

POSTAL REGULATORY COMMISSION**[Docket No. R2014-4; Order No. 1928]****New Postal Product****AGENCY:** Postal Regulatory Commission.**ACTION:** Notice.

SUMMARY: The Commission is noticing a recent Postal Service filing concerning a contract with Hongkong Post for the delivery of various inbound small packets with delivery scanning. This notice informs the public of the filing, invites public comment, and takes other administrative steps.

DATES: *Comments are due:* January 10, 2014.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <http://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER INFORMATION CONTACT** section by telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT: Stephen L. Sharfman, General Counsel, at 202-789-6820.

SUPPLEMENTARY INFORMATION:**Table of Contents**

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I. Introduction

On December 24, 2013, the Postal Service filed notice, pursuant to 39 CFR 3010.40 *et seq.*, announcing that it has entered into a bilateral agreement (Agreement) with Hongkong Post, along with a Type 2 rate adjustment.¹ It asks that the Commission include the Agreement within the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators I (MC2010-35) product on grounds of functional equivalence.

II. Contents of Filing

In addition to the Notice, the Postal Service filed an application for non-public treatment of materials filed under seal (Attachment 1); a redacted copy of the Hongkong Post Agreement (Attachment 2), and a redacted Excel file with supporting financial documentation. Notice at 1-2. The Postal Service also filed unredacted copies of the Agreement and the

supporting financial documentation under seal. *Id.* at 2.

The Agreement is the successor agreement to one previously found to be functionally equivalent to the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators I (MC2010-35).² Notice at 1. The Postal Service identifies Hongkong Post, the postal operator for Hong Kong, and the Postal Service as the parties to the Agreement. *Id.* at 3.

The Postal Service states that the Agreement includes negotiated pricing for various inbound small packets with delivery scanning. *Id.* It asserts that the Agreement will not only improve financial performance over default Universal Postal Union (UPU) rates, but will also continue to improve operational performance. *Id.*

The Postal Service identifies March 1, 2014 as the intended effective date; states that its Notice provides the requisite advance notice; identifies a Postal Service official as a contact person; provides financial data and information in the unredacted workpapers filed under seal; describes expected operational improvements; and addresses why the Agreement will not result in unreasonable harm to the marketplace. *Id.* at 2-5. The intended expiration date is March 1, 2015, unless terminated sooner with at least 30 days' written notice by either party. Notice, Attachment 2 at 6; see also *id.* at 2.

Data collection and performance reporting proposals. The Postal Service proposes that no special data collection plan be created for the Agreement because it intends to report information on the Agreement through the Annual Compliance Report. Notice at 5. With respect to performance measurement, the Postal Service asks that it be excepted from separate reporting under 39 CFR 3055.3(a)(3) based on Order No. 996.³ Notice at 5-6.

Statutory criteria. The Postal Service states that under 39 U.S.C. 3622(c)(10), the criteria for Commission review are whether the Agreement (1) improves the Postal Service's net financial position or enhances the performance of

operational functions; (2) will not cause unreasonable harm to the marketplace; and (3) will be available on public and reasonable terms to similarly situated mailers. *Id.* at 6. It states that it addresses the first two criteria in its Notice and views the third criterion as inapplicable, given Hongkong Post's status as the designated operator for letter post packets originating in Hong Kong. *Id.* at 4, 6.

Functional equivalence. The Postal Service notes that in Order No. 1864, the Commission requested that it put forth a proposal for identification of the appropriate baseline for comparison of agreements for functional equivalency purposes.⁴ Notice at 6-7. The Postal Service states that the Agreement is functionally equivalent to the previously filed and included predecessor agreement with Hongkong Post, which was included within Inbound Market Dominant Multi-Service Agreement with Foreign Postal Operators 1 product grouping. *Id.* at 8. It also states that the terms of the Agreement fit within the proposed Mail Classification Schedule (MCS) language for Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1 and that the Agreement and its predecessor conform to a common description and share a common market. *Id.* at 7. The Postal Service asserts that in comparison with its predecessor, cost characteristics and the financial models used to project costs and revenues are similar. *Id.* at 7-8. It states that while minor differences exist between the Agreement and its predecessor, none of the differences affect the cost or market characteristics nor do they detract from the conclusion that the Agreement is functionally equivalent to its predecessor agreement. *Id.* at 8-9.

III. Commission Action

The Commission, in conformance with 39 CFR 3010.44, establishes Docket No. R2014-4 to consider matters raised by the Notice. The Commission invites interested persons to submit comments on whether the Notice is consistent with the policies of 39 U.S.C. 3622 and 39 CFR part 3010.40. Comments are due no later than January 10, 2014.

The public portions of the Postal Service's filings have been posted on the

² See Docket No. R2013-3, Order No. 1597, Order Approving an Additional Inbound Market Dominant Multi-Service Agreement with Foreign Postal Operators 1 Negotiated Service Agreement (with Hongkong Post), December 28, 2012.

³ In Order No. 996, the Commission granted the Postal Service's request for a standing exemption to performance reporting requirements for all contracts that fall within the parameters of the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operations 1 product. See Docket No. R2012-2, Order No. 996, Order Concerning an Additional Inbound Market Dominant Multi-Service Agreement with Foreign Postal Operators 1 Negotiated Service Agreement, November 23, 2011, at 7.

⁴ Docket No. R2013-9, Order No. 1864, Order Approving an Additional Inbound Market Dominant Multi-Service Agreement with Foreign Postal Operators 1 Negotiated Service Agreement (with Korea Post), October 30, 2013, at 7-8. In response, the Postal Service filed a motion for partial reconsideration. See Docket No. R2013-9, Motion for Partial Reconsideration of Order No. 1864, November 6, 2013.

¹ United States Postal Service Notice of Type 2 Rate Adjustment, and Notice of Filing Functionally Equivalent Agreement, December 24, 2013 (collectively, Notice).

Commission's Web site. They can be accessed at <http://www.prc.gov>. Information on how to obtain access to non-public material is available at 39 CFR part 3007.

The Commission appoints Kenneth R. Moeller to serve as Public Representative in this proceeding.

IV. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. R2014-4 to consider matters raised by the Notice of United States Postal Service of Type 2 Rate Adjustment, and Notice of Filing Functionally Equivalent Agreement, filed December 24, 2013.

2. Pursuant to 39 U.S.C. 505, Kenneth R. Moeller is appointed to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

3. Comments by interested persons are due no later than January 10, 2014.

4. The Secretary shall arrange for publication of this order in the **Federal Register**.

By the Commission.

Shoshana M. Grove,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71186; File No. SR-NYSEArca-2013-138]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to Listing and Trading of Shares of iShares Enhanced International Large-Cap ETF and iShares Enhanced International Small-Cap ETF Under NYSE Arca Equities Rule 8.600

December 26, 2013.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the "Act")² and Rule 19b-4 thereunder,³ notice is hereby given that, on December 13, 2013, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit

comments on the proposed rule change from interested persons.

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

The Exchange proposes to list and trade shares of the following under NYSE Arca Equities Rule 8.600 ("Managed Fund Shares"): iShares Enhanced International Large-Cap ETF and iShares Enhanced International Small-Cap ETF. The text of the proposed rule change is available on the Exchange's Web site at www.nyse.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange proposes to list and trade shares ("Shares") of the following under NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares⁴: iShares Enhanced International Large-Cap ETF ("Large-Cap Fund") and iShares Enhanced International Small-Cap ETF ("Small-Cap Fund", each a "Fund" and, collectively, the "Funds"). The Shares of the Funds will be offered by iShares U.S. ETF Trust (the "Trust") [sic]⁵ The

⁴ A Managed Fund Share is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) ("1940 Act") organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Investment Company Units, listed and traded on the Exchange under NYSE Arca Equities Rule 5.2(j)(3), seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

⁵ The Commission has previously approved listing and trading on the Exchange of a number of

Trust is registered with the Commission as an open-end management investment company.⁶ BlackRock Fund Advisors ("BFA") will serve as the investment adviser to the Funds (the "Adviser"). BFA is an indirect wholly-owned subsidiary of BlackRock, Inc. BlackRock Investments, LLC (the "Distributor") will be the principal underwriter and distributor of the Funds' Shares. State Street Bank and Trust Company (the "Administrator", "Custodian" or "Transfer Agent") will serve as administrator, custodian and transfer agent for the Funds.

Commentary .06 to Rule 8.600 provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a "fire wall" between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio. Commentary .06 further requires that personnel who make decisions on the open-end fund's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the open-end fund's portfolio.⁷ Commentary

actively managed funds under Rule 8.600. *See, e.g.*, Securities Exchange Act Release Nos. 57801 (May 8, 2008), 73 FR 27878 (May 14, 2008) (SR-NYSEArca-2008-31) (order approving Exchange listing and trading of twelve actively-managed funds of the WisdomTree Trust); 60460 (August 7, 2009), 74 FR 41468 (August 17, 2009) (SR-NYSEArca-2009-55) (order approving listing and trading of Dent Tactical ETF); 63076 (October 12, 2010), 75 FR 63874 (October 18, 2010) (SR-NYSEArca-2010-79) (order approving listing and trading of Cambria Global Tactical ETF).

⁶ The Trust is registered under the 1940 Act. *See* Post-Effective Amendment No. 22 (with respect to the Large-Cap Fund, the "Large-Cap Registration Statement") and Post-Effective Amendment No. 23 (with respect to the Small-Cap Fund, the "Small-Cap Registration Statement") to the Trust's registration statement filed with the Commission on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a), and under the 1940 Act, each dated October 4, 2013 (File Nos. 333-179904 and 811-22649) (collectively, the "Registration Statements"). The description of the operation of the Trust and the Funds herein is based, in part, on the Registration Statements. In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. *See* Investment Company Act Release No. 29571 (File No. 812-13601) ("Exemptive Order").

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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.