SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change To List and Trade the Common Shares of Beneficial Interest of the PowerShares Income Builder Portfolio, a Series of PowerShares Exchange-Traded Fund Trust II

December 14, 2017

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), and Rule 19b–4 thereunder, notice is hereby given that on December 1, 2017, Cboe BZX Exchange, Inc. (“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 proposed rule change to list and trade the Shares of the Fund under BZX Rule 14.11(c)(5), which governs the listing and trading of Index Fund Shares based on equity and fixed income securities indexes. The Shares will be offered by the Fund, which will be a passively managed index-based exchange-traded fund (“ETF”). The Fund is a series of the Trust, which was established as a Massachusetts business trust on October 10, 2006. The Trust is registered with the Commission as an open-end management investment company and has filed a post-effective amendment to its registration statement on Form N–1A (the “Registration Statement”) with the Commission to register the Fund and its Shares under the Investment Company Act of 1940 (“1940 Act”) and the Securities Act of 1933.

Invesco PowerShares Capital Management LLC will be the investment adviser (the “Adviser”) to the Fund. Invesco Advisers, Inc. will be the investment sub-adviser (the “Sub-Adviser”) to the Fund. Invesco Distributors, Inc. will be the distributor (the “Distributor”) of the Shares. The Bank of New York Mellon (the “Custodian”) will act as the custodian, administrator, accounting agent and transfer agent for the Fund.

As discussed in more detail below, the Fund’s investment objective is to seek to track the investment results (before fees and expenses) of the Goldman Sachs Bond Buyers Equity Basket Index (the “Underlying Index”). The Underlying Index is designed to measure the performance of a hypothetical portfolio of common equity stocks with an overlay of fully-collateralized written put options on those stocks.

The Underlying Index was developed by Goldman, Sachs & Co. (“Goldman Sachs”), Solactive AG (the “Calculation Agent”) maintains, calculates, and publishes the value of the Underlying Index on each business day. The Calculation Agent is not registered as an investment adviser or broker-dealer and is not affiliated with any broker-dealers. The Calculation Agent has also implemented and will maintain procedures designed to prevent the use and dissemination of material, non-public information regarding the Underlying Index as required under Rule 14.11(c)(5)(A)(iii). None of the Trust, the Adviser, the Sub-Adviser, the Custodian or the Distributor is affiliated with Goldman Sachs, the Calculation Agent or their respective affiliates.

The Exchange is submitting this proposed rule change because the Underlying Index for the Fund does not meet the listing requirements of Rule 14.11(c)(5) applicable to an index that consists of both equity securities (and with respect to this underlying index, U.S. Component Stocks) and Fixed Income Securities, which requires that the equity and fixed income component securities separately meet the criteria set forth in Rules 14.11(c)(5) because the Underlying Index consists partially of put options. The Fixed Income Security component of the Underlying Index, which consists of only Treasury bills, meets the “generic” listing requirements of Rule 14.11(c)(4).

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 the Shares of the Fund under BZX Rule 14.11(c)(5), which governs the listing and trading of Index Fund Shares based on equity and fixed income securities indexes. The Shares will be offered by the Fund, which will be a passively managed index-based exchange-traded fund (“ETF”). The Fund is a series of the Trust, which was established as a Massachusetts business trust on October 10, 2006. The Trust is registered with the Commission as an open-end management investment company and has filed a post-effective amendment to its registration statement on Form N–1A (the “Registration Statement”) with the Commission to register the Fund and its Shares under the Investment Company Act of 1940 (“1940 Act”) and the Securities Act of 1933.

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All statements and representations made in this filing regarding the Underlying Index composition, the description of the portfolio or reference assets, limitations on portfolio holdings or reference assets, dissemination and availability of the Underlying Index, reference asset, and intraday indicative values, and the applicability of

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The Fund will use an indexing investment approach to seek to achieve its investment objective. The Adviser will seek a correlation over time of 0.95 or better between the Fund’s performance and the performance of the Underlying Index; a figure of 1.00 would represent perfect correlation. The Fund generally will employ a “full replication” methodology, meaning that generally it will seek to invest in all of the components of the Underlying Index (i.e., all of the stocks in the Stock Component, the Options Strategy, and the Collateral for the put options) in proportion to their weightings in the Underlying Index. However, under various circumstances, it may not be possible or practicable for the Fund to purchase all of the components of the Underlying Index in the same weightings as the Underlying Index. In those circumstances, the Fund may purchase a representative sample of securities in the Underlying Index in pursuing its investment objective.

The Underlying Index is composed of a Stock Component (represented by 100 U.S. exchange-listed common stocks of large capitalization that have listed options traded on a U.S. exchange), the Options Strategy, and Collateral (represented by Treasury bills) intended to fully-collateralize the Options Strategy. The selection of common stocks for the Stock Component, the selection of strike prices of the fully-collateralized put options for the Options Strategy, and the asset allocation between the Stock Component and Collateral are determined pursuant to the Underlying Index’s methodology, as described more fully below.

According to the Registration Statement, the Underlying Index is designed to obtain yield from three sources: (1) The dividends and returns on the common stocks in the Stock Component, (2) the premiums received from the put options sold via the Options Strategy, and (3) the yield from Treasury bills serving as Collateral.

The constituents in the Stock Component are selected in accordance with Goldman Sachs’ rules-based methodology, as described herein. The Underlying Index is designed to identify common stocks of companies with relatively low volatility, issued by companies with relatively strong financial conditions (as measured by a company’s “free cash flow” (“FCF”)). Companies with high FCF have a lower probability of entering distress and/or higher probability of paying consistent dividends.

From an investible universe consisting of common stocks (which excludes American depositary receipts and ETFs) that have listed options traded on a U.S. stock exchange, the Underlying Index identifies the 800 largest stocks (based on the issuer’s capitalization) and applies two screens: (1) The first screen eliminates the 25% of companies with the lowest probability of paying dividends.

14 As described above, a put option seller will incur a loss if the put option expires in-the-money at the expiration date or if the in-the-money put option is exercised by the option holder and, in each case, the in-the-money amount is greater than the purchase price of the put option (the “premium”) collected by the put option seller. A put option seller will recognize a realized gain if the put option expires “out of the money” (i.e., the underlying stock price is below the put option strike price).

The amount of the premiums received from selling options largely involves the level of implied volatility of the underlying reference security. The measurement of how much the market price of the underlying reference security historically varied from day to day over a specific period of time. The higher the implied volatility, the more likely the underlying reference security will experience large price changes. Another factor bearing on the put option premium is the time value of the options. The more time that remains until the expiration date of the option, the greater the time of that an option trade has to become profitable due to a favorable move in the underlying reference security. As a result, investors are willing to pay a higher premium for more time until the expiration date of an option (and conversely, as the expiration date of an option approaches, the market price of the option decreases, and down to zero if the option remains out-of-the-money on the expiration date of the option).

In general, free cash flow is the money a company generates after accounting for daily operations or capital expenditures. Typically, a high or growing FCF indicates that a company has financial health (e.g., does not require external funds, funds are available for expansion, lower interest expense and/or more limited need for cash to maintain ongoing operations), is consistently de-leveraging and/or has the ability to return cash to shareholders through dividends or share buybacks.
of those 800 stocks (that is, 200 stocks) with the lowest liquidity,17 and (2) the second screen eliminates the 25% of the remaining 600 stocks (that is, 150 stocks) whose listed options have the lowest liquidity as judged by their “notional volume.” 18 Next, the Underlying Index screens each of the remaining 450 eligible securities based on its current five-year credit default swap (“CDS”) spread. 19 A security is eliminated from eligibility if it has a 5-year CDS spread greater than 150 basis points annually. 20

The Underlying Index calculates the following information for each remaining eligible security: (1) The security’s latest available FCF yield21 (or change in book value (“BV”)) 22 for certain stocks, depending on the sector of the stock issuer 23 for its most recently completed fiscal year (“FY0”); 24 and (2) the security’s estimated FCF yield, calculated by estimating the growth in earnings per share for its upcoming fiscal year (“FY1”). 25 Next, each security’s “implied volatility” 26 over the next 12 months is estimated using publicly available options prices. 27

The Underlying Index then adjusts each remaining eligible stock’s FCF yield based on its implied volatility by dividing each stock’s actual FCF yield in FY0 and estimated FCF yield in FY1 by its implied volatility. The result produces two values for each eligible stock: A “volatility-adjusted” FCF yield for FY0 and a volatility-adjusted FCF yield for FY1. It then averages the two results from FY0 and FY1 to establish each security’s “average volatility adjusted FCF yield.” The 100 stocks with the highest average FCF yield, after adjusting for volatility, are included in the Underlying Index, subject to minimum and maximum sector weighting requirements. Stocks with lower implied volatility receive greater weighting in the Underlying Index. 28

After establishing the Stock Component, the Underlying Index’s methodology determines the Options Strategy. The Options Strategy writes or sells put options on the 100 stocks included in the Stock Component. Those put options are standardized options listed and traded on U.S. exchanges and will have terms of at least six but no more than 18 months as of each quarterly rebalance date (described below).

The strike price for each put option will be selected, in accordance with the Underlying Index’s methodology, at an amount that will generate a premium that (when annualized) is as close as possible to the expected return of the underlying stock. 29 The put options related to the Options Strategy will have expirations between six and 18 months. All put options in the Underlying Index are fully collateralized with Treasury bills in an amount equal to the outstanding notional value of the put options. The collateral may also include the premiums collected on the put options.

According to the Registration Statement, at any given time, depending on market conditions, the Underlying Index’s assets are allocated between the Stock Component and the Collateral to generate income. 30 According to the Registration Statement, the allocation depends on the amount of FCF yield or dividend yield from the Stock Component: During periods when the stocks’ FCF yield is high (leading to a lower proportion of puts written) and dividend yield is high (leading to a lower proportion of puts written), a greater percentage of the Underlying Index’s assets will be allocated to the Stock Component. Conversely, when the FCF yield and dividend yield of such stocks are low, a greater percentage of the Underlying Index’s assets will be allocated to Treasury bills collateralizing the Options Strategy. 31

The Underlying Index is rebalanced quarterly in March, June, September and December, typically on the Friday before the third Saturday of the month (the “rebalance date”). The 100 common stocks to be included in the Stock

17 According to the Registration Statement, a stock’s liquidity is measured by its one-year average daily trading dollar volume (with greater volume representing greater liquidity).

18 According to the Registration Statement, a stock’s notional volume is the one-year average notional value of options traded on that stock.

19 Generally, a CDS contract is a financial swap agreement wherein the seller of the swap will compensate the buyer should a credit event occur—such as a failure to pay interest or principle on a credit obligation, restructuring or default. A CDS generally operates as a form of insurance to the buyer against the risk of a bond. The buyer of the swap makes a series of payments (often called the “spread” or “premium”) to the seller up until the maturity date or execution of a contract. In return, the seller agrees that, should the credit event occur, the seller will pay the buyer the face value of a bond in exchange for physical delivery of an applicable bond of the entity.

20 The “spread” of a CDS contract is the annual amount the protection buyer must pay the seller over the length of the contract, expressed as a percentage of the notional amount. For example, if the CDS has a spread of 200 basis points, or 2.0%, then an investor buying $1 million worth of protection on the stock must pay $20,000 annually. Such payments usually continue until either the CDS contract expires or a credit event occurs. In general, the higher the spread, the more likely that the marketplace believes the credit event will occur. Consequently, stocks with greater volatility (and greater likelihood of experiencing a significant decline in value) generally will have CDS contracts with a higher spread. 21 FCF yield is calculated by dividing a company’s FCF per share by the company’s current market price per share. FCF yield typically is expressed as a percentage, the greater the number, the greater amount of FCF (relative to its market capitalization) that a company generates annually.

22 The book value of a company is the total value of that company (measured as the difference between total assets and total liabilities). The change in book value (as a percent of market capitalization) for a stock is a measure of how the issuer’s book value changed over the past year relative to the company’s latest market value of equity.

23 The Underlying Index will include stocks from issuers located in each of 8 market sectors: Information Technology, Healthcare, Consumer Services, Consumer Products, Industrials, Financials and Real Estate Investment Trusts, Utilities, Materials and Energy. Stocks issued by companies in the Financials and Real Estate

27 Like free cash flow, the annualized premium is expressed as a percentage. For example, the Underlying Index will not sell puts that derive premiums in an amount (when annualized) that is less than 2% of the underlying stock’s FCF yield, calculated in the manner described above.

28 There is no limit to how much or how little the Underlying Index may allocate to the Stock Component (i.e., at any given time, the portion of the Underlying Index’s assets allocated to the Stock Component may be anywhere from 0% to 100%).

29 When companies have low FCF yield, there is elevated risk associated with owning their stock. Therefore, the Underlying Index rebalances to reduce exposure to the Stock Component (where investors have potential losses equal to the stock price minus the Treasury bill yield and the premiums collected).
Component are made available one week prior to the rebalance date. The put option strike prices and weights of the Underlying Index’s components will be made available prior to the end of the business day on the rebalance date.

Other Investments

After investing at least 90% of its total assets in components of the Underlying Index, the Fund may invest up to 10% of its total assets in the following: (i) Exchange-traded U.S. equity securities not included in the Underlying Index, but which the Adviser or Sub-Adviser believes will help the Fund to track the Underlying Index; 32 (ii) high quality securities issued or guaranteed by the U.S. government (in addition to Treasury bills) and non-U.S. governments, and each of their agencies and instrumentalities; (iii) money market instruments, including repurchase agreements or other funds which invest exclusively in money market instruments (subject to applicable limitations under the 1940 Act, or exemptions therefrom); 33 (iv) convertible securities; (v) structured notes; 34 (vi) securities of other investment companies (including affiliated and unaffiliated funds, such as open-end or closed-end management investment companies, and other ETFs) beyond the limits permitted under the 1940 Act, subject to certain terms and conditions set forth in a Commission exemptive order issued to the Trust pursuant to Section 12(d)(1)(J) of the 1940 Act; 35 and (vii) OTC options.36

Investment Restrictions

The Fund will concentrate its investments (i.e., invest more than 25% of the value of its net assets) in securities of issuers in any one industry or group of industries only to the extent that the Underlying Index reflects a concentration in that industry or group of industries. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or group of industries. This restriction will not apply to obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities.37 The Fund will be classified as a “non-diversified” investment company under the 1940 Act.

The Fund may hold up to an aggregate amount of 15% of its net assets (calculated at the time of investment) in assets deemed illiquid by the Adviser or Sub-Adviser.39 The Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of the Fund’s net assets are held in illiquid securities or other illiquid assets.40 Illiquid securities and creditworthiness of counterparties on a regular basis. In addition to information provided by credit agencies, the Adviser and/or Sub-Adviser will review approved counterparties using various factors, which may include the counterparty’s reputation, the Adviser’s or Sub-Adviser’s past experience with the counterparty, and the price/market actions of debt of the counterparty. The Fund may also use various techniques to minimize credit risk, including early termination or reset and payment, using different counterparties, and limiting the net amount due from any individual counterparty. However, the risk of losses to the Fund resulting from counterparty default is still possible.

42 26 U.S.C. 851

41 A fund’s portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release Nos. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (advising amendments to Rule 2a-7 under the 1940 Act); and 17452 (April 23, 1990), 55 FR 17935 (April 30, 1990) (advising Rule 144A under the Securities Act of 1933).

38 For example, there may be instances in which the Adviser or Sub-Adviser may choose to purchase or sell securities not in the Underlying Index which the Adviser or Sub-Adviser believes are capable of performing under the Adviser or Sub-Adviser’s belief that the security will simulate full investment in the Underlying Index.

39 The Fund will only enter into OTC options with dealers that can provide collateral in the form of cash or U.S. Government securities.

40 The Fund intends to qualify for, and to elect to be treated as, a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended.42 The Fund will invest its respective assets, and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M. In addition to satisfying the above referenced RIC diversification requirements, no portfolio security held by the Fund (other than U.S. government securities) will represent more than 30% of the weight of the Fund’s portfolio, and the five most heavily weighted component stocks of the Fund (other than U.S. government securities) will not in the aggregate account for more than 65% of the weight of the Fund’s portfolio. For these purposes, the Fund may treat under the 1940 Act). Prior to the adoption of Rule 22e-4 in 2016, the Commission had long-standing guidelines that required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 14, 2008) (FN 34. See also Investment Company Act Release Nos. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding "Restricted Securities"); and 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N–1A).
repurchase agreements collateralized by U.S. government securities as U.S. government securities.

The Fund’s investments will be consistent with the Fund’s investment objective. The Fund does not presently intend to engage in any form of borrowing for investment purposes, and will not be operated as a “leveraged ETF” or “inverse leveraged ETF,” i.e., it will not be operated in a manner designed to seek a multiple or an inverse multiple of the performance of an underlying reference index.

Creation and Redemption of Shares

The Fund will issue and sell Shares only in large blocks of Shares ("Creation Units") in transactions with Authorized Participants, as defined below. The Fund currently anticipates that a Creation Unit will consist of 50,000 Shares, though this number may change from time to time, including prior to the listing of the Fund. The exact number of Shares that will comprise a Creation Unit will be disclosed in the Fund’s Registration Statement. The Trust will issue and sell Shares of the Fund in Creation Units on a continuous basis through the Distributor or its agent, without a sales load, at a price based on the Fund’s net asset value ("NAV") per Share next determined after receipt, on any business day.43

To initiate an order for a Creation Unit, an Authorized Participant must submit to the Distributor or its agent an irrevocable order to purchase Shares of the Fund, in proper form, generally before 3:30 p.m., Eastern Time, on any business day to receive that day’s NAV. On days when the Exchange closes earlier than normal, the Fund may require orders to be placed earlier in the day.

The consideration for a purchase of a Creation Unit of the Fund generally will consist of either (i) the in-kind deposit of a designated portfolio of securities (including any portion of such securities for which cash may be substituted) ("Deposit Securities") and a corresponding "Cash Component") (defined below), computed as described above, or the cash value of the Deposit Securities ("Deposit Cash") and the "Cash Component," computed as described below.44

Together, the Deposit Securities or Deposit Cash, as applicable, and the Cash Component constitute the “Fund Deposit,” which will be applicable (subject to possible amendment or correction) to creation requests received in proper form. The Fund Deposit represents the minimum initial and subsequent investment amount for a Creation Unit. The “Cash Component” represents the difference between the NAV of the Shares (per Creation Unit) and the market value of the Deposit Securities or Deposit Cash, as applicable. The Cash Component serves the function of compensating for any difference between the NAV per Creation Unit and the market value of the Deposit Securities or Deposit Cash, as applicable.

A portfolio composition file, to be sent via the NSCC, will be made available on each business day, prior to the opening of business of the Exchange (currently 9:30 a.m., Eastern Time), containing a list of the names and the required number of shares of each Deposit Security to be included in the current Fund Deposit (based on information at the end of the previous business day). In addition, on each business day, the estimated Cash Component, effective through and including the previous business day, will be made available through NSCC. Such Fund Deposit is applicable, subject to any adjustments,45 to purchases of Creation Units of Shares of the Fund until such time as the next-announced Fund Deposit composition is made available.

Because OTC options and certain listed options are not currently eligible for in-kind transfer, they will be substituted with an amount of cash of equal value (i.e., Deposit Cash) when the Fund processes purchases of Creation Units in-kind. When accepting purchases of Creation Units for cash, the Fund may incur additional costs associated with the acquisition of Deposit Securities that would otherwise be provided by an in-kind purchase.

The Fund reserves the right to permit or require the substitution of a “cash in lieu” amount to be added to the Cash Component to replace any Deposit Security that may not be available in sufficient quantities for delivery or that may not be eligible for transfer through the DTC or the Clearing Process. The Fund also reserves the right to require or allow a “cash in lieu” amount in certain circumstances in which the delivery of the Deposit Security by the Authorized Participant would be restricted under applicable securities or other local laws or in certain other situations, such as if the Authorized Participant is not able to trade due to a trading restriction. The Fund also reserves the right to permit or require Creation Units to be issued solely in exchange for cash.

 Shares of the Fund may be redeemed only in Creation Units on a business day, and only by Authorized Participants at the NAV next determined after receipt of a redemption request in proper form by the Distributor or its agent. Unless cash redemptions are permitted or required for the Fund, the redemption proceeds for a Creation Unit generally will consist of a designated portfolio of securities (including any portion of such securities for which cash may be substituted) that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form on that day (the "Fund Securities"), plus an amount of cash (the "Cash Amount") equal to the difference between the NAV of the Shares being redeemed, as next determined after the receipt of a redemption request in proper form, and the value of Fund Securities, less any redemption transaction fees.46

The Custodian will make available through the NSCC, prior to the opening of business of the Exchange on each business day, the Fund Securities and corresponding Cash Amount (each being subject to possible amendment or correction) that will be applicable to redemptions requests received in proper form on that day. The Fund reserves the right to honor a redemption request by delivering a basket of securities or cash that differs from the Fund Securities.47

Orders to redeem Creation Units of the Fund must be delivered through a DTC Participant that has executed the Participant Agreement with the Distributor. A DTC Participant who wishes to place an order for redemption of Creation Units of the Fund to be effected need not be a Participating Party, but such orders must state that redemption of Creation Units of the Fund will instead be effected through transfer of Creation Units of the Fund directly through DTC. An order to redeem Creation Units of a Fund is deemed received by the Distributor on the transmittal date if (i) such order is received not later than 3:30 p.m. Eastern Time on such transmittal date; (ii) such order is preceded or accompanied by the requisite number of Shares of

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46 Should the Fund Securities have a value greater than the NAV of the Shares being redeemed, a compensating cash payment to the Trust equal to the differential plus the applicable redemption transaction fee will be required to be arranged for, by or on behalf of, the redeeming shareholder.

47 The Fund reserves the right to distribute cash as some or all of the payment for Creation Units being redeemed. The Adviser represents that, to the extent that the Trust permits or requires a “cash in lieu” amount, such transactions will be effected in the same or equitable manner for all Authorized Participants.
Creation Units specified in such order, which delivery must be made through DTC to the Distributor no later than 11:00 a.m. Eastern Time, on such transmittal date (the “DTC Cut-Off-Time”); and (iii) all other procedures set forth in the Participant Agreement are properly followed.

After the Distributor has deemed an order for redemption received, the Distributor will initiate procedures to transfer the requisite Fund Securities which are expected to be delivered within two business days and the Cash Amount to the redeeming beneficial owner by the second business day following the transmittal date on which such redemption order is deemed received.

The right of redemption may be suspended or the date of payment postponed with respect to the Fund: (i) For any period during which the Exchange is closed (other than customary weekend and holiday closings); (ii) for any period during which trading on the Exchange is suspended or restricted; (iii) for any period during which an emergency exists as a result of which disposal of the shares of the Fund’s portfolio securities or determination of its NAV is not reasonably practicable; or (iv) in such other circumstance as is permitted by the Commission.

Availability of Information

The Trust’s website (www.invesco.com), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Fund that may be downloaded. The website will include additional quantitative information updated on a daily basis, including, for the Fund: (1) The prior business day’s reported NAV, mid-point of the bid/ask spread at the time of calculation of such NAV (the “Bid/Ask Price”),48 daily trading volume, and a calculation of the premium and discount of the Bid/Ask Price against the NAV; and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. Daily trading volume information for the Fund will also be available in the financial section of newspapers, through subscription services such as Bloomberg, Thomson Reuters, and International Data Corporation, which can be accessed by authorized participants and other investors, as well as through other electronic services, including major public websites.

On each business day, before commencement of trading in Shares during the Regular Trading Hours49 on the Exchange, the Fund will disclose on its website the identities and quantities of the portfolio of securities and other assets in the daily disclosed portfolio held by the Fund (the “Disclosed Portfolio”) that will form the basis for the Fund’s calculation of NAV at the end of the business day.50 The Disclosed Portfolio will include the following information regarding each portfolio holding, as applicable to the type of holding: Ticker symbol, CUSIP number or other identifier, if any; a description of the holding (including the type of holding); the identity of the security, index or other asset or instrument underlying the holding, if any; for options, the option strike price; quantity held (as measured by, for example, par value, notional value or number of shares, contracts or units); maturity date, if any; coupon rate, if any; effective date, if any; market value of the holding; and the percentage weighting of the holding in the Fund’s portfolio. The website and information will be publicly available at no charge. The value of the Underlying Index will be calculated and disseminated at least once every 15 seconds during regular market session and will be available from major market data vendors, provided however, that with respect to the fixed income components of the index, such data points will be calculated and disseminated at least once daily.

In addition, for the Fund, an estimated value, defined in BZX Rule 14.11(c)(6)(A) as the “Intraday Indicative Value,” that reflects an estimated intraday value of the Fund’s portfolio, will be disseminated. Moreover, the Intraday Indicative Value will be based upon the current value for the components of the Disclosed Portfolio and will be updated and widely disseminated by one or more major market data vendors and broadly displayed at least every 15 seconds during the Exchange’s Regular Trading Hours. In addition, the quotations of certain of the Fund’s holdings may not be updated if updated prices cannot be ascertained.

The dissemination of the Intraday Indicative Value, together with the Disclosed Portfolio, will allow investors to determine the value of the underlying portfolio of the Fund on a daily basis and will provide a close estimate of that value throughout Regular Trading Hours.

Intraday, closing, and settlement prices of common stocks and other exchange-listed instruments will be readily available from the exchanges trading such securities as well as automated quotation systems, published or other public sources, or online information services such as Bloomberg and Reuters. In addition, price information for U.S. exchange-traded options will be available from the Options Price Reporting Authority. Quotation information from brokers and dealers or pricing services will be available for U.S. government obligations, high quality securities issued or guaranteed by the U.S. government (in addition to Treasury bills) and non-U.S. governments, and each of their agencies and instrumentalities, money market instruments, convertible securities, structured notes, and OTC options.

Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers’ computer screens and other electronic services. Information regarding the previous day’s closing price and trading volume for the Shares will be published daily in the financial section of newspapers. Quotation and last sale information for the Shares will be on the facilities of the CTA.

Initial and Continued Listing

The Shares of the Fund will conform to the initial and continued listing criteria under BZX Rule 14.11(c), other than the portion of the Fund that consists of options. The Exchange represents that, for initial and/or continued listing, the Fund and the Trust must be in compliance with Rule 10A–352 under the Act. A minimum of 100,000 Shares of the Fund will be outstanding at the commencement of trading on the Exchange. The Exchange “CTA” or other data feeds.

51 Currently, it is the Exchange’s understanding that several major market data vendors display and/or make widely available Intraday Indicative Values published via the Consolidated Tape Association

52 See 17 CFR 248.10A–3.
will obtain a representation from the issuer of the Shares that the NAV per Share for the Fund will be calculated daily and will be made available to all market participants at the same time.

Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund. The Exchange will halt trading in the Shares under the conditions specified in BZX Rule 11.18. Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) The extent to which trading is not occurring in the securities and/or the financial instruments constituting the Disclosed Portfolio of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares also will be subject to Rule 14.11(c)(1)(B)(iv), which sets forth circumstances under which Shares of the Fund may be halted. Further, trading in the Shares will be halted if an interruption to the dissemination of either of the Intraday Indicative Value or the value of the Underlying Index persists past the trading day in which it occurred.

Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange’s existing rules governing the trading of equity securities. The Exchange will allow trading in the Shares from 9:30 a.m. until 5:00 p.m. Eastern Time and has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in BZX Rule 11.11(a), the minimum price variation for quoting and entry of orders in securities traded on the Exchange is $0.01, with the exception of securities that are priced less than $1.00, for which the minimum price variation for order entry is $0.0001.

Surveillance

The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to detect and deter violations of Exchange rules and the applicable federal securities laws. Trading of the Shares through the Exchange will be subject to the Exchange’s surveillance procedures for derivative products, including Index Fund Shares. 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 surveil 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 BZX Rule 14.12. All exchange-listed options and equities (including certain investment company securities such as ETFs) held by the Fund will be traded on U.S. exchanges, all of which are members of ISG or are exchanges with which the Exchange has in place a comprehensive surveillance sharing agreement. The Exchange may obtain information regarding trading in the Shares and other exchange-traded securities and instruments held by the Fund via the ISG, from other exchanges that are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement. The Exchange prohibits the distribution of material non-public information by its employees.

Information Circular

Prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (1) The procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) BZX Rule 3.7, which imposes suitability obligations on Exchange members with respect to recommending transactions in the Shares to customers; (3) how information regarding the Intraday Indicative Value and the Underlying Index is disseminated; (4) the risks involved in trading the Shares during the Pre-Opening and After Hours Trading Sessions when an updated Intraday Indicative Value and Underlying Index value will not be calculated or publicly disseminated; (5) the requirement that members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Information Circular will advise members, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Fund. Members purchasing Shares from the Fund for resale to investors will deliver a prospectus to such investors. The Information Circular will also discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the Act.

In addition, the Information Circular will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Information Circular will also disclose the trading hours of the Shares of the Fund and the applicable NAV calculation time for the Shares. The Information Circular will disclose that information about the Shares of the Fund will be publicly available on the Fund’s website. In addition, the Information Circular will reference that the Fund is subject to various fees and expenses described in the Fund’s Registration Statement.

2. Statutory Basis

Item 3(b) Purpose of 19b–4

Information [sic] The Exchange believes that the proposal is consistent with Section 6(b) of the Act 56 in general and Section 6(b)(5) of the Act 57 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, 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.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the listing criteria in BZX Rule 14.11(c), except that the Underlying Index will consist in part of written put options, which are based on U.S. Component Stocks, rather than completely on U.S. Component Stocks themselves. The Exchange believes that its surveillance, which generally focus on detecting securities trading outside of their normal patterns which could be indicative of manipulative or other

53 For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

54 The Pre-Opening Session is from 8:30 a.m. to 9:30 a.m. Eastern Time.

55 The After Hours Trading Session is from 4:00 p.m. to 5:00 p.m. Eastern Time.


violative activity, and associated surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. The Exchange will communicate as needed regarding trading in the Shares with other markets or other entities that are members of the Intermarket Surveillance group (“ISG”), and may obtain trading information regarding trading in the Shares from such markets or entities. In addition, the Exchange may obtain information regarding trading in the Shares and other exchange-traded securities and instruments held by the Fund from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

The Calculation Agent has implemented and will maintain procedures designed to prevent the use and dissemination of material, non-public information regarding the Underlying Index. The Adviser and the Sub-Adviser are affiliated with a broker-dealer and have implemented, and will maintain, a firewall with respect to its broker-dealer affiliate regarding access to information concerning the composition and/or changes to the Fund’s portfolio.

Under normal market conditions, not less than 90% of the Fund’s total assets will be comprised of common stocks, put options, and Treasury bills (serving as collateral for written put options), although the Fund may also invest in other U.S. government and money market instruments. The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), consistent with Commission guidance. The Fund will not use derivative instruments to enhance leverage.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that a large amount of information will be publicly available regarding the Fund and the Shares, thereby promoting market transparency. The Fund’s portfolio holdings will be disclosed on the Fund’s website daily after the close of trading on the Exchange and prior to the opening of trading on the Exchange the following day.

Moreover, the Intraday Indicative Value will be widely disseminated by one or more major market data vendors at least every 15 seconds during regular market session and will be available from major market data vendors, provided however, that with respect to the fixed income components of the index, such value will be calculated and disseminated at least once daily. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers’ computer screens and other electronic services, and quotation and last sale information will be available via the CTAs high-speed line. Quotation and last sale information for U.S. exchange-listed options contracts cleared by The Options Clearing Corporation will be available via the Options Price Reporting Authority. The intra-day, closing and settlement prices of exchange-traded portfolio assets, including investment companies, will be readily available from the securities exchanges trading such securities, as the case may be, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters. Such price information on other portfolio securities, including money market instruments, and other Fund assets traded in the OTC markets, is available from major broker-dealer firms or market data vendors, as well as from automated quotation systems, published or other public sources, or online information services.

The website for the Fund will include the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Moreover, prior to the commencement of trading, the Exchange will inform its Members in an information circular of the special characteristics and risks associated with trading the Shares. If the Exchange becomes aware that the NAV is not being disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants. With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) The extent to which trading is not occurring in the securities and/or the financial instruments composing the daily disclosed portfolio of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares also will be subject to Rule 14.41(c)(1)(B)(iv), which sets forth circumstances under which Shares of the Fund may be halted. If the Intraday Indicative Value of the Fund or value of the Underlying Index are not being disseminated as required, the Exchange may halt trading during the day in which the interruption to the dissemination of the Intraday Indicative Value or index value occurs.

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 it will facilitate the listing and trading of an additional type of exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information in the Shares and other exchange-traded securities and instruments held by the Fund via ISG, from other exchanges that are members of ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, investors will have ready access to information regarding the Intraday Indicative Value and quotation and last sale information for the Shares.

For the above reasons, the Exchange 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 notes that the proposed rule change will facilitate the listing and trading of an additional type of exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace.

(C) Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

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.
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 proposal 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 No. SR–CboeBZX–2017–011 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 No. SR–CboeBZX–2017–011. 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 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 such filing will also 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 No. SR–CboeBZX–2017–011 and should be submitted on or before January 10, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.38
Eduardo A. Aleman, Assistant Secretary.

[FR Doc. 2017–27349 Filed 12–19–17; 8:45 am]

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SEcurities and EXchange COmmision

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 300

December 14, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”) and Rule 19b–4 thereunder, notice is hereby given that on December 11, 2017, the New York Stock Exchange LLC (“NYSE” or the “Exchange”) 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 amend Rule 300 (Trading Licenses). The proposed rule change is available on the Exchange’s website 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

NYSE Rule 300(b) currently provides that, in each annual offering, up to 1,366 trading licenses for the following calendar year will be sold annually at a price per trading license to be established each year by the Exchange pursuant to a rule filing submitted to the Securities and Exchange Commission (“Commission”) and that the price per trading license will be published each year in the Exchange’s price list.

The Exchange proposes to delete the phrase “each year” in the first and second sentences of Rule 300(b) and the phrase “established for that year by the Exchange pursuant to section (b) above” in Rule 300(b)(i).

The Exchange establishes its fees for trading licenses pursuant to separate proposed rule changes. The last time the Exchange amended its trading license fee was on July 1, 2016. Because the NYSE Price List sets forth this annual fee and is continuously available on the Exchange’s website, the Exchange believes it is redundant to make a separate proposed rule change under Rule 300(b) to “establish” a trading license fee even if the fee is not changing. The Exchange believes that amending Rule 300(b) by deleting the proposed text would relieve the Exchange of the need to make a rule filing with the Commission in those years when the fee would remain the same, and only require a rule filing when the Exchange is changing the amount of the fee set forth in the NYSE Price List. The proposal is consistent with the way the Exchange handles the other fees set forth in its Price List. The remaining requirements of Rule 300 would remain unchanged.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act. In general, and

3 See Securities Exchange Act Release No. 78233 (July 6, 2016), 81 FR 45190 (July 12, 2016) (SR–NYSE–2016–47) (establishing the current trading license fee of $50,000 for the first license held by a member organization and no charge for additional licenses held by a member organization).