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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-88558; File No. SR-CboeBZX-2020-007]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Order Approving a Proposed Rule Change, as Modified by Amendment No. 1, to Eliminate the Requirement that an Intraday Indicative Value be Disseminated as Set Forth Under Rule 14.11(c) for Certain Series of Index Fund Shares and Under Rule 14.11(i) for All Series of Managed Fund Shares

April 3, 2020.

I. Introduction

On February 14, 2020, Cboe BZX Exchange, Inc. ("Exchange" or "BZX") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to eliminate the requirements that an intraday indicative value be disseminated under Rule 14.11(c) (Index Fund Shares) for certain series of Index Fund Shares and under Rule 14.11(i) (Managed Fund Shares) for all series of Managed Fund Shares. The proposed rule change was published for comment in the Federal Register on February 27, 2020.[3] On March 18, 2020, the Exchange filed Amendment No. 1 to the proposed rule change.[4] The Commission has received no comments on the proposal. This order approves the proposed rule change, as modified by Amendment No. 1.

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

2 17 CFR 240.19b-4.

3 See Securities Exchange Act Release No. 88259 (February 21, 2020), 85 FR 11419 ("Notice").

4 In Amendment No. 1, the Exchange made various technical changes. Accordingly, Amendment No. 1 is not subject to notice and comment. Amendment No. 1 is available at: https://www.sec.gov/comments/sr-cboebzx-2020-007/srcboebzx2020007-6993239-214728.pdf.

II. Description of the Proposed Rule Change, as Modified by Amendment No. 1

BZX Rules 14.11(c) and 14.11(i) govern the listing and trading of Index Fund Shares and Managed Fund Shares, respectively, on the Exchange. BZX Rules 14.11(c)(3)(C), (c)(6)(A), and (c)(9)(B)(i)(e) as well as BZX Rules 14.11(i)(4)(B)(i) and (i)(4)(B)(iii)(b) require that an intraday estimate of the value of a share of each series ("IIV") be disseminated and updated at least every 15 seconds. The Exchange proposes to eliminate the requirement to disseminate an IIV for all series of Managed Fund Shares and for each series of Index Fund Shares that publishes its "Portfolio Holdings"[5] on its website on a daily basis. The Exchange also proposes to make corresponding changes to the Managed Fund Shares listing standards to remove the term "Intraday Indicative Value" from the definitional section and to eliminate the provisions relating to halting trading in a series of Managed Fund Shares when there is an interruption to the dissemination of the shares' IIV.

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the Act and rules and regulations thereunder applicable to a

[5] The Exchange is proposing to define "Portfolio Holdings" as the holdings of a particular series of Index Fund Shares that will form the basis for the calculation of its net asset value at the end of the business day, and includes the following information, to the extent applicable: (i) ticker symbol; (ii) CUSIP or other identifier; (iii) description of the holding; (iv) identity of the security, commodity, index, or other asset upon which the derivative is based; (v) the strike price for any options; (vi) the quantity of each security or other asset held as measured by: (a) par value; (b) notional value; (c) number of shares; (d) number of contracts; and (e) number of units; (vii) maturity date; (viii) coupon rate; (ix) effective date; (x) market value; and (xi) percentage weighting of the holding in the portfolio. See proposed BZX Rule 14.11(c)(1)(F).

national securities exchange.[6] In particular, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with Section 6(b)(5) of the Act,[7] which requires, among other things, that the Exchange's rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

As discussed above, BZX proposes to eliminate the IIV dissemination requirement for all series of Managed Fund Shares, all of which are subject to a portfolio dissemination requirement,[8] and for those series of Index Fund Shares that publish their Portfolio Holdings on a daily basis.[9] The Exchange's proposal is narrowly tailored to series of exchange-traded funds ("ETFs") with daily portfolio holdings disclosure. The Commission believes that the transparency that comes from daily portfolio holdings disclosure should provide market participants with sufficient information to facilitate the intraday valuation of the shares of a

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

7 15 U.S.C. 78f(b)(5).

8 See BZX Rule 14.11(i)(4)(B)(ii)(a) (requiring that the Disclosed Portfolio for a series of Managed Fund Shares be disseminated at least once daily and be made available to all market participants at the same time; and BZX Rule 14.11(i)(4)(B)(iii)(b) (requiring that the Exchange consider suspension of trading in and commence delisting proceedings for a series of Managed Fund Shares where the Disclosed Portfolio is not made available to all market participants at the same time).

9 Under BZX's Index Fund Shares listing rule, only certain series of Index Fund Shares are required to disclose their portfolio holdings daily. See BZX Rule 14.11(c)(1)(B)(iv).

series of Managed Fund Shares or Index Fund Shares without the additional requirement to disseminate an IIV.[10]

Accordingly, the Commission believes that the proposed rule change, as modified by Amendment No. 1, is designed to, among other things, remove impediments to and perfects the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. For the foregoing reasons, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with Section 6(b)(5) of the Act[11] and the rules and regulations thereunder applicable to a national securities exchange.

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10 The Commission notes that last year it adopted Rule 6c–11 under the Investment Company Act of 1940 ("1940 Act") to permit ETFs that satisfy certain conditions to operate without obtaining an exemptive order from the Commission under the 1940 Act. See Investment Company Act Release No. 33646 (September 25, 2019), 84 FR 57162, 57180 (October 24, 2019) ("Adopting Release"). See also 17 CFR 270.6c–11. Rule 6c–11 does not require ETFs to disseminate an IIV as a condition for reliance on the rule. In the Adopting Release, the Commission stated that dissemination of an IIV "is not necessary to support the arbitrage mechanism for ETFs that provide daily portfolio holdings disclosure." See Adopting Release at 57179-80. Instead, the daily portfolio holdings disclosure required by the rule "will provide market participants with the relevant data to input into their internal algorithms and thus allow them to determine if arbitrage opportunities exist." See id.

11 15 U.S.C. 78f(b)(5).

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[12] that the proposed rule change (SR-CboeBZX-2020-007), as modified by Amendment No. 1, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[13]

J. Matthew DeLesDernier,
Assistant Secretary.

[12] 15 U.S.C. 78s(b)(2).

[13] 17 CFR 200.30-3(a)(12).

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