

<sup>1</sup> Applicants request relief with respect to the Initial Fund, as well as to any future series of the Trust and any other existing or future registered open-end management investment company or series thereof that, in each case, is advised by the Initial Adviser or any entity controlling, controlled by, or under common control with, the Initial Adviser or its successors (each, also an "Adviser"), uses the multi-manager structure described in the application, and complies with the terms and conditions set forth in the application (each, a "Subadvised Fund"). For purposes of the requested order, "successor" is limited to an entity that results from a reorganization into another jurisdiction or a change in the type of business organization. Future Subadvised Funds may be operated as a master-feeder structure pursuant to section 12(d)(1)(E) of the Act. In such a structure, certain series of the Trust (each, a "Feeder Fund") may invest substantially all of their assets in a Subadvised Fund (a "Master Fund") pursuant to section 12(d)(1)(E) of the Act. No Feeder Fund will engage any sub-advisers other than through approving the engagement of one or more of the Master Fund's sub-advisers.

<sup>2</sup> As used herein, a "Sub-Adviser" for a Subadvised Fund is (1) an indirect or direct "wholly owned subsidiary" (as such term is defined in the Act) of the Adviser for that Subadvised Fund, or (2) a sister company of the Adviser for that Subadvised Fund that is an indirect or direct "wholly-owned subsidiary" of the same company that, indirectly or directly, wholly owns the Adviser (each of (1) and (2) a "Wholly-Owned Sub-Adviser" and collectively, the "Wholly-Owned Sub-Advisers"), or (3) not an "affiliated person" (as such term is defined in section 2(a)(3) of the Act) of the Subadvised Fund, any Feeder Fund invested in a Master Fund, the Trust, or the Adviser, except to the extent that an affiliation arises solely because the Sub-Adviser serves as a sub-adviser to a Subadvised Fund ("Non-Affiliated Sub-Advisers").

<sup>30</sup> 17 CFR 200.30-3(a)(12).