

limitation in the definition to correspond with the limits of the MSRB's rulemaking authority. As described earlier, the MSRB has implemented rules to address sales practices by dealers that cover their municipal securities activities, including sales by telephone.

Technical and Conforming Changes

The proposed revisions to MSRB Rule G-39 would make a number of technical and conforming changes. First, the proposed revisions would amend Rule G-39 to delete the phrase "or person associated with a broker, dealer or municipal securities dealer" throughout the rule since associated persons are included in the definition of "broker, dealer or municipal securities dealer" in the MSRB rules.⁴³ Second, the proposed revisions would renumber and make technical changes to the terms "account activity," "broker, dealer or municipal securities dealer of record," "established business relationship," and "personal relationship." Third, the proposed revisions would amend paragraphs (a), (b), (c), (c)(iv), and (e) by replacing the term "telephone solicitation" with the term "outbound telephone call." Fourth, the proposed revisions would amend paragraphs (d)(iii), (d)(iv), and (d)(vi) by replacing the term "telemarketing" with the term "outbound telephone." Fifth, the proposed revisions would update a reference to an "established business relationship" in subparagraph (a)(1)(A). Finally, the proposed rule change would amend paragraph (b)(ii) to clarify that a signed, written agreement may be obtained electronically under the E-Sign Act.

The MSRB requested an effective date for the proposed rule change of 90 days following the date of SEC approval.

III. Summary of Comments Received

As previously noted, the Commission received no comments on the proposed rule change.

IV. Commission's Findings

The Commission has carefully reviewed the proposed rule change, and, based on its review of the record, finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the MSRB.⁴⁴ In

particular, the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act, which provides that the MSRB's rules shall be 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 regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.⁴⁵

More specifically, the Commission finds that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act because it should protect investors and the public interest by preventing dealers from engaging in fraudulent and manipulative acts and practices, particularly deceptive and other abusive telemarketing acts or practices. The Commission also finds that the proposed rule is consistent with the FTC's and FINRA's telemarketing rules, which include provisions similar to those described above. Accordingly, the proposed rule change should foster cooperation and coordination with FINRA members and other persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, and remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products.

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with the Act and the rules and regulations thereunder. As requested by the MSRB, the proposed rule change will become effective 90 days following the date of SEC approval.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁴⁶ that the proposed rule change (SR-MSRB-2013-02) be, and hereby is, approved.

impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁴³ 15 U.S.C. 78o-4(b)(2)(C).

⁴⁶ 15 U.S.C. 78s(b)(2).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁷

Jill M. Peterson,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-69634; File No. SR-NYSEArca-2013-56]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to Listing and Trading of Shares of the PowerShares China A-Share Portfolio Under NYSE Arca Equities Rule 8.600

May 23, 2013.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act")² and Rule 19b-4 thereunder,³ notice is hereby given that, on May 21, 2013, NYSE Arca, Inc. ("Exchange" or "NYSE Arca") 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 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 the shares of the following under NYSE Arca Equities Rule 8.600 ("Managed Fund Shares"): PowerShares China A-Share Portfolio. 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.

⁴⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴³ See MSRB Rule D-11 which states: "Unless the context otherwise requires or a rule of the Board otherwise specifically provides, the terms 'broker,' 'dealer,' . . . 'municipal securities dealer,' . . . shall refer to and include their respective associated persons."

⁴⁴ In approving the proposed rule change, the Commission has considered the proposed rule's

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 ("Shares") of the PowerShares China A-Share Portfolio ("Fund") under NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares⁴ on the Exchange.⁵ The Shares will be offered by PowerShares Actively Managed Exchange-Traded Fund Trust (the "Trust"), a statutory trust organized under the laws of the State of Delaware and registered with the Commission as an open-end management investment company.⁶

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 approved NYSE Arca Equities Rule 8.600 and the listing and trading of certain funds of the PowerShares Actively Managed Exchange-Traded Fund Trust on the Exchange pursuant to Rule 8.600 in Securities Exchange Act Release No. 57619 (April 4, 2008), 73 FR 19544 (April 10, 2008) (SR-NYSEArca-2008-25). The Commission also previously approved listing and trading on the Exchange of a number of actively managed funds under Rule 8.600. *See, e.g.*, Securities Exchange Act Release Nos. 62502 (July 15, 2010), 75 FR 42471 (July 21, 2010) (SR-NYSEArca-2010-57) (order approving listing of AdvisorShares WCM/BNY Mellon Focused Growth ADR ETF); 63076 (October 12, 2010), 75 FR 63874 (October 18, 2010) (SR-NYSEArca-2010-79) (order approving listing of Cambria Global Tactical ETF); 66343 (February 7, 2012), 77 FR 7647 (February 13, 2012) (SR-NYSEArca-2011-85) (order approving listing of five SPDR SSGA ETFs); and 68158 (November 5, 2012), 77 FR 67412 (November 9, 2012) (SR-NYSEArca-2012-101) (order approving listing of PowerShares S&P 500 Downside Hedged Portfolio ETF).

⁶ The Trust is registered under the 1940 Act. On April 20, 2012, the Trust filed with the Commission a post-effective amendment to Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a), and under the 1940 Act relating to the Fund (File Nos. 333-147622 and 811-22148) ("Registration Statement"). The description of the operation of the Trust and the Fund herein is based, in part, on the Registration Statement. 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. 28171 (February 27, 2008) (File No. 812-13386) ("Exemptive Order").

The investment adviser to the Fund will be Invesco PowerShares Capital Management LLC (the "Adviser"). Invesco Distributors, Inc. (the "Distributor") will serve as the distributor of the Fund Shares. The Bank of New York Mellon Corporation (the "Administrator," "Transfer Agent" or "Custodian") will serve as administrator, custodian and transfer agent for the Fund.

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. In addition, 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 .06 to Rule 8.600 is similar to Commentary .03(a)(i) and (iii) to NYSE Arca Equities Rule 5.2(j)(3); however, Commentary .06 in connection with the establishment of a "fire wall" between the investment adviser and the broker-dealer reflects the applicable open-end fund's portfolio, not an underlying benchmark index, as is the case with index-based funds. The Adviser is not a broker-dealer but is affiliated with a broker-dealer and has implemented a fire wall with respect to its broker-dealer affiliate regarding access to information

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 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 investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

concerning the composition and/or changes to the portfolio. In the event (a) the Adviser becomes newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, it will implement a fire wall with respect to its relevant personnel or its broker-dealer affiliate regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

Principal Investment Strategies

According to the Registration Statement, the Fund's investment objective will be to seek to provide long term capital appreciation. The Fund will seek to achieve its investment objective by using a quantitative, rules-based strategy designed to provide returns that correspond to the performance of the FTSE China A50 Index (the "Benchmark"). The Benchmark is designed for investors who seek exposure to China's domestic market through "A-Shares," which are securities of companies that are incorporated in mainland China and that trade on the Shanghai Stock Exchange or the Shenzhen Stock Exchange. The Benchmark is comprised of the securities of the largest 50 A-Share companies, as determined by full market capitalization, listed on the Shanghai and Shenzhen Stock Exchanges.

Under normal circumstances,⁸ the Fund generally will invest at least 80% of its net assets in a combination of investments whose collective performance is designed to correspond to the performance of the Benchmark. These investments will be (i) futures contracts on the Benchmark; (ii) exchange-traded funds ("ETFs") that provide exposure to the China A-Shares market ("Underlying ETFs")⁹; and (iii)

⁸ The term "under normal circumstances" includes, but is not limited to, the absence of: extreme volatility or trading halts in the equity markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

⁹ For purposes of this proposed rule change, Underlying ETFs include Investment Company Units (as described in NYSE Arca Equities Rule 5.2(j)(3)) and Managed Fund Shares (as described in NYSE Arca Equities Rule 8.600). The Underlying ETFs all will be listed and traded in the U.S. on registered exchanges or the Stock Exchange of Hong Kong Limited ("HKSE"), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing

A-Shares included in the Benchmark, to the extent permissible under Chinese law. As described below, the Fund expects to invest its remaining assets in U.S. government securities, money market instruments (including repurchase agreements), cash and cash equivalent securities (*i.e.*, corporate commercial paper) to collateralize investments in futures contracts or for other purposes. Although the Fund will seek to provide returns that generally correspond to the performance of the Benchmark, the Fund will be actively managed by the Adviser and will not be designed to track the performance of any index.

According to the Registration Statement, “A-Shares” are shares of stock that are issued by companies incorporated in mainland China and that are traded in Renminbi on the Shanghai Stock Exchange or the Shenzhen Stock Exchange. Due to strict controls imposed by the Chinese government, the Fund currently cannot invest directly in A-Shares, which are available only to domestic Chinese investors and a limited pool of foreign investors, including foreign investors who have been approved as a Qualified Foreign Institutional Investor (“QFII”) by the China Securities Regulatory Commission (“CSRC”) and have obtained a QFII license. After obtaining a QFII license, a QFII applies to China’s State Administration of Foreign Exchange for a specific aggregate dollar amount investment quota of A-Shares (the “A-Share Quota”) in which the QFII can invest. In order for the Fund to invest directly in A-Shares, the Adviser would need to apply for a QFII license and obtain an A-Share Quota.

If the Adviser obtains a QFII license, the Fund may invest directly in A-Shares through the QFII license. There are no assurances that such a QFII license would be granted, or that such a license, if granted, would permit the Fund to purchase A-Shares in an amount necessary to provide the Fund with sufficient A-Shares exposure.

Because it currently cannot invest in A-Shares directly, the Fund will invest primarily in futures contracts on the Benchmark that provide exposure to the China A-Shares market. These futures contracts are listed on the Singapore Exchange (“SGX”).¹⁰ By investing in futures contracts on the Benchmark, the Fund will have no direct ownership of the A-Shares of the companies included

in the Benchmark, but the Fund will gain exposure to the performance of those companies.¹¹

The Fund also may invest in Underlying ETFs listed on U.S. securities exchanges or on the HKSE that provide exposure to China A-Shares.

The Fund will invest in futures contracts on the Benchmark—specifically, in SGX-listed futures contracts—as a significant part of its investment strategy. Generally, futures contracts are a type of derivative whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index. The Fund’s use of futures contracts will be underpinned by investments in short-term, high quality U.S. Treasury Securities, money market instruments, cash and cash equivalent securities, as described below.¹² The Trust’s Exemptive Order places no limit on the amount of derivatives in which the Fund can invest. The futures contracts will be used to simulate full investment in China A-Share securities. To the extent the Fund uses futures, it will do so only in accordance with Rule 4.5 of the Commodity Exchange Act (“CEA”).¹³

¹¹ According to the Registration Statement, futures contracts on the Benchmark were first approved for investment by U.S. investors by the Commodity Futures Trading Commission (“CFTC”) in January 2012. Futures contracts on the Benchmark have expirations ranging from the two nearest consecutive months, and March, June, September and December on a 1-year cycle, and provide investors the ability to invest based on their view of the future direction or movement of the Benchmark. FTSE International Limited (“FTSE”) reviews constituents in the Benchmark quarterly using data from the close of business on the Monday following the third Friday in February, May, August and November. FTSE will implement any constituent changes on the next trading day following the third Friday in March, June, September and December.

¹² With respect to certain kinds of futures entered into by the Fund that involve obligations to make future payments to third parties, under applicable federal securities laws, rules, and interpretations thereof, the Fund must “set aside” (referred to sometimes as “asset segregation”) liquid assets, or engage in other measures to “cover” open positions with respect to such transactions. With respect to futures contracts that are not contractually required to “cash-settle,” the Fund must cover its open positions by setting aside liquid assets equal to the contracts’ full, notional value. With respect to futures contracts that are contractually required to “cash-settle,” the Fund may set aside liquid assets in an amount equal to the Fund’s daily marked-to-market (net) obligation rather than the notional value of the futures contract.

¹³ 7 U.S.C. 1. As set forth in the Registration Statement, to the extent the Fund uses futures contracts, it will do so only in accordance with Rule 4.5 of the CEA. The Trust has filed a notice of eligibility for exclusion from the definition of the term “commodity pool operator” or “CPO” in accordance with Rule 4.5 of the CEA. Under amendments to Rule 4.5 adopted in February 2012, an investment adviser of a registered investment company may claim exclusion from registration as

The Subsidiary

According to the Registration Statement, the Fund may seek to gain exposure to the A-Shares market through investments in a subsidiary organized in the Cayman Islands (the “Subsidiary”), that in turn would make investments in futures contracts that provide exposure to China A-Shares. If utilized, the Subsidiary would be wholly-owned and controlled by the Fund, and its investments would be consolidated into the Fund’s financial statements. Should the Fund invest in the Subsidiary, that investment may not exceed 25% of the Fund’s total assets at each quarter end of the Fund’s fiscal year. Further, should the Fund invest in the Subsidiary, it would be expected to provide the Fund with exposure to A-Share returns within the limits of the federal tax requirements applicable to investment companies, such as the Fund.

According to the Registration Statement, the Subsidiary would be able to invest in futures contracts that would provide exposure to A-Shares, as well in other investments that would serve as margin or collateral or otherwise support the Subsidiary’s futures positions. The Subsidiary, accordingly, would be subject to the same general investment policies and restrictions as the Fund, except that unlike the Fund, which must invest in futures contracts in compliance with the requirements of Subchapter M of the Internal Revenue Code,¹⁴ federal securities laws and the CEA, the Subsidiary may invest without limitation in futures. References to the investment strategies and risks of the Fund include the investment strategies and risks of the Subsidiary.

According to the Registration Statement, the Fund may utilize the Subsidiary, but is not required to do so. If it is utilized, the Subsidiary will not be registered under the 1940 Act. As an investor in the Subsidiary, the Fund, as the Subsidiary’s sole shareholder, would not have the protections offered to investors in registered investment companies. However, because the Fund

a CPO only if the registered investment company it advises uses futures contracts solely for “bona fide hedging purposes” or limits its use of futures contracts for non-bona fide hedging purposes in specified ways. Because the Fund does not expect to use futures contracts solely for “bona fide hedging purposes,” the Fund will be subject to rules that will require it to limit its use of positions in futures contracts in accordance with the requirements of amended Rule 4.5 unless the Adviser otherwise complies with CPO regulation. To the extent that the Fund is unable to rely on Rule 4.5, the Fund will be operated in accordance with CFTC rules; the Adviser already is registered as a CPO.

¹⁴ 26 U.S.C. 851.

Limited. Hong Kong Exchanges and Clearing Limited is a member of the Intermarket Surveillance Group (“ISG”).

¹⁰ SGX is a member of the ISG. See note 28 and accompanying text, *infra*.

would wholly own and control the Subsidiary, and the Fund and Subsidiary would be managed by the Adviser, the Subsidiary would not take action contrary to the interests of the Fund or the Fund's shareholders. The Board of Trustees of the Trust (the "Board") has oversight responsibility for the investment activities of the Fund, including its investment in the Subsidiary, and the Fund's role as the sole shareholder of the Subsidiary. Also, in managing the Subsidiary's portfolio, the Adviser would be subject to the same investment restrictions and operational guidelines that apply to the management of the Fund. Changes in the laws of the United States, under which the Fund is organized, or of the Cayman Islands, under which the Subsidiary is organized, could result in the inability of the Fund or the Subsidiary to operate as described in this filing or in the Registration Statement and could negatively affect the Fund and its shareholders.

Other Investments

According to the Registration Statement, the Fund, under normal circumstances, may invest no more than 20% of its net assets in other investments such as money market instruments (including repurchase agreements, as described below), cash and cash equivalents to provide liquidity or to collateralize its investments in futures contracts. The instruments in which the Fund may invest include: (i) Short-term obligations issued by the U.S. Government¹⁵; (ii) short term negotiable obligations of commercial banks, fixed time deposits¹⁶ and bankers' acceptances of U.S. and foreign banks and similar institutions; (iii) commercial paper rated at the date of purchase "Prime-1" by Moody's Investors Service, Inc. or "A-1+" or "A-1" by Standard & Poor's or, if unrated, of comparable quality, as the Adviser of the Fund determines; and (iv) money market mutual funds.

The Fund may invest in the securities of other investment companies (including money market funds) beyond the limits permitted under the 1940 Act,

subject to certain terms and conditions set forth in a Commission exemptive order issued pursuant to Section 12(d)(1)(J) of the 1940 Act.¹⁷

According to the Registration Statement, the Fund may enter into repurchase agreements, which are agreements pursuant to which securities are acquired by the Fund from a third party with the understanding that they will be repurchased by the seller at a fixed price on an agreed date. These agreements may be made with respect to any of the portfolio securities in which the Fund is authorized to invest. Repurchase agreements may be characterized as loans secured by the underlying securities. The Fund may enter into repurchase agreements with (i) member banks of the Federal Reserve System having total assets in excess of \$500 million and (ii) securities dealers ("Qualified Institutions"). The Adviser will monitor the continued creditworthiness of Qualified Institutions.

According to the Registration Statement, the Fund may enter into reverse repurchase agreements, which involve the sale of securities with an agreement to repurchase the securities at an agreed-upon price, date and interest payment and have the characteristics of borrowing. The securities purchased with the funds obtained from the agreement and securities collateralizing the agreement will have maturity dates no later than the repayment date.

Investment Restrictions

The Fund's investments will be consistent with the Fund's investment objective and will not be used to enhance leverage.

According to the Registration Statement, the Fund may hold up to an aggregate amount of 15% of its net assets in illiquid securities (calculated at the time of investment). *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.* Illiquid securities include securities subject to contractual or other restrictions on resale and other instruments that lack readily available

markets as determined in accordance with Commission staff guidance.¹⁸

The Fund will not use futures for speculative purposes.

According to the Registration Statement, the Fund may not 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. This restriction does not apply to obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities.¹⁹

According to the Registration Statement, the Fund intends to qualify for and to elect to be treated as a separate regulated investment company (a "RIC") under Subchapter M of the Internal Revenue Code.²⁰

The Fund will not invest in any non-U.S. equity securities (other than shares of the Subsidiary and Underlying ETFs listed on HKSE), to the extent that the Fund may not invest directly in China A-Shares through the QFII license, as described above. The Fund will not invest in options or swaps.

Net Asset Value

According to the Registration Statement, the Administrator will calculate the Fund's net asset value ("NAV") per Share at the close of regular trading (normally 4:00 p.m., Eastern time) every day the New York Stock Exchange ("NYSE") is open. NAV per Share will be calculated by deducting all of the Fund's liabilities from the total value of its assets and dividing the result by the number of Shares outstanding, rounding to the nearest cent (although creations and redemptions will be processed using a

¹⁸ The Commission has stated that long-standing Commission guidelines have 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 18, 2008), footnote 34. See also, Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding "Restricted Securities"); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). 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 No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act of 1933).

¹⁹ See Form N-1A, Item 9. The Commission has taken the position that a fund is concentrated if it invests more than 25% of the value of its total assets in any one industry. See, e.g., Investment Company Act Release No. 9011 (October 30, 1975), 40 FR 54241 (November 21, 1975).

²⁰ 26 U.S.C. 851.

¹⁵ The Fund may invest in U.S. government obligations. Obligations issued or guaranteed by the U.S. Government, its agencies and instrumentalities include bills, notes and bonds issued by the U.S. Treasury, as well as "stripped" or "zero coupon" U.S. Treasury obligations representing future interest or principal payments on U.S. Treasury notes or bonds.

¹⁶ Time deposits are non-negotiable deposits maintained in banking institutions for specified periods of time at stated interest rates. Banker's acceptances are time drafts drawn on commercial banks by borrowers, usually in connection with international transactions.

¹⁷ Investment Company Act Release No. 30238 (October 23, 2012) (File No. 812-13820).

price denominated to the fifth decimal point, meaning that rounding to the nearest cent may result in different prices in certain circumstances). All valuations will be subject to review by the Board or its delegate.

According to the Registration Statement, in determining NAV, expenses will be accrued and applied daily and securities and other assets for which market quotations are readily available will be valued at market value. Securities and futures listed or traded on an exchange generally will be valued at the last sales price or official closing price that day as of the close of the exchange where the security primarily is traded. The NAV for the Fund will be calculated and disseminated daily. If a security's or futures' market price is not readily available, the security or futures will be valued using pricing provided from independent pricing services or by another method that the Adviser, in its judgment, believes will better reflect the security's or futures' fair value in accordance with the Trust's valuation policies and procedures approved by the Trust's Board and with the 1940 Act.

Creations and Redemptions

The Fund will issue and redeem Shares at NAV only with authorized participants ("APs") and only in large blocks of 50,000 Shares (each, a "Creation Unit") or multiples thereof.

The Trust will issue Shares of the Fund only in Creation Units on a continuous basis through the Distributor, without a sales load, at the NAV next determined after receipt, on any business day, of an order in proper form.

Creation Units of the Fund will generally be issued principally for cash, calculated based on the NAV per Share, multiplied by the number of Shares representing a Creation Unit ("Deposit Cash"), plus a fixed and variable transaction fee. However, the Fund also reserves the right to permit or require Creation Units to be issued in exchange for a designated portfolio of securities ("Deposit Securities"), as discussed below, together with the deposit of an amount of cash (the "Cash Component") computed as discussed in the Registration Statement.²¹ Together, the Deposit Securities and the Cash Component constitute the "Fund Deposit," which represents the

minimum initial and subsequent investment amount for a Creation Unit of the Fund. If in-kind creations are permitted or required, the Adviser expects that the Deposit Securities should correspond pro rata, to the extent practicable, to the securities held by the Fund and the Subsidiary. In such event, the Cash Component will represent the difference between the NAV of a Creation Unit and the market value of the Deposit Securities.

To the extent that the Fund permits Creation Units to be issued in-kind, the Custodian, through the National Securities Clearing Corporation ("NSCC"), will make available on each business day, prior to the opening of business on the Exchange (currently 9:30 a.m., Eastern time), the 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) for the Fund. Such Fund Deposit is applicable, subject to any adjustments as described in the Registration Statement, to effect creations of Creation Units of the Fund until such time as the next announced composition of the Deposit Securities is made available.

When applicable, during times that the Fund permits in-kind creations, the identity and number of shares of the Deposit Securities required for a Fund Deposit will change as rebalancing adjustments and corporate action events occur. In addition, the Trust reserves the right to permit or require the substitution of an amount of cash—*i.e.*, a "cash in lieu" amount—to be added to the Cash Component to replace any Deposit Security that may not be available in sufficient quantity for delivery or which might not be eligible for trading by an AP or the investor for which it is acting or any other relevant reason.

In addition to the list of names and numbers of securities constituting the current Deposit Securities of the Fund Deposit, the Custodian, through the NSCC, also will make available on each business day, the estimated Cash Component, effective through and including the previous business day, per Creation Unit of the Fund.

The Distributor must receive all orders to create Creation Units no later than the closing time of the regular trading session on the NYSE (ordinarily 4:00 p.m., Eastern time) in each case on the date such order is placed in order for creation of Creation Units to be effected based on the NAV of Shares of the Fund as next determined on such date after receipt of the order in proper form.

Creation Units of the Fund will be redeemed principally for cash. Shares may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Fund through the Custodian and only on a business day.

If the Fund permits Creation Units to be redeemed in-kind, the Custodian, through the NSCC, will make available prior to the opening of business on the Exchange (currently 9:30 a.m., Eastern time) on each business day, the identity of the "Fund Securities" that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form (as described below) on that day. Fund Securities received on redemption may not be identical to Deposit Securities that will be applicable to creations of Creation Units. The Fund will not redeem Shares in amounts less than Creation Unit size.

For redemptions in-kind, the redemption proceeds for a Creation Unit generally will consist of Fund Securities plus or minus cash in an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after a receipt of a request in proper form, and the value of the Fund Securities, less a redemption transaction fee as noted below. In the event that the Fund Securities have a value greater than the NAV of the Shares, a compensating cash payment equal to the difference is required to be made by or through an AP by the redeeming shareholder.

A redemption transaction fee may be imposed to offset transfer and other transaction costs that may be incurred by the Fund.

An order to redeem Creation Units must be made in proper form and received by the Fund by 4:00 p.m., Eastern time. Orders received after 4:00 p.m., Eastern time will be deemed received on the next business day and will be effected at the NAV next determined on such next business day. The requisite Fund Securities and cash amount will be transferred by the third NSCC business day following the date on which such request for redemption is deemed received.

Initial and Continued Listing

The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600. The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A-3²² under the Act, as provided by NYSE Arca Equities Rule 5.3. A minimum of

²¹ The Cash Component is sometimes also referred to as the "Balancing Amount." If the Cash Component is a positive number (*i.e.*, the NAV per Creation Unit exceeds the Deposit Amount), the AP will deliver the Cash Component. If the Cash Component is a negative number (*i.e.*, the NAV per Creation Unit is less than the Deposit Amount), the AP will receive the Cash Component.

²² 17 CFR 240.10A-3.

100,000 Shares will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio for the Fund will be made available to all market participants at the same time.

Availability of Information

The Fund's Web site (www.invescopowershares.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 Fund's Web site will include additional quantitative information updated on a daily basis, including, for the Fund, (1) daily trading volume, the prior business day's reported closing price, NAV and mid-point of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask Price"),²³ 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. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Fund will disclose on its Web site the Disclosed Portfolio as defined in NYSE Arca Equities Rule 8.600(c)(2) held by the Fund and the Subsidiary that will form the basis for the Fund's calculation of NAV at the end of the business day.²⁴

On a daily basis, the Fund will disclose for each portfolio security, futures contract and other financial instrument of the Fund and the Subsidiary the following information on the Fund's Web site: ticker symbol (if applicable), name of security, futures contract and financial instrument, number of shares, if applicable, and dollar value of each security, futures contract and financial instrument held in the portfolio, and percentage weighting of the security, futures contract and financial instrument in the portfolio. The Web site information will

be publicly available at no charge. Information on the value and the constituents of the Benchmark may be found on the Web site of FTSE, the Benchmark's provider, at www.ftse.com.

In addition, for in-kind creations, a basket composition file, which will include the security names and share quantities to deliver in exchange for Shares, together with estimates and actual cash components, will be publicly disseminated daily prior to the opening of the Exchange via the NSCC. The basket will represent one Creation Unit of the Fund.

Investors can also obtain the Trust's Statement of Additional Information ("SAI"), the Fund's Shareholder Reports, and the Trust's Form N-CSR and Form N-SAR, filed twice a year. The Trust's SAI and Shareholder Reports will be available free upon request from the Trust, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's Web site at www.sec.gov. 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 information for the Shares will be published daily in the financial section of newspapers. Quotation and last sale information for the Shares will be available via the Consolidated Tape Association ("CTA") high-speed line. In addition, the Portfolio Indicative Value, as defined in NYSE Arca Equities Rule 8.600(c)(3), will be widely disseminated at least every 15 seconds during the Core Trading Session by one or more major market data vendors.²⁵ The dissemination of the Portfolio 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 the trading day. The intra-day, closing and settlement prices of the portfolio investments (e.g., futures contracts and Underlying ETFs) are also readily available from the exchanges trading such securities or futures contracts, automated quotation systems, published or other public sources, or on-line information services such as Bloomberg or Reuters.

Additional information regarding the Trust and the Shares, including

²⁵ Currently, it is the Exchange's understanding that several major market data vendors widely disseminate Portfolio Indicative Values taken from CTA or other data feeds.

investment strategies, risks, creation and redemption procedures, fees, portfolio holdings disclosure policies, distributions and taxes is included in the Registration Statement. All terms relating to the Fund that are referred to, but not defined in, this proposed rule change are defined in the Registration Statement.

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.²⁶ Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached. 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, futures contracts and/or the financial instruments comprising 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 will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted.

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. Shares will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m. Eastern time in accordance with NYSE Arca Equities Rule 7.34 (Opening, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, Commentary .03, the minimum price variation ("MPV") for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by the Financial Industry Regulatory Authority ("FINRA") on behalf of the Exchange, which are

²⁶ See NYSE Arca Equities Rule 7.12.

²³ The Bid/Ask Price of the Fund will be determined using mid-point of the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund's NAV. The records relating to Bid/Ask Prices will be retained by the Fund and its service providers.

²⁴ Under accounting procedures followed by the Fund, trades made on the prior business day ("T") will be booked and reflected in NAV on the current business day ("T+1"). Accordingly, the Fund will be able to disclose at the beginning of the business day the portfolio that will form the basis for the NAV calculation at the end of the business day.

designed to detect violations of Exchange rules and applicable federal securities laws.²⁷ The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares with other markets that are members of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.²⁸ All U.S. securities exchanges, Hong Kong Exchanges and Clearing Limited and SGX are members of the ISG.

The Fund will invest solely in SGX-listed futures contracts on the Benchmark. It is possible that the futures contracts on the Benchmark may become listed on other exchanges that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement, at which time the Fund may invest in those futures contracts listed on such exchanges. To the extent that the Fund or the Subsidiary were to invest in futures contracts on the Benchmark that were traded on exchanges other than SGX, not more than 10% of the weight of such futures contracts held by the Fund or the Subsidiary in the aggregate would consist of components whose principal trading market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. Furthermore, to the extent that the Fund invests directly in China A-Shares, not more than 10% of the weight of the Fund's portfolio in the aggregate shall consist of such China A-Shares whose principal trading market is not a member of ISG or is a market with which the Exchange does not have

a comprehensive surveillance sharing agreement.

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

Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit ("ETP") Holders in an Information Bulletin ("Bulletin") of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) The procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (2) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated Portfolio Indicative Value will not be calculated or publicly disseminated; (4) how information regarding the Portfolio Indicative Value will be disseminated; (5) the requirement that ETP Holders 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 Bulletin will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Bulletin will discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act. The Bulletin will also disclose that the NAV for the Shares will be calculated after 4:00 p.m. Eastern time each trading day.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)²⁹ that an exchange have rules that are 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, 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 initial and continued listing criteria in NYSE Arca Equities

Rule 8.600. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. The Adviser is affiliated with a broker-dealer, and has implemented a fire wall with respect to its broker-dealer affiliate regarding access to information concerning the composition and/or changes to the portfolio. The Exchange may obtain information via ISG from other exchanges that are members of ISG, including Hong Kong Exchanges and Clearing Limited and SGX, or with which the Exchange has entered into a comprehensive surveillance sharing agreement. The holdings of the Fund will be comprised primarily of SGX-listed futures contracts on the Benchmark, as well as Underlying ETFs that provide exposure to the China A-Shares market. The Fund also will invest directly in A-Shares to the extent permissible under Chinese law. The Fund expects to invest its remaining assets in U.S. government securities, money market instruments, cash and cash equivalent securities (*i.e.*, corporate commercial paper) in order to collateralize investments in futures or for other purposes. If the Fund may not invest directly in China A-Shares through the QFII license, as described above, then it will not invest in any non-U.S. equity securities (other than shares of the Subsidiary and Underlying ETFs listed on HKSE). Futures contracts are the only derivative instrument that the Fund will use as part of its investment strategy. The Fund will not invest in options or swaps. The Fund will limit its investments in illiquid securities to 15% of its net assets. The Fund's investments will be consistent with the Fund's investment objective and will not be used to enhance leverage. Information on the value and the constituents of the Benchmark may be found on the Web site of FTSE, www.ftse.com. The intra-day, closing and settlement prices of the portfolio investments (*e.g.*, futures contracts and Underlying ETFs) also are readily available from the exchanges trading such securities or futures contracts, automated quotation systems, published or other public sources, or on-line information services.

As stated above, the Fund will invest solely in futures contracts on the Benchmark that are listed on the SGX. If futures contracts on the Benchmark become listed on other exchanges that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement, the

²⁷ FINRA surveils trading on the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA's performance under this regulatory services agreement.

²⁸ 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.

²⁹ 15 U.S.C. 78f(b)(5).

Fund may invest in those futures contracts listed on such exchanges. To the extent that the Fund or the Subsidiary were to invest in futures contracts on the Benchmark that were traded on exchanges other than SGX, not more than 10% of the weight of such futures contracts held by the Fund or the Subsidiary in the aggregate would consist of components whose principal trading market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. Furthermore, to the extent that the Fund invests directly in China A-Shares, not more than 10% of the weight of the Fund's portfolio in the aggregate shall consist of such China A-Shares whose principal trading market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily, and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time. In addition, a large amount of information will be publicly available regarding the Fund and the Shares, thereby promoting market transparency. Moreover, the Portfolio Indicative Value will be widely disseminated through the facilities of the CTA or by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Fund will disclose on its Web site the Disclosed Portfolio that will form the basis for the Fund's calculation of NAV at the end of the business day. 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 CTA high-speed line. The Web site for the Fund will include a form of 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 ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Trading in Shares of

the Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable, and trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which trading in Shares of the Fund may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Portfolio Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

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 actively-managed 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 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, as noted above, investors will have ready access to information regarding the Fund's holdings, the Portfolio Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

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 purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that has an index of Chinese stocks as its Benchmark and 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

No written comments were solicited or received with respect to 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** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-NYSEArca-2013-56 on the subject line.

Paper Comments

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2013-56. 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 Web site (<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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official

business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2013-56 and should be submitted on or before June 20, 2013.

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

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2013-12821 Filed 5-29-13; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-69631; File No. SR-NASDAQ-2013-078]

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a New Routing Option, MOPB, Under Rule 4758(a)(1)(A)

May 23, 2013.

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 May 15, 2013, The NASDAQ Stock Market LLC ("NASDAQ" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change as described in Items I, II and III 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

NASDAQ proposes to adopt a new routing option, MOPB, under Rule 4758(a)(1)(A). NASDAQ plans to offer the proposed routing option on June 3, 2013. Proposed deletions are in brackets; new language is in italics.

4758. Order Routing

(a) Order Routing Process

(1) The Order Routing Process shall be available to Participants from 4:00 a.m. until 8:00 p.m. Eastern Time, and shall route orders as described below. All routing of orders shall comply with Rule 611 of Regulation NMS under the Exchange Act.

(A) The System provides a variety of routing options. Routing options may be combined with all available order types and times-in-force, with the exception of order types and times-in-force whose terms are inconsistent with the terms of a particular routing option. The System will consider the quotations only of accessible markets. The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. Nasdaq reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. The System routing options are:

(i)-(xiii) No change.

(xiv) MOPB is a routing option under which orders route only to Protected Quotations and only for displayed size. If shares remain unexecuted after routing, they will be immediately cancelled. The entire MOPB order will be cancelled immediately if, at the time of entry, there is an insufficient share quantity in the MOPB order to fulfill the displayed size of all Protected Quotations.

Orders that do not check the System for available shares prior to routing may not be sent to a facility of an exchange that is an affiliate of Nasdaq, except for orders that are sent to the NASDAQ OMX BX Equities Market or to the NASDAQ OMX PSX facility of NASDAQ OMX PHLX.

(B) No change.

(b)-(d) No change.

* * * * *

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

In its filing with the Commission, NASDAQ 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

NASDAQ is amending Rule 4758, which describes its order routing processes, to add the new MOPB routing option. The proposed MOPB routing option is very similar to the MOPP routing option, in that both order types require the member firm to enter the size and limit price of the order, which then routes only to protected quotations ("Protected Quotes"),³ including the NASDAQ Market Center, but only for displayed size. Unlike MOPP orders, the MOPB orders will not route if, at the time of entry, the MOPB order's quantity is insufficient to clear the entire size of Protected Quotes, which are better than or equal to the order's limit price. In such a case, a MOPB order will instead cancel back immediately thus avoiding any execution. Also unlike MOPP orders, if shares of a MOPB order remain unexecuted after routing they will be immediately cancelled back to the member rather than posting to the NASDAQ book.

Member firms often use the MOPP routing option to sweep all Protected Quotes, and then print an internalized crossed execution to the FINRA/NASDAQ Trade Reporting Facility, which occurs subsequent to the execution of the MOPP order and that would otherwise, but for the execution of the MOPP order, violate Rule 611 of Regulation NMS. Such member firms will enter the size of the MOPP order based on their perception of what the current size of the protected quote is on each of the markets. In some cases member firms may have incorrect information, which would result in an order that is not of sufficient size to sweep all Protected Quotes and would lead to a trade through violation⁴ pursuant to Regulation NMS if the internal cross occurs. The MOPB routing option is designed to cancel any order that does not meet the size necessary to sweep the Protected Quotes on the various markets, thus allowing the member firm to avoid the trade through violation of an internally-crossed trade and reenter a MOPB order with adequate Protected Quote size information. Accordingly, the MOPB routing option provides member firms with an additional check to avoid a

³⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ As defined by Rule 600(b)(58) of Regulation NMS.

⁴ Rule 611 of Regulation NMS.