remains unchanged. The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from Members or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b–4(f)(2) thereunder. At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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:

- 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–EDGX–2014–16 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 Number SR–EDGX–2014–16. If you have comments which you would like us to consider in connection with your submission, please include an original and three copies.

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Order Approving a Proposed Rule Change, as Modified by Amendment No. 1 Thereto, To List and Trade of Shares of the First Trust Enhanced Short Maturity ETF of First Trust Exchange-Traded Fund IV

June 12, 2014.

I. Introduction

On April 11, 2014, The NASDAQ Stock Market LLC (“Exchange” or “Nasdaq”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) and Rule 19b–4 thereunder, a proposed rule change relating to the listing and trading of shares (“Shares”) of the First Trust Enhanced Short Maturity ETF (“Fund”) of First Trust Exchange-Traded Fund IV (“Trust”). On April 24, 2014, the Exchange filed Amendment No. 1 to the proposed rule change. The Commission published for comment in the Federal Register notice of the proposed rule change, as modified by Amendment No. 1 thereto, on May 1, 2014. The Commission received no comments on the proposed rule change. This order approves the proposed rule change, as modified by Amendment No. 1 thereto.

II. Description of the Proposed Rule Change

The Exchange proposes to list and trade Shares pursuant to Nasdaq Rule 5735, which governs the listing and trading of Managed Fund Shares. The Exchange deems the Shares to be equity securities, rendering trading in the Shares subject to the Exchange’s existing rules governing the trading of equity securities.

The Shares will be offered by the Trust, which is organized as a Massachusetts business trust and is registered with the Commission as an investment company; First Trust Advisors L.P. is the investment adviser (“Adviser”) to the Fund; First Trust Portfolios L.P. is the principal underwriter and distributor of the Shares (“Distributor”). The Bank of New York Mellon Corporation will act as the administrator, accounting agent, custodian, and transfer agent to the Fund. The Adviser is affiliated with the

ETF

First Trust Enhanced Short Maturity

investment objective by investing, under

Income Securities of at least 13 non-

Income Securities’’) issued by U.S. and

composition of or changes to the

access to information concerning the

to its broker-dealer affiliate regarding

has implemented a firewall with respect

market conditions, the Fund will seek

consistent with preservation of capital

in other extraordinary circumstances.

strategies; for example, it may hold a higher than

during periods of high cash inflows or outflows, the

intervening circumstance. For temporary defensive

made disaster, act of God, armed conflict, act of

normal market conditions includes, but is not

supra notes 4 and 7, respectively.

According to the Exchange, the term “under

normal market conditions includes, but is not

limited to, the absence of adverse market,

economic, political or other conditions, including

extreme volatility or trading halts in the fixed

income 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, armed conflict, act of terrorism, riot or labor disruption or any similar

intervening circumstance. For temporary defensive

purposes, during the initial invest-up period and

during periods of high cash inflows or outflows, the

Fund may depart from its principal investment

strategies; risks, creation and redemption

procedures, fees, Fund holdings disclosure policies, distributions and taxes, among other things, is

included in the Notice and Registration Statements, supra notes 4 and 7, respectively.

Additionally, the Exchange represents that, in

the event (a) the Adviser becomes newly affiliated

or (b) any new adviser or sub-

adviser becomes affiliated with a broker-dealer, it

will implement a fire wall with respect to such

broker-dealer regarding access to information

concerning the composition of or changes to the

portfolio, and it will be subject to procedures
designed to prevent the use and dissemination of

material, non-public information regarding such portfolio.

Additionally information regarding the Trust, the

Fund, and the Shares, including investment

strategies, risks, creation and redemption

procedures, fees, Fund holdings disclosure policies, distributions and taxes, among other things, is

included in the Notice and Registration Statements, as applicable. See Notice and Registration

Statement, supra notes 4 and 7, respectively.

While the Fund is permitted to invest without

restriction in corporate bonds, the Adviser expects

that, under normal market conditions, generally,

with respect to at least 75% of the Fund’s portfolio,

a corporate bond will have, at the time of original

issuance, $100 million or more par amount

outstanding to be considered as an eligible

investment.

While ‘private-issued securities’ for these purposes generally includes Rule 144A securities and, in this

case, may include both mortgage-backed and

non-mortgage Rule 144A securities.

Asset-backed securities are Fixed Income

Securities that are backed by a pool of assets. The

Fund currently intends to invest in asset-backed

securities that are consumer asset-backed securities.

Mortgage-backed securities are Fixed Income

Securities that are backed by a pool of mortgage

loans. There are a wide variety of mortgage-backed

securities involving commercial or residential,

fixed-rate or adjustable-rate mortgages and

mortgages issued by banks or government agencies.

Currently, the Fund anticipates investing only in

registered open-end investment companies that are

listed and traded in the U.S. on registered exchanges (i.e., other exchange traded funds).

See Amendment No. 1, supra note 3. There is no

limit applicable to agency mortgage-backed

securities.

Duration is a measure of the expected price

volatility of a debt instrument as a result of changes

in market rates of interest, based on, among other

factors, the weighted average timing of the

instrument’s expected principal and interest

payments. Duration differs from maturity in that it

considers a security’s yield, coupon payments,

principal payments, call features and coupon

adjustments in addition to the amount of time until

the security finally matures.

Maturity is measured relative to the type of

security. For Fixed Income Securities (exclusive of

asset-backed securities and mortgage-backed

securities), maturity shall be calculated using

dollar-weighted average maturity, which is

calculated by taking the average length of time to

maturity. For asset-backed securities and mortgage-

backed securities, maturity shall be calculated using

weighted average life, which is the estimated time

to principal paydown for each underlying

instrument held by the Fund, weighted according to

the relative holdings per instrument.


3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is

Note 3. There is

3. There is
when a reasonable degree of transparency cannot be assured. The NAV of the Shares generally will be calculated once daily Monday through Friday as of the close of regular trading on the New York Stock Exchange, generally 4:00 p.m., Eastern time. On each business day, before commencement of trading in Shares in the Regular Market Session on the Exchange, the Fund will disclose on its Web site the identities and quantities of the portfolio of securities and other assets ("Disclosed Portfolio" as defined in Nasdaq Rule 5735(c)(2)) held by the Fund that will form the basis for the Fund's calculation of NAV at the end of the business day. 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. Moreover, the Intraday Indicative Value, available on the NASDAQ OMX Information LLC proprietary index data service, will be widely disseminated by one or more market data vendors and broadly displayed at least every 15 seconds during the Regular Market Session. Trading in Shares will be halted if the circuit breaker parameters in Nasdaq Rule 4120(a)(11) 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 Nasdaq Rule 5735(d)(2)(D), which sets forth circumstances under which trading in the Shares may be halted. The Exchange states that it has a general policy prohibiting the distribution of material, non-public information by its employees. Further, the Commission notes that the Reporting Authority that provides the Disclosed Portfolio must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material, non-public information regarding the actual components of the portfolio.

The Adviser is affiliated with a broker-dealer and has implemented a firewall with respect to that broker-dealer regarding access to information concerning the composition and/or changes to the Fund’s portfolio. Further, regarding trading in the Shares and the exchange-traded securities held by the Fund, the Commission notes that the Financial Industry Regulatory Authority ("FINRA") will communicate as needed on behalf of the Exchange with other markets and other entities that are members of the Intermarket Surveillance Group ("ISG"), and FINRA may obtain trading information regarding trading in the Shares and the exchange-traded securities held by the Fund from such markets and other entities that are members of the ISG, which includes securities and futures exchanges, or from markets which the Exchange has in place a comprehensive surveillance sharing agreement. Moreover, the Exchange states that FINRA will be able to access on its behalf, as needed, trade information for certain Fixed Income Securities held by the Fund reported to FINRA’s Trade Reporting and Compliance Engine. The Exchange states that trading in the Shares will be subject to the existing trading surveillances, administered by FINRA on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws, and 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.

In support of this proposal, the Exchange has made representations, including:

(1) The Shares will conform to the initial and continued listing criteria under Nasdaq Rule 5735.

(2) The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions.

See Nasdaq Rule 4120(b)(4) (describing the three trading sessions on the Exchange: (1) Pre-Market Session from 4 a.m. to 9:30 a.m., Eastern time; (2) Regular Market Session from 9:30 a.m. to 4 p.m. or 4:15 p.m., Eastern time; and (3) Post-Market Session from 4 p.m. or 4:15 p.m. to 8 p.m., Eastern time).

Under accounting procedures to be 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.

See Notice, supra note 4, 79 FR at 24770. See id.

See Notice, supra note 4, 79 FR at 24770. See id.

See Notice, supra note 4, 79 FR at 24770.

See id.

See id.

See id. at 24771, n.35.

See id. at 24771.

See id.

See id. at 24770–71.
(3) The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by FINRA on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws and 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.

(4) 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: (a) The procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (b) Nasdaq Rule 2310, which imposes suitability obligations on Nasdaq members with respect to recommending transactions in the Shares to customers; (c) how information regarding the Intraday Indicative Value is disseminated; (d) the risks involved in trading the Shares during the Pre-Market and Post-Market Sessions when an updated Intraday Indicative Value will not be calculated or publicly disseminated; (e) the requirement that members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (f) trading information.37

(5) For initial and continued listing, the Fund will be in compliance with Rule 10A–3 under the Act.38

(6) While the Fund is permitted to invest without restriction in corporate bonds, the Adviser expects that, under normal market conditions, generally, with respect to at least 75% of the Fund’s portfolio, a corporate bond will have, at the time of original issuance, $100 million or more par amount outstanding to be considered as an eligible investment.

(7) The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser.

(8) The Fund will limit its investments in asset-backed securities and non-agency mortgage-backed securities (in the aggregate) to 20% of its net assets.

(9) The Fund will not invest in non-U.S. equity securities.

(10) A minimum of 100,000 Shares will be outstanding at the commencement of trading.

This approval order is based on all of the Exchange’s representations, including those set forth in the Notice.

IV. Conclusion

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act39 and the rules and regulations thereunder applicable to a national securities exchange.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,40 that the proposed rule change (SR–NASDAQ–2014–041), as modified by Amendment No. 1, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.41

Kevin M. O’Neill,
Deputy Secretary.
[FR Doc. 2014–14202 Filed 6–17–14; 8:45 am]
BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the EDGA Exchange, Inc. Fee Schedule

June 12, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),1 and Rule 19b–4 thereunder,2 notice is hereby given that on June 2, 2014, EDGA Exchange, Inc. (the “Exchange” or “EDGA”) 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 amend its fees and rebates applicable to Members 3 of the Exchange pursuant to EDGA Rule 15.1(a) and (c) (“Fee Schedule”) to: (i) Delete Flag RC, which routes to the National Stock Exchange, Inc. (“NSX”) and adds Liquidity; and (ii) make a corrective change to the definition of Average Daily Trading Volume (“ADV”) to state that ADV includes shared routed by the Exchange. The text of the proposed rule change is available on the Exchange’s Internet Web site at www.directedge.com, at the Exchange’s principal office, and at the Public Reference Room of the Commission.

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 these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend its Fee Schedule to: (i) Delete Flag RC, which routes to the NSX and adds liquidity; and (ii) make a corrective change to the definition of ADV to state that ADV includes shared routed by the Exchange.

Flag RC

The Exchange proposes to amend its Fee Schedule to delete Flag RC, which routes to the NSX and adds liquidity, in response to the NSX’s announcement that it will cease market operations and its last day of trading will be Friday, May 30, 2014.4 The Exchange currently

37 See id. at 24771.
44 See id. at 24771.