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. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) [31] of the Act to determine whether the proposed rule change 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 email to *rule-comments@sec.gov*. Please include File Number SR–NYSE–2013–81 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–NYSE–2013–81. 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–NYSE–2013–81 and should be submitted on or before January 14, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[32]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2013–30589 Filed 12–23–13; 8:45 am]

BILLING CODE 8011–01–P

[31] 15 U.S.C. 78s(b)(2)(B).

[32] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–71125; File No. SR–NYSEArca–2013–106]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1 Thereto, Relating to Listing and Trading of Shares of PIMCO Diversified Income Exchange-Traded Fund, PIMCO Low Duration Exchange-Traded Fund and PIMCO Real Return Exchange-Traded Fund under NYSE Arca Equities Rule 8.600

December 18, 2013.

I. Introduction

On October 15, 2013, NYSE Arca, Inc. (''Exchange'' or ''NYSE Arca'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to list and trade shares (''Shares'') of the PIMCO Diversified Income Exchange-Traded Fund, PIMCO Low Duration Exchange-Traded Fund, and PIMCO Real Return Exchange-Traded Fund (individually, ''Fund'' and, collectively, ''Funds'') under NYSE Arca Equities Rule 8.600. On October 29, 2013, the Exchange filed Amendment No. 1 to the proposal.[3] The proposed rule change, as modified by Amendment No. 1 thereto, was published for comment in the **Federal Register** on November 5, 2013.[4] The Commission received no comments on the proposal. This order grants approval of 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 the Shares of the Funds pursuant to NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares on the Exchange. The Shares will be offered by PIMCO ETF Trust (''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.[5] The investment manager to the Funds will be Pacific Investment Management Company LLC (''PIMCO'' or ''Adviser''). PIMCO Investments LLC will serve as the distributor for the Funds. State Street Bank & Trust Co. will serve as the custodian and transfer agent for the Funds. The Exchange represents that the Adviser is not a registered 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 concerning the composition and/or changes to a Fund's respective portfolio.[6] The Exchange makes the following representations and statements in describing the Funds and their respective investment strategies, including other portfolio holdings and investment limitations.

PIMCO Diversified Income Exchange-Traded Fund

The Fund's investment objective will be to seek maximum total return, consistent with preservation of capital and prudent investment management. The Fund will seek to achieve its investment objective by investing under normal circumstances [7] at least 65% of

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Amendment No. 1 replaced and superseded the proposal in its entirety.

[4] *See* Securities Exchange Act Release No. 70774 (October 30, 2013), 78 FR 66396 (''Notice'').

[5] The Trust is registered under the Investment Company Act of 1940 (''1940 Act''). On April 22, 2013, the Trust filed with the Commission an amendment to the Trust's registration statement on Form N–1A under the Securities Act of 1933 (''Securities Act'') and under the 1940 Act relating to the Funds (File Nos. 333–155395 and 811–22250) (''Registration Statement'').

[6] *See* Commentary .06 to NYSE Arca Equities Rule 8.600. The Exchange represents that in the event (a) the Adviser or any sub-adviser is a registered broker-dealer or 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 a portfolio, and will be subject to procedures designed to prevent the use and dissemination of material, non-public information regarding such portfolio.

[7] The term ''under normal circumstances'' includes, but is not limited to, the absence of extreme volatility or trading halts in the fixed

Continued

its total assets in a diversified portfolio of ''Fixed Income Instruments'' of varying maturities and forward contracts on Fixed Income Instruments.

Fixed Income Instruments include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities. Specifically, with respect to each of the Funds (except as noted below), the term ''Fixed Income Instruments'' includes: securities issued or guaranteed by the U.S. Government, its agencies or government-sponsored enterprises; corporate debt securities of U.S. and non-U.S. issuers, including convertible securities and corporate commercial paper; mortgage-backed and other asset-backed securities; inflation-indexed bonds issued both by governments and corporations; event-linked bonds; bank capital and trust preferred securities; loan participations and assignments; delayed funding loans and revolving credit facilities; bank certificates of deposit, fixed time deposits, and bankers' acceptances; repurchase agreements on Fixed Income Instruments and reverse repurchase agreements on Fixed Income Instruments; debt securities issued by states or local governments and their agencies, authorities, and other government-sponsored enterprises; obligations of non-U.S. governments or their subdivisions, agencies, and government-sponsored enterprises; and obligations of international agencies or supranational entities.[8]

Forwards on securities are contracts to purchase or sell securities for a fixed price at a future date beyond normal settlement time. Forwards on Fixed Income Instruments are contracts to purchase or sell Fixed Income Instruments for a fixed price at a future date beyond normal settlement time. The Adviser represents that a forward will be a useful tool for gaining exposure across markets, particularly in the U.S. Treasury, U.S. agency, non-U.S. government, and mortgage markets when a Fund seeks exposure to a particular issue or maturity.[9] In general, forwards can be an economically attractive substitute for an underlying physical security that a Fund would otherwise purchase. Economic benefits include potentially lower transaction costs or attractive relative valuation of a forward versus a physical security (*e.g.,* differences in yields).

A common forward commitment is a mortgage ''to be announced'' (''TBA''), which is an important vehicle for gaining exposure to the mortgage pass-through market. Mortgage TBAs provide exposure to new mortgage pools, issued by the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, which have a regular, once-a-month settlement. When a fund purchases a mortgage TBA, the underlying mortgage-related securities are delivered in the next settlement cycle (unless settlement is ''rolled'' to a future date).

The Adviser believes that liquidity of a forward settling transaction depends on the underlying issue or exposure (*e.g.,* greater liquidity for Treasuries as compared to a particular collateralized mortgage obligation). For example, the mortgage TBA market is highly liquid and positions can be easily added, rolled, or closed. According to Financial Industry Regulatory Authority (''FINRA'') Trade Reporting and Compliance Engine (''TRACE'') data, TBAs represented approximately 94% of total agency trading volume in the month of April 2013.

Forwards are marked to market daily and can be priced intraday based on the underlying issue or exposure. Intraday pricing of securities to be settled on a forward basis is often available on quotation services such as Bloomberg. The visibility of intraday prices of forwards is related to the visibility of prices of the underlying asset. Market participants can efficiently value forward settling securities as long as they have access to the relevant information, such as the underlying exposure.

On behalf of the funds it manages, PIMCO maintains standardized Master Forward Agreements in place with various counterparties. These standardized agreements include procedures for periodic collateral movement between a fund and the applicable counterparty to reflect changes in the value of forwards held by a fund.

In selecting individual Fixed Income Instruments, or in making broader sector allocations for the Fund, PIMCO will develop an outlook for interest rates, currency exchange rates and the economy, analyze credit and call risks, and use other investment selection techniques. The proportion of the Fund's assets committed to an individual investment, or investments with particular characteristics (such as quality, sector, interest rate, or maturity), will vary based on PIMCO's outlook for the U.S. economy and the economies of other countries in the world, the financial markets, and other factors. PIMCO will attempt to identify areas of the bond market that are undervalued relative to the rest of the market. PIMCO may identify these areas by grouping Fixed Income Instruments into sectors such as money markets, governments, corporates,[10] mortgages, asset-backed, and international. Once investment opportunities are identified, PIMCO will shift assets among individual Fixed Income Instruments, or among sectors, depending upon changes

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, act of God, armed conflict, act of terrorism, riot or labor disruption, or any similar intervening circumstance.

8 Securities issued by U.S. Government agencies or government-sponsored enterprises may not be guaranteed by the U.S. Treasury. With respect to the Funds' investments in bank capital securities, there are two common types: Tier I and Tier II. Bank capital is generally, but not always, of investment grade quality. Tier I securities are typically exchange-traded and often take the form of trust preferred securities. Tier II securities are commonly thought of as hybrids of debt and preferred stock. Tier II securities are typically traded over-the-counter, are often perpetual (with no maturity date), are callable, and have a cumulative interest deferral feature. This means that under certain conditions, the issuer bank can withhold payment of interest until a later date. However, such deferred interest payments generally earn interest. With respect to the PIMCO Real Return Exchange-Traded Fund, the term ''Fixed Income Instruments'' does not include: event-linked bonds; bank capital and trust preferred securities; loan participations and assignments; and debt securities issued by states or local governments and their agencies, authorities, and other government-sponsored enterprises.

9 Investments in forwards will be made in accordance with the 1940 Act and consistent with each Fund's investment objectives and policies. With respect to each of the Funds, the Adviser represents that each Fund will typically use forwards as a substitute for taking a position in the underlying asset and/or as part of a strategy designed to reduce exposure to other risks, such as interest rate or currency risk. A Fund may also use forwards to enhance returns. To limit the potential risk associated with such transactions, each Fund will segregate or ''earmark'' assets determined to be liquid by PIMCO in accordance with procedures established by the Trust's Board of Trustees and in accordance with the 1940 Act (or, as permitted by applicable regulation, enter into certain offsetting positions) to cover its obligations arising from its use of forwards. These procedures have been adopted consistent with Section 18 of the 1940 Act and related Commission guidance. In addition, each Fund will include appropriate risk disclosure in its offering documents, including leveraging risk. Leveraging risk is the risk that certain transactions of a Fund, including a Fund's use of derivatives, may give rise to leverage, causing a Fund to be more volatile than if it had not been leveraged. To mitigate leveraging risk, the Adviser will segregate or ''earmark'' liquid assets or otherwise cover the transactions that may give rise to such risk.

10 While non-emerging markets corporate debt securities (excluding commercial paper) generally must have $100 million or more par amount outstanding and significant par value traded to be considered as an eligible investment for each of the Funds, at least 80% of issues of such securities held by a Fund must have $100 million or more par amount outstanding at the time of investment. *See also infra* note 13, regarding emerging market corporate debt securities.

in relative valuations, credit spreads, and other factors.

In managing the Fund, PIMCO may employ both a bottom-up and top-down approach to investment selection. PIMCO's bottom-up value investment style will attempt to identify Fixed Income Instruments or sectors that are undervalued by the market in comparison to PIMCO's own determination of value. Using a top-down value investment style, PIMCO also will consider various qualitative and quantitative factors relating to the U.S. and non-U.S. economies and financial markets. These factors may include the outlook and projected growth of various sectors, projected growth trends in the U.S. and non-U.S. economies, forecasts for interest rates and the relationship between short- and long-term interest rates (yield curve), relative valuation levels in the financial markets and various segments within those markets, information relating to business cycles, borrowing needs and the cost of capital, political trends data relating to trade balances, and labor information. PIMCO has the flexibility to reallocate the Fund's assets among individual investments or sectors based on its ongoing analyses.

The average portfolio duration of the Fund normally will vary from three to eight years, based on PIMCO's forecast for interest rates.[11] The Fund may invest in both investment grade debt securities and high yield debt securities (''junk bonds''), subject to a maximum of 10% of its total assets in debt securities rated below B by Moody's Investors Service, Inc. (''Moody's''), or equivalently rated by Standard & Poor's Rating Services (''S&P'') or Fitch, Inc. (''Fitch''), or, if unrated, determined by PIMCO to be of comparable quality.[12] The Fund may invest in securities and instruments that are economically tied to emerging market countries.[13] The Fund may invest in securities and instruments denominated in foreign currencies and in U.S. dollar-denominated securities or instruments of foreign issuers. Subject to the Fund's investment limitations relating to high yield debt securities generally, the Fund may invest up to 20% of its assets in mortgage-backed securities or in other asset-backed securities, although this 20% limitation does not apply to securities issued or guaranteed by Federal agencies and/or U.S. government sponsored instrumentalities.

The Fund's portfolio or the Fund's broad-based securities market index (as defined in Form N–1A) will include a minimum of 13 non-affiliated issuers (excluding a portfolio or broad-based securities market index consisting entirely of exempted securities).[14] The Fund may purchase or sell securities on a when-issued, delayed delivery, or forward commitment basis and may engage in short sales.[15] The Fund may, without limitation, seek to obtain market exposure to the securities in which it invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls). The ''total return'' sought by the Fund will consist of income earned on the Fund's investments, plus capital appreciation, if any, which generally arises from decreases in interest rates, foreign currency appreciation, or improving credit fundamentals for a particular sector or security.

PIMCO Low Duration Exchange-Traded Fund

The Fund's investment objective will be to seek maximum total return, consistent with preservation of capital and prudent investment management. The Fund will seek to achieve its investment objective by investing under normal circumstances at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities and forward contracts on such Fixed Income Instruments.[16] The average portfolio duration of the Fund normally will vary from one to three years based on PIMCO's forecast for interest rates. In selecting individual Fixed Income Instruments, or in making broader sector allocations for the Fund, PIMCO will develop an outlook for interest rates, currency exchange rates and the economy, analyze credit and call risks, and use other investment selection techniques.

The Fund will invest primarily in investment grade debt securities, but may invest up to 10% of its total assets in high yield debt securities rated B to Ba by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality.[17] The Fund may invest up to 30% of its total assets in securities and instruments denominated in foreign currencies, and may invest beyond this limit in U.S. dollar-denominated securities and instruments of foreign issuers, subject to the Fund's investment limitations relating to particular asset classes set forth herein. The Fund may invest up to 10% of its total assets in securities and instruments that are economically tied to emerging market countries, subject to the Fund's investment limitations relating to particular asset classes set forth herein.[18] The Fund will normally limit its foreign currency exposure (from non-U.S. dollar-denominated securities or currencies) to 20% of its total assets.

The Fund's portfolio or the Fund's broad-based securities market index (as defined in Form N–1A) will include a minimum of 13 non-affiliated issuers (excluding a portfolio or broad-based securities market index consisting entirely of exempted securities).[19] Subject to the Fund's 10% investment limitations relating to high yield debt securities, the Fund may invest up to 20% of its assets in mortgage-backed securities or in other asset-backed

[11] Duration is a measure used to determine the sensitivity of a security's price to changes in interest rates. The longer a security's duration, the more sensitive it will be to changes in interest rates.

[12] PIMCO utilizes sophisticated proprietary techniques in its creditworthiness analysis of unrated securities similar to the processes utilized by Moody's, S&P, and Fitch in their respective analyses of rated securities. For example, in making a ''comparable quality'' determination for an unrated security, PIMCO may evaluate the likelihood of payment by the obligor, the nature and provisions of the debt obligation, and/or the protection afforded by, and relative position of, the debt obligation in the event of bankruptcy, reorganization, or other arrangement under laws affecting creditors' rights. Upon consideration of these and other factors, PIMCO may determine that an unrated security is of comparable quality to rated securities in which the Fund may invest consistent with the Fund's credit quality guidelines described above.

[13] PIMCO will have broad discretion to identify countries that it considers to qualify as emerging markets. In making investments in emerging market securities, the Fund will emphasize those countries with relatively low gross national product per capita and with the potential for rapid economic growth. Emerging market countries are generally located in Asia, Africa, the Middle East, Latin America, and Eastern Europe. PIMCO will select the country and currency composition based on its evaluation of relative interest rates, inflation rates, exchange rates, monetary and fiscal policies, trade and current account balances, legal and political developments, and any other specific factors it believes to be relevant. While emerging markets corporate debt securities (excluding commercial paper) generally must have $200 million or more par amount outstanding and significant par value traded to be considered as an eligible investment for each of the Funds, at least 80% of issues of such securities held by a Fund must have $200 million or more par amount outstanding at the time of investment.

[14] The Fund's broad-based securities market index will be identified in a future amendment to the Registration Statement following the Fund's first full calendar year of performance.

[15] Each of the Funds may make short sales of securities to: offset potential declines in long positions in similar securities; to increase the flexibility of the Fund; for investment return; and as part of a risk arbitrage strategy.

[16] *See supra* discussion regarding forwards.

[17] *See supra* note 12.

[18] *See supra* note 13.

[19] The Fund's broad-based securities market index will be identified in a future amendment to the Registration Statement following the Fund's first full calendar year of performance.

securities, although this 20% limitation does not apply to securities issued or guaranteed by Federal agencies and/or U.S. government sponsored instrumentalities. The Fund may purchase or sell securities on a when-issued, delayed delivery, or forward commitment basis and may engage in short sales.[20] The Fund may, without limitation, seek to obtain market exposure to the securities in which it invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls). The ''total return'' sought by the Fund will consist of income earned on the Fund's investments, plus capital appreciation, if any, which generally arises from decreases in interest rates, foreign currency appreciation, or improving credit fundamentals for a particular sector or security.

PIMCO Real Return Exchange-Traded Fund

The Fund's investment objective will be to seek maximum real return, consistent with preservation of capital and prudent investment management. The Fund will seek its investment objective by investing under normal circumstances at least 80% of its net assets in inflation-indexed bonds of varying maturities issued by U.S. and non-U.S. governments, their agencies or instrumentalities, and corporations, and forward contracts on such Fixed Income Instruments.[21] Assets not invested in inflation-indexed bonds may be invested in other types of Fixed Income Instruments. Inflation-indexed bonds are fixed income securities that are structured to provide protection against inflation. The value of the bond's principal or the interest income paid on the bond is adjusted to track changes in an official inflation measure. The U.S. Treasury uses the Consumer Price Index for Urban Consumers as the inflation measure. Inflation-indexed bonds issued by a foreign government are generally adjusted to reflect a comparable inflation index, calculated by that government. ''Real return'' equals total return less the estimated cost of inflation, which is typically measured by the change in an official inflation measure.

Because market convention for bonds is to use nominal yields to measure duration, duration for real return bonds, which are based on real yields, are converted to nominal durations through a conversion factor. The resulting nominal duration typically can range from 20% and 90% of the respective real duration. All security holdings will be measured in effective (nominal) duration terms.[22] The effective duration of the Fund normally will vary within three years (plus or minus) of the effective portfolio duration of the securities comprising the Barclays Capital U.S. TIPS Index, as calculated by PIMCO, which as of January 31, 2013, as converted, was 6.16 years.

The Fund will invest primarily in investment grade debt securities, but may invest up to 10% of its total assets in high yield debt securities rated B to Ba by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality.[23]

The Fund also may invest up to 30% of its total assets in securities denominated in foreign currencies, and may invest beyond this limit in U.S. dollar-denominated securities of foreign issuers, subject to the Fund's investment limitations relating to particular asset classes set forth herein. The Fund may invest up to 10% of its total assets in securities and instruments that are economically tied to emerging market countries, subject to the Fund's investment limitations relating to particular asset classes set forth herein.[24] The Fund will normally limit its foreign currency exposure (from non-U.S. dollar-denominated securities or currencies) to 20% of its total assets.

The Fund's portfolio or the Fund's broad-based securities market index (as defined in Form N–1A) will include a minimum of 13 non-affiliated issuers (excluding a portfolio or broad-based securities market index consisting entirely of exempted securities).[25] Subject to the Fund's 10% investment limitations relating to high yield debt securities, the Fund may invest up to 20% of its assets in mortgage-backed securities or in other asset-backed securities, although this 20% limitation does not apply to securities issued or guaranteed by Federal agencies and/or U.S. government sponsored instrumentalities. The Fund may purchase or sell securities on a when-issued, delayed delivery, or forward commitment basis and may engage in short sales.[26] The Fund may, without limitation, seek to obtain market exposure to the securities in which it invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls).

Other Portfolio Holdings

If PIMCO believes that economic or market conditions are unfavorable to investors, PIMCO may temporarily invest up to 100% of a Fund's assets in certain defensive strategies, including holding a substantial portion of a Fund's assets in cash, cash equivalents, or other highly rated short-term securities, including securities issued or guaranteed by the U.S. government, its agencies, or instrumentalities, and affiliated money market and/or short-term bond funds.

While the debt securities in which the Funds primarily intend to invest are expected to consist of Fixed Income Instruments, as described above, the Funds may invest their respective remaining net assets in other securities and financial instruments, as described below.

Each of the Funds may engage in foreign currency transactions through forward currency contracts. A forward foreign currency exchange contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract, reduces the Fund's exposure to changes in the value of the currency it will deliver and increases its exposure to changes in the value of the currency it will receive for the duration of the contract. A Fund's investments in foreign currency forwards will be subject to the limit on a Fund's foreign currency exposure. For each of the PIMCO Low Duration Exchange-Traded Fund and PIMCO Real Return Exchange-Traded Fund, foreign currency exposure will not exceed 20% of the Fund's total assets. There is no limit on the PIMCO Diversified Income Fund's foreign currency exposure.

The Funds may invest in equity securities. The Funds will invest only in U.S. and non-U.S. equity securities that trade in markets that are members of the Intermarket Surveillance Group (''ISG''), which includes all U.S. national securities exchanges and certain foreign exchanges, or are parties to a comprehensive surveillance sharing agreement with the Exchange. The Funds each may invest up to 10% of its total assets in preferred stock,

[20] *See supra* note 15.

[21] *See supra* discussion regarding forwards.

[22] Effective duration takes into account that for certain bonds expected cash flows will fluctuate as interest rates change and is defined in nominal yield terms, which is market convention for most bond investors and managers. The effective duration of the Barclays Capital U.S. TIPS Index (referenced below) will be calculated using the same conversion factors as the Fund.

[23] *See supra* note 12.

[24] *See supra* note 13.

[25] The Fund's broad-based securities market index will be identified in a future amendment to the Registration Statement following the Fund's first full calendar year of performance.

[26] *See supra* note 15.

convertible securities,[27] and other equity-related securities.

The Funds may invest in, to the extent permitted by Section 12(d)(1) of the 1940 Act and rules thereunder, other affiliated and unaffiliated funds, such as open-end or closed-end management investment companies, including other exchange-traded funds.

Each Fund may hold up to an aggregate amount of 15% of its respective net assets in illiquid securities (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser, consistent with Commission guidance.[28] The Funds will monitor their 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 a 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.

Investment Limitations

The Funds will be subject to the following investment limitations:

The Funds may not concentrate their investments in a particular industry, as that term is used in the 1940 Act, and as interpreted, modified, or otherwise permitted by regulatory authority having jurisdiction from time to time.

With respect to the PIMCO Diversified Income Exchange-Traded Fund and PIMCO Low Duration Exchange-Traded Fund, the Funds may not, with respect to 75% of each Fund's total assets, purchase the securities of any issuer, except securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities, if, as a result (i) more than 5% of a Fund's total assets would be invested in the securities of that issuer, or (ii) a Fund would hold more than 10% of the outstanding voting securities of that issuer. For purposes of this restriction, each state and each separate political subdivision, agency, authority, or instrumentality of such state, each multi-state agency or authority, and each guarantor, if any, will be treated as separate issuers of municipal bonds. The PIMCO Real Return Exchange-Traded Fund will be non-diversified, which means that it may invest its assets in a smaller number of issuers than a diversified fund.

Each Fund intends to qualify annually and elect to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code.

The Funds will not invest in options contracts, futures contracts, or swap agreements.

Additional information regarding the Trust, the Funds, and the Shares, including investment strategies, risks, net asset value (''NAV'') calculation, creation and redemption procedures, fees, portfolio holdings, disclosure policies, distributions and taxes is included in the Notice and the Registration Statement, as applicable.[29]

III. Discussion and Commission's Findings

The Commission has carefully reviewed the proposed rule change and finds that it is consistent with the requirements of Section 6 of the Act[30] and the rules and regulations thereunder applicable to a national securities exchange.[31] In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,[32] which requires, among other things, that the Exchange's rules 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 facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, to protect investors and the public interest. The Commission notes that the Funds and the Shares must comply with the requirements of NYSE Arca Equities Rule 8.600 to be listed and traded on the Exchange.

The Commission finds that the proposal to list and trade the Shares on the Exchange is consistent with Section 11A(a)(1)(C)(iii) of the Act,[33] which sets forth Congress' finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations for, and transactions in, securities. Quotation and last-sale information for the Shares of each Fund will be available via the Consolidated Tape Association (''CTA'') high-speed line. In addition, the Portfolio Indicative Value (''PIV''), as defined in NYSE Arca Equities Rule 8.600(c)(3), for each Fund will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session.[34] On each business day, before commencement of trading in Shares in the Core Trading Session (9:30 a.m., E.T. to 4:00 p.m., E.T.) on the Exchange, each Fund will disclose on the Trust's Web site the Disclosed Portfolio, as defined in NYSE Arca Equities Rule 8.600(c)(2), that will form the basis for a Fund's calculation of NAV at the end of the business day.[35] The NAV of each Fund's Shares will be determined as of the close of regular trading (normally 4:00 p.m., E.T.) on each day the Exchange is open. In addition, 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 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. The Trust's Web site will include a form of the prospectus for the Funds and additional data relating to NAV and other applicable quantitative information. Intra-day and closing price information regarding equity securities traded on a national securities exchange, including common stocks,

[27] A convertible security is a bond, debenture, note, preferred stock, or other security that entitles the holder to acquire common stock or other equity securities of the same or a different issuer. A convertible security generally entitles the holder to receive interest paid or accrued until the convertible security matures or is redeemed, converted, or exchanged.

[28] In reaching liquidity decisions, the Adviser may consider the following factors: the frequency of trades and quotes for the security; the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; and the nature of the security and the nature of the marketplace in which it trades (*e.g.,* the time needed to dispose of the security, the method of soliciting offers, and the mechanics of transfer).

[29] *See supra* notes 4 and 5, respectively.

[30] 15 U.S.C. 78f.

[31] In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[32] 15 U.S.C. 78f(b)(5).

[33] 15 U.S.C. 78k–1(a)(1)(C)(iii).

[34] According to the Exchange, several major market data vendors display or make widely available PIVs taken from CTA or other data feeds.

[35] On a daily basis, each Fund will disclose for each portfolio security and other financial instrument of a Fund the following information: ticker symbol (if applicable), name of security and financial instrument, number of shares, if applicable, and dollar value of securities and financial instruments held in the portfolio, and percentage weighting of the security and financial instrument in the portfolio. Each Fund's disclosure of forward positions will include information that market participants can use to value these positions intraday, and this information may include tickers or other identifiers, or the underlying asset or index. The Web site information will be publicly available at no charge.

preferred stocks, securities convertible into stocks, closed-end funds, exchange traded funds, and other equity-related securities, will be available from the exchange on which such securities are traded. Price information regarding non-exchange-traded open-end or closed-end management investment companies will be available from major market data vendors. Intra-day and closing price information regarding Fixed Income Instruments also will be available from major market data vendors. Price information relating to forwards will be available from major market data vendors. Further, a basket composition file, which will include the security names and quantities of securities required to be delivered in exchange for a Fund's Shares, together with estimates and actual cash components, will be publicly disseminated daily prior to the opening of the New York Stock Exchange via the National Securities Clearing Corporation. The basket will represent one ''Creation Unit'' of the Fund.

The Commission further believes that the proposal to list and trade the Shares is reasonably designed to promote fair disclosure of information that may be necessary to price the Shares appropriately and to prevent trading when a reasonable degree of transparency cannot be assured. The Commission notes that the Exchange will obtain a representation from the issuer of the Shares for each Fund 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.[36] In addition, the Exchange will halt trading in the Shares under the specific circumstances set forth in NYSE Arca Equities Rule 8.600(d)(2)(D), and may halt trading in the Shares if trading is not occurring in the securities or the financial instruments constituting the Disclosed Portfolio of a Fund, or if other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.[37] The Exchange will consider the suspension of trading in or removal from listing of the Shares if the PIV is no longer calculated or available or the Disclosed Portfolio is not made available to all market participants at the same time.[38] The Exchange represents that 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 a portfolio.[39] The Commission notes that the Adviser's personnel who make decisions on a Fund's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material, non-public information regarding a Fund's portfolio.[40] 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 a portfolio.[41] The Exchange states that it has a general policy prohibiting the distribution of material, non-public information by its employees. The Commission also notes that, with respect to equity securities, the Funds will invest only in U.S. and non-U.S. equity securities that trade in markets that are members of the ISG, which includes all U.S. national securities exchanges and certain foreign exchanges, or are parties to a comprehensive surveillance sharing agreement with the Exchange.

The Exchange further represents that the Shares are deemed to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. In support of this proposal, the Exchange has made representations, including:

(1) The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600.

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

(3) 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.

(4) FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares and exchange-traded securities held by the Funds with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares and exchange-traded securities held by the Funds from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and exchange-traded securities held by the Funds from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain Fixed Income Instruments reported to TRACE. The Funds will invest only in U.S. and non-U.S. equity securities that trade in markets that are members of the ISG. The Exchange would be able to obtain surveillance information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement.

(5) 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: (a) The procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (b) 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; (c) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated PIV will not be calculated or publicly disseminated; (d) how information regarding the PIV is

[36] *See* NYSE Arca Equities Rule 8.600(d)(1)(B).

[37] 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 a Fund. Trading in Shares of a 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.

[38] *See* NYSE Arca Equities Rule 8.600(d)(2)(C)(ii).

[39] *See supra* note 6 and accompanying text. The Commission notes that an investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (''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.

[40] *See* Commentary .06 to NYSE Arca Equities Rule 8.600.

[41] *See* NYSE Arca Equities Rule 8.600(d)(2)(B)(ii).

disseminated; (e) 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 (f) trading information.

(6) For initial and continued listing, each Fund will be in compliance with Rule 10A–3 under the Act,[42] as provided by NYSE Arca Equities Rule 5.3.

(7) Each Fund may hold up to an aggregate amount of 15% of its respective net assets in illiquid securities (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser, consistent with Commission guidance. The Funds will monitor their 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 a Fund's net assets are held in illiquid securities.

(8) Investments in forwards will be made in accordance with the 1940 Act and consistent with each Fund's investment objectives and policies. To limit the potential risk associated with forwards, each Fund will segregate or ''earmark'' liquid assets to cover its obligations arising from its use of forwards. In addition, each Fund will include appropriate risk disclosure in its offering documents, including leveraging risk.

(9) While non-emerging markets corporate debt securities (excluding commercial paper) generally must have $100 million or more par amount outstanding and significant par value traded to be considered as an eligible investment for each of the Funds, at least 80% of issues of such securities held by a Fund must have $100 million or more par amount outstanding at the time of investment.

(10) While emerging markets corporate debt securities (excluding commercial paper) generally must have $200 million or more par amount outstanding and significant par value traded to be considered as an eligible investment for each of the Funds, at least 80% of issues of such securities held by a Fund must have $200 million or more par amount outstanding at the time of investment.

(11) Subject to each Fund's investment limitations relating to high yield debt securities generally, each Fund may invest up to 20% of its assets in mortgage-backed securities or in other asset-backed securities, although this 20% limitation does not apply to securities issued or guaranteed by Federal agencies and/or U.S. government sponsored instrumentalities.

(12) The PIMCO Diversified Income Exchange-Traded Fund is subject to a maximum of 10% of its total assets in debt securities rated below B by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality.

(13) With respect to the PIMCO Low Duration Exchange-Traded Fund and the PIMCO Real Return Exchange-Traded Fund, each Fund will normally limit its foreign currency exposure (from non-U.S. dollar-denominated securities or currencies) to 20% of its total assets. Each Fund will invest primarily in investment grade debt securities, although it may invest up to 10% of its total assets in high yield debt securities rated B to Ba by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality.

(14) For purposes of calculating NAV, portfolio securities and other assets for which market quotes are readily available will be valued at market value. Market value will generally be determined on the basis of last reported sales prices, or if no sales are reported, as is the case for most securities traded over-the-counter, based on quotes obtained from a quotation reporting system, established market makers, or independent pricing services. For exchange-traded securities, including common stocks, preferred stocks, securities convertible into stocks, closed-end funds, exchange traded funds, and other equity-related securities, market value also may be determined on the day that the valuation is made based on the applicable exchange's official closing price or last-reported sales price. Shares of non-exchange-traded open-end or closed-end management investment companies normally will be valued at their most recently calculated NAV. Fixed Income Instruments, including those to be purchased under firm commitment agreements (other than obligations having a maturity of 60 days or less), will be normally valued on the basis of quotes obtained from brokers and dealers or independent pricing services, which take into account appropriate factors such as institutional-sized trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. In addition, Fixed Income Instruments will normally be valued using data reflecting the earlier closing of the principal markets for those assets. Forwards for which market quotes are readily available will be valued at market value. Local closing prices will be used for all instrument valuation purposes. Typically, forwards on Fixed Income Instruments will be marked to market daily.

(15) There will be minimal, if any, impact to the arbitrage mechanism as a result of the use of forwards. Market makers and participants should be able to value forwards as long as the positions are disclosed with relevant information. The price at which Shares will trade will be disciplined by arbitrage opportunities created by the ability to purchase or redeem creation Shares at their NAV, which should ensure that Shares will not trade at a material discount or premium in relation to their NAV. There will not be any significant impacts to the settlement or operational aspects of a Fund's arbitrage mechanism due to the use of forwards. To the extent forwards are not eligible for in-kind transfer, they will typically be substituted with a ''cash in lieu'' amount when a Fund processes purchases or redemptions of creation units in-kind.

(16) The Funds will not invest in options contracts, futures contracts, or swap agreements.

(17) A minimum of 100,000 Shares of each Fund will be outstanding at the commencement of trading on the Exchange.

This approval order is based on the Exchange's representations and description of the Funds, including those set forth above and in the Notice. For the foregoing reasons, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act[43] and the rules and regulations thereunder applicable to a national securities exchange.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[44] that the proposed rule change (SR–NYSEArca–2013–106), as modified by Amendment No. 1 thereto, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[45]

Kevin M. O'Neill,

Deputy Secretary.

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[42] *See* 17 CFR 240.10A–3.

[43] 15 U.S.C. 78f(b)(5).

[44] 15 U.S.C. 78s(b)(2).

[45] 17 CFR 200.30–3(a)(12).