SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–82433; File No. SR–DTC–2017–023]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of a Proposed Rule Change To Restore the Timeframe for Processing Credit Post-Payable Adjustments

January 2, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] notice is hereby given that on December 21, 2017, The Depository Trust Company (''DTC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change by DTC would amend the Distributions Service Guide (''Guide'') [3] to (i) restore a practice of DTC relating to the timeframe for accepting a request from an issuer or its agent (''Paying Agent'') for a post-payable adjustment (''PPA'') of principal and income payments (''P&I'') that results in the allocation of additional credits to Accounts of affected Participants (''Credit PPA''), and (ii) make technical changes to the Guide, as more fully described below.[4]

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency 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 clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The proposed rule change by DTC would amend the Guide to (i) restore a practice of DTC relating to the timeframe for accepting a request from a Paying Agent for a Credit PPA, and (ii) make technical changes to the Guide, as more fully described below.

(i) Background

One of the core asset services provided by DTC is the daily collection and allocation of funds distributions on Securities held by DTC. Commonly referred to as P&I, these funds include dividend, interest, periodic principal, redemption, and maturity payments arising from the servicing of Securities held by DTC. DTC provides centralized processing to facilitate this service, and, on each Business Day, communicates with Paying Agents regarding the P&I due that day, collects payments, and allocates entitlements to Participants.

Occasionally, a Paying Agent may request a PPA at DTC due to an error on the part of the Paying Agent, trustee, issuer, or a change in the principle factor or rate. A PPA can result in debits (''Debit PPA'') and/or credits to Settlement Accounts of the affected Participants.

When DTC receives a request for a PPA from a Paying Agent,[5] DTC processes the debit and/or credit adjustments for the misapplied principal or income to the Settlement Accounts of affected Participants. Accordingly, affected Participants will need to process adjustments to their customers' accounts for any misapplied principal or income and any associated interest. In addition, affected Participants may need to process adjustments against any customer that traded the security after the initial payment had occurred.

Debit PPAs carry particular risks. When DTC processes a Debit PPA, it will automatically debit the Settlement Accounts of the affected Participants, which in turn must seek to collect the funds from their customers, which in turn may need to recover from end investors. This recovery process gets more difficult as time passes and creates significant credit exposure, as customers and the end investors may no longer have the funds to debit, or may have closed or moved their accounts.

Historically, DTC accommodated Paying Agent adjustment requests by processing PPAs (whether a Debit PPA, a Credit PPA, or both) up to one year after the initial payment was made (''One Year Cutoff''). In 2012, the Commission approved a DTC rule filing that implemented a practice whereby DTC would not accept a request for a PPA from a Paying Agent beyond ninety calendar days after the initial payment date (''Ninety-Day Cutoff'').[6] The purpose of shortening the timeframe was to mitigate the risks associated with PPAs, in particular Debit PPAs, by reducing the volume of PPAs and to allocate the accountability to the Paying Agents responsible for the PPAs.

Under the current practice, if a Paying Agent wants to effectuate a PPA beyond the Ninety-Day Cutoff, it cannot be processed through DTC. The Paying Agent must request from DTC an allocation register listing all affected Participants and positions. Using the allocation register, the Paying Agent must then attempt to contact each affected Participant to make direct adjustments and/or payment arrangements outside of DTC.

(ii) Proposal To Restore the One Year Cutoff for Credit PPAs

After the Ninety-Day Cutoff became effective on January 1, 2015, a post-payable adjustment task force (''Task Force''), formed by DTC and comprised of Paying Agents and representative members of the Association of Global Custodians (''AGC''), the American Bankers Association, and the Corporate Actions division of the Securities Industry and Financial Market Association (''SIFMA''), monitored the PPA landscape. From that review, the Task Force determined that all parties—Paying Agents, issuers, Participants, investors—would benefit from restoring the timeframe for the processing of Credit PPAs (but not Debit PPAs) from the Ninety-Day Cutoff back to the original One Year Cutoff. The restoration of the PPA timeframe back to a One Year Cutoff for Credit PPAs would allow Paying Agents more time to make correct allocations to Participants efficiently through DTC, rather than requiring the Paying Agent to make the adjustments bilaterally with each Participant, outside of DTC. This efficiency would allow Participants, their customers, and end investors to receive their funds more quickly.

DTC and the Task Force determined to preserve the Ninety-Day Cutoff for

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *Available at http://www.dtcc.com/~/media/Files/Downloads/legal/service-guides/Distributions-Service-Guide-FINAL-January-2017.pdf.*

[4] Each capitalized term not otherwise defined herein has its respective meaning as set forth in the Rules, By-Laws and Organization Certificate of The Depository Trust Company, *available at http://www.dtcc.com/~/media/Files/Downloads/legal/rules/dtc_rules.pdf;* and in the Guide, *supra* note 3.

[5] A request for a Credit PPA will only be processed by DTC on receipt of associated funds.

[6] Securities Exchange Act Release No. 67599 (August 6, 2012), 77 FR 47898 (August 10, 2012) (SR–DTC–2012–03). The implementation was staggered over the course of 2014. The Ninety-Day Cutoff was effective as of January 1, 2015.

Debit PPAs.[7] As described above, Debit PPAs create significant credit risk exposure for Participants, customers, and investors as more time passes, because it becomes more difficult for Participants to recover debited funds from their customers that may no longer have an account, may not have available funds, or may no longer service the end investor. By retaining the Ninety-Day Cutoff for Debit PPAs, DTC would be (i) maintaining the appropriate allocation of risk among Participants, their clients, investors, issuers and Paying Agents, (ii) creating proactive incentives for Paying Agents and issuers to reduce the number of Debit PPAs, and (iii) promoting payment finality.

For the reasons set forth above, DTC proposes to restore the timeframe for the processing of Credit PPAs from the Ninety-Day Cutoff back to a One Year Cutoff.[8] In addition, DTC proposes to modify the language of the Guide to (i) reflect a One Year Cutoff for Credit PPAs and a Ninety-Day Cutoff for Debit PPAs, and (ii) remove outdated language about the date of effectiveness of the Ninety-Day Cutoff.

(iii) Technical Changes to the Guide

DTC is also proposing to modify language in the Guide to (i) remove the statement that PPA adjustments will appear on Participant Statements, as adjustments can only be viewed using CA Web, ISO 20022 messages and CCF Files, (ii) for consistency with the term ''P&I'', add the word ''principal'' to the list of payments that may be subject to a PPA, and (iii) remove an incorrect reference to CMO/ABS securities.[9]

Outreach

DTC discussed the Task Force's recommendation to restore the timeframe for the processing of Credit PPAs to a One Year Cutoff with the SIFMA Corporate Action Section and AGC, which have agreed with the recommendation.

Implementation Date

DTC will implement the proposed rule change upon approval of this filing by the Commission.

2. Statutory Basis

DTC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act.[10]

Section 17A(b)(3)(F) of the Act requires that the rules of the clearing agency be designed, *inter alia,* to promote the prompt and accurate clearance and settlement of securities transactions.[11] By restoring the timeframe back to a One Year Cutoff for the processing of Credit PPAs through DTC, DTC is providing centralized processing for Credit PPAs for a longer period of time, whereas Paying Agents would otherwise have to process the Credit PPAs outside of DTC after ninety days. In addition, the proposed rule change would make technical changes to the Guide, as described above, which would help ensure that the procedures relating to PPAs are accurate and consistent. Therefore, DTC believes that the proposed rule change would facilitate a more efficient process for Paying Agents to allocate funds, and for Participants to receive funds owed to them, as well as allow Participants to have a clearer understanding of the related procedures, thereby removing impediments to and perfecting the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, consistent with the requirements of the Act, in particular Section 17A(b)(3)(F), cited above.

(B) Clearing Agency's Statement on Burden on Competition

DTC does not believe that the proposed rule change with respect to the Ninety-Day Cutoff for Credit PPAs would have any impact on competition because it would apply to all Paying Agents and would allow all Participants to receive their correct P&I credit allocations in a more efficient manner, and therefore would not disproportionately impact any Paying Agent or Participant.

DTC does not believe that the proposed rule change with respect to technical changes to the Guide would have any impact on competition because it would merely update the Guide to make changes for accuracy and consistency and therefore would not affect the rights and obligations of any Participant or other interested party.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments relating to the proposed rule change have not been solicited or received. DTC will notify the Commission of any written comments received by DTC.

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 such 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.* Please include File Number SR–DTC–2017–023 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

All submissions should refer to File Number SR–DTC–2017–023. 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 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

[7] Under the proposed rule change, if DTC receives a PPA that would result in both credits to and debits from affected Participant accounts after the Ninety-Day Cutoff but before the One Year Cutoff for Credit PPAs, DTC would only process the credits (assuming associated funds were also received), and the Paying Agent would have to collect the debits outside of DTC.

[8] No other DTC practices with regard to PPAs would change, including without limitation, DTC's practice of servicing all court-directed adjustments (with appropriate supporting documentation), regardless of age.

[9] There can be a change in the principal factor or rate on any security, not just a CMO/ABS security.

[10] 15 U.S.C. 78q–1(b)(3)(F).

[11] *Id.*

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 DTC and on DTCC's website (*http://dtcc.com/legal/sec-rule-filings.aspx*). 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–DTC–2017–023 and should be submitted on or before January 29, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[12]

Eduardo A. Aleman,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–82429; File No. SR–CboeBZX–2017–021]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change To List and Trade Shares of the First Trust Bitcoin Strategy ETF and the First Trust Inverse Bitcoin Strategy ETF, Each a Series of the First Trust Exchange-Traded Fund VII, Under Rule 14.11(i), Managed Fund Shares

January 2, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on December 19, 2017, Cboe BZX Exchange, Inc. (the "Exchange" or "BZX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the 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

The Exchange filed a proposal to list and trade shares of the First Trust Bitcoin Strategy ETF and the First Trust Inverse Bitcoin Strategy ETF (each a "Fund" and, collectively, the "Funds"), each a series of the First Trust Exchange-Traded Fund VII (the "Trust"), under Rule 14.11(i) ("Managed Fund Shares"). The shares of the Funds are referred to herein as the "Shares."

The text of the proposed rule change is available at the Exchange's website at *www.markets.cboe.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 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 parts of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to list and trade shares of the First Trust Bitcoin Strategy ETF (the "Long Bitcoin Fund") and the First Trust Inverse Bitcoin Strategy ETF (the "Inverse Bitcoin Fund") under Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange.[3]

The Shares will be offered by the Trust, which was organized as a Massachusetts business trust on November 6, 2012. The Trust is registered with the Commission as an open-end investment company and has filed a registration statement on behalf of the Funds on Form N–1A ("Registration Statement") with the Commission.[4] The Adviser, as defined below, is also registered as a Commodity Pool Operator.

First Trust Advisors L.P. is the investment adviser (the "Adviser") to the Funds and a commodity pool operator ("CPO"). The Funds will be operated in accordance with applicable Commodity Futures Trading Commission ("CFTC") rules, as well as the regulatory scheme applicable to registered investment companies. Registration as a CPO imposes additional compliance obligations on the Adviser and the Funds related to additional laws, regulations, and enforcement policies.

Rule 14.11(i)(7) 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.[5] In

[12] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] The Commission originally approved BZX Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR–BATS–2011–018) and subsequently approved generic listing standards for Managed Fund Shares under Rule 14.11(i) in Securities Exchange Act Release No. 78396 (July 22, 2016), 81 FR 49698 (July 28, 2016) (SR–BATS–2015–100).

[4] *See* Registration Statement on Form N–1A for the Trust, dated December 11, 2017 (File Nos. 333–184918 and 811–22767). The descriptions of the Funds and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order, upon which the Trust may rely, granting certain exemptive relief under the Investment Company Act of 1940 (15 U.S.C. 80a–1) ("1940 Act") (the "Exemptive Order"). *See* Investment Company Act Release No. 30029, April 10, 2012 (File No. 812–13795). In addition, on December 6, 2012, the staff of the Commission's Division of Investment Management ("Division") issued a no-action letter ("No-Action Letter") relating to the use of derivatives by actively-managed exchange-traded funds ("ETFs"). *See* No-Action Letter dated December 6, 2012 from Elizabeth G. Osterman, Associate Director, Office of Exemptive Applications, Division of Investment Management. The No-Action Letter stated that the Division would not recommend enforcement action to the Commission under applicable provisions of and rules under the 1940 Act if ETFs operating in reliance on specified orders (which include the Exemptive Order) invest in options contracts, futures contracts, or swap agreements provided that they comply with certain representations stated in the No-Action Letter.

[5] An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940, as amended (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 for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the

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