

MEMO# 28803

March 10, 2015

NYSE Arca Proposes Generic Listing Standards for Actively Managed ETFs

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TO: ETF (EXCHANGE-TRADED FUNDS) COMMITTEE No. 5-15
ETF ADVISORY COMMITTEE No. 5-15 RE: NYSE ARCA PROPOSES GENERIC LISTING STANDARDS FOR ACTIVELY MANAGED ETFS

Last week, the Securities and Exchange Commission published for comment the NYSE Arca, Inc.'s proposal to amend NYSE Arca Equities Rule 8.600 to adopt generic listing standards for managed fund shares (i.e., securities issued by an actively managed ETF). [\[*\]](#) Under current Rule 8.600, a proposed rule change must be filed with the SEC for the listing and trading of each new series of managed fund shares. According to the notice, the Exchange believes that after more than six years under the current process, it is appropriate to codify certain rules within Rule 8.600 that would generally eliminate the need for separate proposed rule changes, creating greater efficiencies in the listing process for the Exchange and the SEC.

Under the proposal, the standards for a managed fund share portfolio would be grouped according to security or asset type and would largely be based on either existing standards applicable to the generic listing standards for passive ETFs under NYSE Arca Equities Rule 5.2(j)(3) or previous proposed rule changes for specific series of managed fund shares. Specifically, proposed changes to Rule 8.600 would include the following new commentary:

- .01(a) to describe standards for a portfolio that holds domestic equity securities, derivatives securities products, and index-linked securities;
- .01(b) to describe standards for a portfolio that holds fixed income securities;
- .01(c) to describe the standards for a portfolio that holds cash and cash equivalents;
- .01(d) to describe the standards for a portfolio that holds listed and centrally cleared derivatives;
- .01(e) to describe the standards for a portfolio that holds OTC derivatives; and
- .01(f) to describe the standards for a portfolio that holds illiquid securities.

The Exchange also would add to the generic criteria of Rule 8.600 by specifying that all managed fund shares must have a stated investment objective that must be adhered to under normal market conditions. As proposed, the Exchange would continue to file separate proposed rule changes before the listing and trading of managed fund shares with

components that do not satisfy the proposed standards.

Comments on the proposal should be submitted to the SEC on or before March 31, 2015.

Jane G. Heinrichs
Associate General Counsel

endnotes

[*] SEC Release No. 34-74433 (March 4, 2015), 80 FR 12690 (March 10, 2015), available at <http://www.sec.gov/rules/sro/nysearca/2015/34-74433.pdf>.

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