

Required fields are shown with yellow backgrounds and asterisks.

Filing by NASDAQ Stock Market
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 3C(b)(2) * <input type="checkbox"/>
Section 806(e)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
 Provide a brief description of the action (limit 250 characters, required when Initial is checked *).
 Proposal to amend Nasdaq Rule 5705(b) to provide for the inclusion of cash in an index or portfolio underlying a series of Index Fund Shares.

Contact Information
 Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Jonathan Last Name * Cayne
 Title * Senior Associate General Counsel
 E-mail * Jonathan.Cayne@nasdaq.com
 Telephone * (301) 978-8493 Fax

Signature
 Pursuant to the requirements of the Securities Exchange Act of 1934,
 has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.
 (Title *)
 Date 06/30/2017 Executive Vice President and General Counsel
 By Edward S. Knight
 (Name *)
 edward.knight@nasdaq.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) The NASDAQ Stock Market LLC (“Nasdaq” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend Nasdaq Rule 5705(b) to provide for the inclusion of cash in an index or portfolio underlying a series of Index Fund Shares. This filing is substantively identical to a NYSE Arca, Inc. filing previously approved by the Commission filing (SR-NYSEArca-2017-30, as amended).³

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of The NASDAQ Stock Market (the “Board”) on August 15, 2016. No other action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to:

Jonathan F. Cayne
Senior Associate General Counsel
Nasdaq, Inc.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 80777 (May 25, 2017), 82 FR 25378 (June 1, 2017) (SR-NYSEArca-2017-30).

301-978-8493

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

a. Purpose

The Exchange proposes to amend Nasdaq Rule 5705(b)(3) and 5705(b)(4) to provide for the inclusion of cash in an index or portfolio underlying a series of Index Fund Shares.⁴ Nasdaq Rule 5705(b) provides “generic” criteria permitting listing and trading of Index Fund Shares pursuant to Rule 19b-4(e) under the Act⁵ when the underlying index or portfolio satisfies the criteria set forth in Nasdaq Rule 5705(b).

The Exchange understands that certain index providers have included, or intend to include, cash as a component in indexes or portfolios that also include equity or fixed income securities components. An index provider may, for example, provide a certain index weighting allocation to cash or may periodically change an allocation to cash based on the index provider’s assessment of market risk associated with other asset classes in the applicable index.⁶

Accordingly, the Exchange proposes to amend Nasdaq Rule 5705(b)(3) and 5705(b)(4) to permit listing and trading of Index Fund Shares based on an index or portfolio that includes cash as a component. While open-end investment companies, like mutual funds, will generally hold an amount of cash, Nasdaq Rule 5705(b) currently

⁴ See Nasdaq Rule 5705(b)(1)(A) and (B).

⁵ 17 CFR 240.19b-4(e).

⁶ The Exchange notes that shares of the following exchange-traded funds based on indexes or portfolios that include cash as a component are currently listed and traded on the BATS BZX Exchange, Inc.: QuantX Risk Managed Growth ETF; QuantX Risk Managed Multi-Asset Income ETF; QuantX Risk Managed Multi-Asset Total Return ETF; and QuantX Risk Managed Real Return ETF.

provides that components of an index or portfolio underlying a series of Index Fund Shares consist of securities—namely, U.S. Component Stocks, Non-U.S. Component Stocks, Fixed Income Securities or a combination thereof. As described below, the proposed amendments to Nasdaq Rule 5705(b)(3) and 5705(b)(4) would permit inclusion of cash as an index or portfolio component.

Currently, Nasdaq Rule 5705(b)(3)(A)(i) provides that an underlying index or portfolio of U.S. Component Stocks⁷ must meet specified criteria. The Exchange proposes to amend Nasdaq Rule 5705(b)(3) to provide that the components of an index or portfolio underlying a series of Index Fund Shares may also include cash. In addition, the percentage weighting criteria in Nasdaq Rule 5705(b)(3)(A)(i)a. – d. each would be amended to make clear that such criteria would be applied only to the U.S. Component Stocks portion of an index or portfolio. For example, in applying the criteria in proposed Nasdaq Rule 5705(b)(3)(A)(i)a.,⁸ if 85% of the weight of an index consists of U.S. Component Stocks and 15% of the index weight is cash, the requirement that component stocks accounting for 90% of the weight of the index or portfolio each have a minimum market value of \$75 million minimum would be applied only to the 85% portion consisting of U.S. Component Stocks.

⁷ Nasdaq Rule 5705(b)(1)(D) defines “U.S. Component Stock” as an equity security that is registered under Sections 12(b) or 12(g) of the Act or an American Depositary Receipt, the underlying equity security of which is registered under Sections 12(b) or 12(g) of the Act.

⁸ Nasdaq Rule 5705(b)(3)(A)(i)a. would provide that component stocks (excluding Derivative Securities Products) that in the aggregate account for at least 90% of the weight of the U.S. Component Stocks portion of the index or portfolio (excluding such Derivative Securities Products) each shall have a minimum market value of at least \$75 million.

Nasdaq Rule 5705(b)(3)(A)(ii), which relates to international or global indexes or portfolios, would be amended to provide that components of an index or portfolio underlying a series of Index Fund Shares may consist of (a) only Non-U.S. Component Stocks, (b) Non-U.S. Component Stocks and cash, (c) both U.S. Component Stocks and Non-U.S. Component Stocks, or (d) U.S. Component Stocks, Non-U.S. Component Stocks and cash. In addition, the percentage weighting criteria in Nasdaq Rule 5705(b)(3)(A)(ii)a. – d. each would be amended to make clear that such criteria would be applied only to the U.S. and Non-U.S. Component Stocks portions of an index or portfolio.

Nasdaq Rule 5705(b)(4) provides generic criteria applicable to listing and trading of Index Fund Shares whose underlying index or portfolio includes Fixed Income Securities.⁹ Currently, Nasdaq Rule 5705(b)(4)(A)(i) provides that an underlying index or portfolio must consist of Fixed Income Securities. The Exchange proposes to amend Nasdaq Rule 5705(b)(4)(A)(i) to provide that the index or portfolio may also include cash. In addition, the percentage weighting criteria in Nasdaq Rule 5705(b)(4)(A)(ii), 5705(b)(4)(A)(iv) and 5705(b)(4)(A)(vi) each would be amended to make clear that such criteria would be applied only to the Fixed Income Securities portion of an index or portfolio. For example, in applying the criteria in proposed Nasdaq Rule

⁹ As defined in Nasdaq Rule 5705(b)(4), Fixed Income Securities are debt securities that are notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities (“Treasury Securities”), government-sponsored entity securities (“GSE Securities”), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or a subdivision thereof.

5705(b)(4)(A)(ii),¹⁰ if 90% of the weight of an index or portfolio consists of Fixed Income Securities and 10% of the index weight is cash, the requirement that Fixed Income Securities accounting for at least 75% of the weight of the index or portfolio each have a minimum original principal amount outstanding of \$100 million would be applied only to the 90% portion consisting of Fixed Income Securities.

The Exchange notes that the Commission has previously approved Exchange rules allowing portfolios held by issues of Managed Fund Shares (actively managed exchange-traded funds) under Nasdaq Rule 5735 to include cash.¹¹ Like the provision in Nasdaq Rule 5735, which states that there is no limit to cash holdings by an issue of Managed Fund Shares listed under the rule, there is no proposed limit to the weighting of cash in an index or portfolio underlying a series of Index Fund Shares. The Exchange believes this is appropriate in that cash does not, in itself, impose investment or market risk.

The Exchange believes the proposed amendments, by permitting inclusion of cash as a component of indexes or portfolios underlying series of Index Fund Shares, would provide issuers of Index Fund Shares with additional choice in indexes or portfolios permitted to underlie Index Fund Shares that are permitted to list and trade on the Exchange pursuant to Rule 19b-4(e), which would enhance competition among market participants, to the benefit of investors and the marketplace. In addition, the proposed amendments would provide investors with greater ability to hold Index Fund Shares

¹⁰ Nasdaq Rule 5705(b)(4)(A)(ii) would provide that Fixed Income Security components that in aggregate account for at least 75% of the Fixed Income Securities portion of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.

¹¹ See Nasdaq Rule 5735.

based on underlying indexes or portfolios that may accord more closely with an investor's assessment of market risk, in that some investors may view cash as a desirable component of an underlying index or portfolio under certain market conditions.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹² in general, and furthers the objectives of Section 6(b)(5) of the Act,¹³ in particular, because 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 regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and, in general, to protect investors and the public interest and because it is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange has in place surveillance procedures that are adequate to properly monitor trading in Index Fund Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

The Exchange notes that, as described above, the percentage weighting criteria in Nasdaq Rule 5705(b)(3)(A)(i)a. – d. and Nasdaq Rule 5705(b)(3)(A)(ii)a. – d. each would be amended to make clear that such criteria would be applied only to the U.S. and Non-U.S. Component Stocks portions of an index or portfolio. The percentage weighting criteria in Nasdaq Rule 5705(b)(4)(A)(ii), 5705(b)(4)(A)(iv) and 5705(b)(4)(A)(vi) each

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

would be amended to make clear that such criteria would be applied only to the Fixed Income Securities portion of an index or portfolio. Such applications of the proposed amendments would assure that the weighting requirements in Nasdaq Rule 5705(b)(3) and 5705(b)(4) would continue to be applied only to securities in an index or portfolio, and would not be diluted as a result of inclusion of a cash component. In addition, the addition of cash as a permitted component of indexes or portfolios underlying Index Fund Shares listed and traded on the Exchange pursuant to Rule 19b-4(e) does not raise regulatory issues because cash does not, in itself, impose investment or market risk and is generally not susceptible to manipulation.

The Exchange believes the proposed amendments, by permitting inclusion of cash as a component of indexes or portfolios underlying series of Index Fund Shares, would provide issuers of Index Fund Shares with additional choice in indexes or portfolios permitted to underlie Index Fund Shares that are permitted to list and trade on the Exchange pursuant to Rule 19b-4(e), which would enhance competition among market participants, to the benefit of investors and the marketplace. In addition, the proposed amendments would provide investors with greater ability to hold Index Fund Shares based on underlying indexes or portfolios that may accord more closely with an investor's assessment of market risk.

4. 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 not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change would permit Exchange listing and trading under Rule 19b-4(e) of Index Fund Shares based on indexes or portfolios that include cash as a component, which would enhance competition among market participants, to the benefit

of investors and the marketplace. Additionally, since the Commission has already approved a substantively identical filing by NYSE Arca, Inc.¹⁴ this filing may serve to enhance competition among the exchanges.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)¹⁵ of the Act and Rule 19b-4(f)(6) thereunder¹⁶ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange believes that this proposal does not significantly affect the protection of investors or the public interest, and does not impose any significant burden on competition, because the Commission has already approved a substantively identical

¹⁴ Supra note 3.

¹⁵ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁶ 17 CFR 240.19b-4(f)(6).

filing by NYSE Arca, Inc.¹⁷ to provide for the inclusion of cash in an index or portfolio underlying a series of Index Fund Shares (Investment Company Units in the case of NYSE Arca, Inc.) and the proposed rule change may serve to enhance competition and put the exchanges on an equal competitive footing as it pertains to the proposed rule change.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) since the Commission has already approved a substantively identical filing by NYSE Arca, Inc.¹⁸ and this filing

¹⁷ Supra note 3.

¹⁸ Supra note 3.

may enhance competition and put the exchanges on an equal competitive footing as it pertains to the proposed rule change.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposal is substantively identical to SR-NYSEArca-2017-30.¹⁹

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.
5. Text of the proposed rule change.

¹⁹

Id.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. _____ ; File No. SR-NASDAQ-2017-062)

June __, 2017

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Nasdaq Rule 5705(b) to Provide for the Inclusion of Cash in an Index or Portfolio Underlying a Series of Index Fund Shares

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 June 30, 2017, The NASDAQ Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the 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

The Exchange proposes to amend Nasdaq Rule 5705(b) to provide for the inclusion of cash in an index or portfolio underlying a series of Index Fund Shares. This filing is substantively identical to a NYSE Arca, Inc. filing previously approved by the Commission (SR-NYSEArca-2017-30, as amended).³

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 80777 (May 25, 2017), 82 FR 25378 (June 1, 2017) (SR-NYSEArca-2017-30).

The text of the proposed rule change is available on the Exchange's Website at <http://nasdaq.cchwallstreet.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 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 aspects 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 amend Nasdaq Rule 5705(b)(3) and 5705(b)(4) to provide for the inclusion of cash in an index or portfolio underlying a series of Index Fund Shares.⁴ Nasdaq Rule 5705(b) provides "generic" criteria permitting listing and trading of Index Fund Shares pursuant to Rule 19b-4(e) under the Act⁵ when the underlying index or portfolio satisfies the criteria set forth in Nasdaq Rule 5705(b).

The Exchange understands that certain index providers have included, or intend to include, cash as a component in indexes or portfolios that also include equity or fixed income securities components. An index provider may, for example, provide a certain index weighting allocation to cash or may periodically change an allocation to cash based

⁴ See Nasdaq Rule 5705(b)(1)(A) and (B).

⁵ 17 CFR 240.19b-4(e).

on the index provider's assessment of market risk associated with other asset classes in the applicable index.⁶

Accordingly, the Exchange proposes to amend Nasdaq Rule 5705(b)(3) and 5705(b)(4) to permit listing and trading of Index Fund Shares based on an index or portfolio that includes cash as a component. While open-end investment companies, like mutual funds, will generally hold an amount of cash, Nasdaq Rule 5705(b) currently provides that components of an index or portfolio underlying a series of Index Fund Shares consist of securities—namely, U.S. Component Stocks, Non-U.S. Component Stocks, Fixed Income Securities or a combination thereof. As described below, the proposed amendments to Nasdaq Rule 5705(b)(3) and 5705(b)(4) would permit inclusion of cash as an index or portfolio component.

Currently, Nasdaq Rule 5705(b)(3)(A)(i) provides that an underlying index or portfolio of U.S. Component Stocks⁷ must meet specified criteria. The Exchange proposes to amend Nasdaq Rule 5705(b)(3) to provide that the components of an index or portfolio underlying a series of Index Fund Shares may also include cash. In addition, the percentage weighting criteria in Nasdaq Rule 5705(b)(3)(A)(i)a. – d. each would be amended to make clear that such criteria would be applied only to the U.S. Component Stocks portion of an index or portfolio. For example, in applying the criteria in proposed

⁶ The Exchange notes that shares of the following exchange-traded funds based on indexes or portfolios that include cash as a component are currently listed and traded on the BATS BZX Exchange, Inc.: QuantX Risk Managed Growth ETF; QuantX Risk Managed Multi-Asset Income ETF; QuantX Risk Managed Multi-Asset Total Return ETF; and QuantX Risk Managed Real Return ETF.

⁷ Nasdaq Rule 5705(b)(1)(D) defines “U.S. Component Stock” as an equity security that is registered under Sections 12(b) or 12(g) of the Act or an American Depositary Receipt, the underlying equity security of which is registered under Sections 12(b) or 12(g) of the Act.

Nasdaq Rule 5705(b)(3)(A)(i)a.,⁸ if 85% of the weight of an index consists of U.S. Component Stocks and 15% of the index weight is cash, the requirement that component stocks accounting for 90% of the weight of the index or portfolio each have a minimum market value of \$75 million minimum would be applied only to the 85% portion consisting of U.S. Component Stocks.

Nasdaq Rule 5705(b)(3)(A)(ii), which relates to international or global indexes or portfolios, would be amended to provide that components of an index or portfolio underlying a series of Index Fund Shares may consist of (a) only Non-U.S. Component Stocks, (b) Non-U.S. Component Stocks and cash, (c) both U.S. Component Stocks and Non-U.S. Component Stocks, or (d) U.S. Component Stocks, Non-U.S. Component Stocks and cash. In addition, the percentage weighting criteria in Nasdaq Rule 5705(b)(3)(A)(ii)a. – d. each would be amended to make clear that such criteria would be applied only to the U.S. and Non-U.S. Component Stocks portions of an index or portfolio.

Nasdaq Rule 5705(b)(4) provides generic criteria applicable to listing and trading of Index Fund Shares whose underlying index or portfolio includes Fixed Income Securities.⁹ Currently, Nasdaq Rule 5705(b)(4)(A)(i) provides that an underlying index

⁸ Nasdaq Rule 5705(b)(3)(A)(i)a. would provide that component stocks (excluding Derivative Securities Products) that in the aggregate account for at least 90% of the weight of the U.S. Component Stocks portion of the index or portfolio (excluding such Derivative Securities Products) each shall have a minimum market value of at least \$75 million.

⁹ As defined in Nasdaq Rule 5705(b)(4), Fixed Income Securities are debt securities that are notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities (“Treasury Securities”), government-sponsored entity securities (“GSE Securities”), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or a subdivision thereof.

or portfolio must consist of Fixed Income Securities. The Exchange proposes to amend Nasdaq Rule 5705(b)(4)(A)(i) to provide that the index or portfolio may also include cash. In addition, the percentage weighting criteria in Nasdaq Rule 5705(b)(4)(A)(ii), 5705(b)(4)(A)(iv) and 5705(b)(4)(A)(vi) each would be amended to make clear that such criteria would be applied only to the Fixed Income Securities portion of an index or portfolio. For example, in applying the criteria in proposed Nasdaq Rule 5705(b)(4)(A)(ii),¹⁰ if 90% of the weight of an index or portfolio consists of Fixed Income Securities and 10% of the index weight is cash, the requirement that Fixed Income Securities accounting for at least 75% of the weight of the index or portfolio each have a minimum original principal amount outstanding of \$100 million would be applied only to the 90% portion consisting of Fixed Income Securities.

The Exchange notes that the Commission has previously approved Exchange rules allowing portfolios held by issues of Managed Fund Shares (actively managed exchange-traded funds) under Nasdaq Rule 5735 to include cash.¹¹ Like the provision in Nasdaq Rule 5735, which states that there is no limit to cash holdings by an issue of Managed Fund Shares listed under the rule, there is no proposed limit to the weighting of cash in an index or portfolio underlying a series of Index Fund Shares. The Exchange believes this is appropriate in that cash does not, in itself, impose investment or market risk.

¹⁰ Nasdaq Rule 5705(b)(4)(A)(ii) would provide that Fixed Income Security components that in aggregate account for at least 75% of the Fixed Income Securities portion of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.

¹¹ See Nasdaq Rule 5735.

The Exchange believes the proposed amendments, by permitting inclusion of cash as a component of indexes or portfolios underlying series of Index Fund Shares, would provide issuers of Index Fund Shares with additional choice in indexes or portfolios permitted to underlie Index Fund Shares that are permitted to list and trade on the Exchange pursuant to Rule 19b-4(e), which would enhance competition among market participants, to the benefit of investors and the marketplace. In addition, the proposed amendments would provide investors with greater ability to hold Index Fund Shares based on underlying indexes or portfolios that may accord more closely with an investor's assessment of market risk, in that some investors may view cash as a desirable component of an underlying index or portfolio under certain market conditions.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹² in general, and furthers the objectives of Section 6(b)(5) of the Act,¹³ in particular, because 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 regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and, in general, to protect investors and the public interest and because it is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

The Exchange has in place surveillance procedures that are adequate to properly monitor trading in Index Fund Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

The Exchange notes that, as described above, the percentage weighting criteria in Nasdaq Rule 5705(b)(3)(A)(i)a. – d. and Nasdaq Rule 5705(b)(3)(A)(ii)a. – d. each would be amended to make clear that such criteria would be applied only to the U.S. and Non-U.S. Component Stocks portions of an index or portfolio. The percentage weighting criteria in Nasdaq Rule 5705(b)(4)(A)(ii), 5705(b)(4)(A)(iv) and 5705(b)(4)(A)(vi) each would be amended to make clear that such criteria would be applied only to the Fixed Income Securities portion of an index or portfolio. Such applications of the proposed amendments would assure that the weighting requirements in Nasdaq Rule 5705(b)(3) and 5705(b)(4) would continue to be applied only to securities in an index or portfolio, and would not be diluted as a result of inclusion of a cash component. In addition, the addition of cash as a permitted component of indexes or portfolios underlying Index Fund Shares listed and traded on the Exchange pursuant to Rule 19b-4(e) does not raise regulatory issues because cash does not, in itself, impose investment or market risk and is generally not susceptible to manipulation.

The Exchange believes the proposed amendments, by permitting inclusion of cash as a component of indexes or portfolios underlying series of Index Fund Shares, would provide issuers of Index Fund Shares with additional choice in indexes or portfolios permitted to underlie Index Fund Shares that are permitted to list and trade on the Exchange pursuant to Rule 19b-4(e), which would enhance competition among market participants, to the benefit of investors and the marketplace. In addition, the proposed

amendments would provide investors with greater ability to hold Index Fund Shares based on underlying indexes or portfolios that may accord more closely with an investor's assessment of market risk.

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 not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change would permit Exchange listing and trading under Rule 19b-4(e) of Index Fund Shares based on indexes or portfolios that include cash as a component, which would enhance competition among market participants, to the benefit of investors and the marketplace. Additionally, since the Commission has already approved a substantively identical filing by NYSE Arca, Inc.¹⁴ this filing may serve to enhance competition among the exchanges.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant

¹⁴ Supra note 3.

to Section 19(b)(3)(A)(iii) of the Act¹⁵ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁶

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or 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 e-mail to rule-comments@sec.gov. Please include File Number SR-NASDAQ-2017-062 on the subject line.

¹⁵ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁶ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-NASDAQ-2017-062. This file number should be included on the subject line if e-mail 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 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 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-NASDAQ-2017-062 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Eduardo A. Aleman
Assistant Secretary

¹⁷ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

The text of the proposed rule change is below. Proposed new language is underlined; proposed deletions are in brackets.

NASDAQ Stock Market Rules

5700. Other Securities

5705. Exchange Traded Funds: Portfolio Depository Receipts and Index Fund Shares

(a) No Change.

(b) Index Fund Shares

(1) – (2) No Change.

(3) Equity. Nasdaq may approve a series of Index Fund Shares for listing and trading pursuant to Rule 19b-4(e) under the Act provided each of the following criteria is satisfied, on an initial and, except for paragraph (D) below, continued listing basis:

(A) Eligibility Criteria for Index Components.

(i) U.S. Index or Portfolio. Component stocks of an index or portfolio of (a) only U.S. Component Stocks or (b) U.S. Component Stocks and cash underlying a series of Index Fund Shares listed pursuant to Rule 19b-4(e) under the Act shall meet the following criteria on an initial and continued listing basis:

a. Component stocks (excluding "Derivative Securities Products" as defined in this subsection a.) that in the aggregate account for at least 90% of the weight of the U.S. Component Stocks portion of the index or portfolio (excluding Derivative Securities Products) each shall have a minimum market value of at least \$75 million;

"Derivative Securities Products" include the following: Exchange Traded Funds consisting of Portfolio Depository Receipts and Index Fund Shares (Rule 5705); Trust Issued Receipts (Rule 5720); Commodity-Based Trust Shares, Currency Trust Shares, Commodity Index Trust Shares, Commodity Futures Trust Shares, Partnership Units, Trust Units, Managed Trust Shares, (Rule 5711); and Managed Fund Shares (Rule 5735).

b. Component stocks (excluding Derivative Securities Products) that in the aggregate account for at least 70% of the U.S. Component Stocks portion of the weight of the index or portfolio (excluding Derivative Securities Products) each shall have a minimum

monthly trading volume of 250,000 shares or minimum notional volume traded per month of \$25,000,000, averaged over the last six months;

c. The most heavily weighted component stock (excluding Derivative Securities Products) shall not exceed 30% of the U.S. Component Stocks portion of the weight of the index or portfolio, and, to the extent applicable, the five most heavily weighted component stocks (excluding Derivative Securities Products) shall not exceed 65% of the U.S. Component Stocks portion of the weight of the index or portfolio;

d. The index or portfolio shall include a minimum of 13 component stocks; provided, however, that there shall be no minimum number of component stocks if either one or more series of Index Fund Shares or Portfolio Depositary Receipts constitute, at least in part, components underlying a series of Index Fund Shares, or one or more series of Derivative Securities Products account for 100% of the U.S. Component Stocks portion of the weight of the index or portfolio; and

e. No Change.

(ii) International or global index or portfolio. Components of an index or portfolio underlying a series of Index Fund Shares listed pursuant to Rule 19b-4(e) that consist of [either](a) only Non-U.S. Component Stocks[or], (b)[both U.S. Component Stocks and Non-U.S. Component Stocks and cash, (c) both U.S. Component Stocks and Non-U.S. Component Stocks, or (d) U.S. Component Stocks, Non-U.S. Component Stocks and cash shall meet the following criteria on an initial and continued listing basis:

a. Component stocks (excluding Derivative Securities Products) that in the aggregate account for at least 90% of the weight of the U.S. and Non-U.S. Component Stocks portions of the index or portfolio (excluding Derivative Securities Products) each shall have a minimum market value of at least \$100 million;

b. Component stocks (excluding Derivative Securities Products) that in the aggregate account for at least 70% of the U.S. and Non-U.S. Component Stocks portions of the weight of the index or portfolio (excluding Derivative Securities Products) each shall have a minimum worldwide monthly trading volume of at least 250,000 shares, or minimum global notional volume traded per month of \$25,000,000, averaged over the last six months;

c. The most heavily weighted component stock (excluding Derivative Securities Products) shall not exceed 25% of the combined U.S. and Non-U.S. Component Stocks portions of the weight of the index or portfolio, and, to the extent applicable, the five most heavily weighted component stocks (excluding Derivative Securities Products) shall not exceed 60% of the combined U.S. and Non-U.S. Component Stocks portions of the weight of the index or portfolio;

d. The index or portfolio shall include a minimum of 20 component stocks; provided, however, that there shall be no minimum number of component stocks if either one or more series of Index Fund Shares or Portfolio Depository Receipts constitute, at least in part, components underlying a series of Index Fund Shares, or one or more series of Derivative Securities Products account for 100% of the weight of the combined U.S. and Non-U.S. Component Stocks portions of the index or portfolio; and

e. No Change.

(iii) No Change.

(B) – (F) No Change.

(4) Fixed Income. Fixed Income Securities are debt securities that are notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities ("Treasury Securities"), government-sponsored entity securities ("GSE Securities"), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or subdivision thereof. Nasdaq may approve a series of Index Fund Shares based on Fixed Income Securities for listing and trading pursuant to Rule 19b-4(e) under the Act provided such portfolio or index: (i) has been reviewed and approved for the trading of options, Portfolio Depository Receipts, Index Fund Shares, Index-Linked Exchangeable Notes or Index-Linked Securities by the Commission under Section 19(b) of the Act and the rules thereunder and the conditions set forth in the Commission's approval order continue to be satisfied; or (ii) the following criteria are satisfied:

(A) Eligibility Criteria for Index Components. Components of an index or portfolio that underlies a series of Index Fund Shares listed pursuant to Rule 19b-4(e) under the Act shall meet the following criteria on an initial and continued listing basis:

(i) The index or portfolio must consist of (a) only Fixed Income Securities or (b) Fixed Income Securities and cash;

(ii) Fixed Income Security [C] components that in aggregate account for at least 75% of the Fixed Income Securities portion of the weight of the index or portfolio each must have a minimum original principal amount outstanding of \$100 million or more;

(iii) No Change.

(iv) No component fixed-income security (excluding Treasury Securities) will represent more than 30% of the Fixed Income Securities portion of the weight of the index or portfolio, and the five highest weighted component fixed-income securities do not in the aggregate account for more than 65% of the Fixed Income Securities portion of the weight of the index or portfolio;

(v) No Change.

(vi) Component securities that in aggregate account for at least 90% of the Fixed Income Securities portion of the weight of the index or portfolio must be either: (a) from issuers that are required to file reports pursuant to Sections 13 and 15(d) of the Act; (b) from issuers that have a worldwide market value of its outstanding common equity held by non-affiliates of \$700 million or more; (c) from issuers that have outstanding securities that are notes, bonds, debentures, or evidence of indebtedness having a total remaining principal amount of at least \$1 billion; (d) exempted securities as defined in section 3(a)(12) of the Act; or (e) from issuers that are a government of a foreign country or a political subdivision of a foreign country.

(B) No Change.

(5) – (11) No Change.
