



## Information Circular: **Sprott Physical Platinum & Palladium Trust**

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**To:** Head Traders, Technical Contacts, Compliance Officers, Heads of ETF Trading, Structured Products Traders

**From:** NASDAQ / BX / PHLX Listing Qualifications Department

**Date:** December 19, 2012

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<b>Exchange-Traded Fund</b>	<b>Symbol</b>	<b>CUSIP #</b>
Sprott Physical Platinum & Palladium Trust	SPPP	85207Q104

### **Background Information on the Fund**

The Sprott Physical Platinum and Palladium Trust (the "Trust") was established under the laws of the Province of Ontario, Canada pursuant to a trust agreement dated as of December 23, 2011, as amended and restated as of June 6, 2012, which is referred to as the Trust Agreement. The Trust was created to invest and hold substantially all of its assets in physical platinum and palladium bullion. The Trust seeks to provide a convenient and exchange-traded investment alternative for investors interested in holding physical platinum and palladium bullion without the inconvenience that is typical of a direct investment in physical platinum and palladium bullion. The Trust intends to invest primarily in long-term holdings of unencumbered, fully allocated, physical platinum and palladium bullion and will not speculate with regard to short-term changes in platinum and palladium prices. The Trust does not anticipate making regular cash distributions to Unitholders.

The Trust intends to achieve its objective by investing primarily in long-term holdings of unencumbered, fully allocated physical platinum and palladium bullion and will not speculate with regard to short-term changes in platinum or palladium prices. The Trust will not invest in platinum or palladium certificates, futures or other financial instruments that represent platinum or palladium or that may be exchanged for platinum or palladium. While the Trust will not rebalance the Trust's invested assets in physical platinum and palladium bullion back to equal weight after its initial purchases of bullion with the proceeds of the offering, the Trust may in the future allocate any additional proceeds raised in subsequent offerings of Units, if any, with a view to balancing the value of the Trust's holdings of physical platinum and palladium bullion at then current prices.

The NAV and the NAV per Unit of the Trust, will be determined daily as of 4:00 p.m., Toronto time, on each Business Day by the Trust's valuation agent, which is RBC Investor Services. The Net Asset Value on any such day will be equal to the aggregate fair market value of the assets of the Trust as of such date, less an amount equal to the fair value of the liabilities of the Trust (excluding all liabilities represented by outstanding Units) as of such date. The valuation agent will calculate the NAV per Unit by dividing the value of the

net assets of the class of the Trust represented by the Units offered hereby on that day by the total number of Units of that class then outstanding on such day. RBC Investor Services will use the Bloomberg Composite Rate to determine spot prices for physical platinum and physical palladium bullion.

Subject to the terms of the Trust Agreement, a Unitholder may redeem Units for physical platinum and palladium bullion, provided the redemption request is for a minimum of 25,000 Units. Units redeemed for physical platinum and palladium bullion will have a redemption value equal to the aggregate value of the NAV per Unit of the redeemed Units on the last day of the month on which NYSE Arca is open for trading in the month during which the redemption request is processed. Certain expenses described below will be subtracted from the value of the redeemed Units and the resulting amount the Unitholder will receive will be referred to as the Redemption Amount. The amount of physical platinum and palladium bullion a redeeming Unitholder is entitled to receive will be determined by the Manager, who will allocate the Redemption Amount to physical platinum and palladium bullion in direct proportion to the value of physical platinum and palladium bullion held by the Trust at the time of redemption. Such amount will be referred to as the Bullion Redemption Amount. The quantity of each particular metal delivered to a redeeming Unitholder will be dependent on the applicable Bullion Redemption Amount and the sizes of plates and ingots of that metal that are held by the Trust on the redemption date. A redeeming Unitholder may not receive physical platinum and palladium bullion in the proportions then held by the Trust and, if the Trust does not have a Good Delivery plate or ingot, as the case may be, of a particular metal in inventory of a value equal to or less than the applicable Bullion Redemption Amount, the redeeming Unitholder will not receive any of that metal. Any Bullion Redemption Amount in excess of the value of the Good Delivery plates or ingots, as the case may be, of the particular metal to be delivered to the redeeming Unitholder will be paid in cash at a rate equal to 100% of the NAV per Unit of such excess amount, as such excess amount will not be combined with any excess amounts in respect of the other metal for the purpose of delivering additional physical platinum and palladium bullion.

A Unitholder redeeming Units for physical platinum and palladium bullion will be responsible for expenses incurred by the Trust in connection with such redemption. These expenses include:

- expenses associated with the handling of the notice of redemption;
- the delivery and transportation of physical platinum and palladium bullion for Units that are being redeemed;
- the applicable platinum and palladium storage in-and-out fees; and
- applicable taxes (including, without limitation, Canadian harmonized sales tax, which we will refer to as HST, Canadian federal goods and services tax, which we will refer to as GST, and any Canadian provincial sales tax (including Quebec sales tax), which we will refer to as PST, associated with the importation, or delivery and transportation, of palladium to a location in Canada and any PST applicable to physical platinum bullion being brought by or on behalf of such redeeming Unitholder into any province which imposes PST on such bullion).

For greater certainty, the Trust will not be responsible for HST or GST and any PST incurred by a redeeming Unitholder on the importation or delivery and transportation of physical palladium bullion to a location in Canada. HST or GST and any PST are only applicable to a redemption with a delivery address in Canada. Currently, the delivery fee per ounce of physical platinum and palladium bullion is \$0.50 and \$5.00, respectively, though these fees are subject to change in accordance with the Storage Agreements. The in-and-out fee per plate or ingot of physical platinum bullion is \$4.00 and the in-and-out

fee per kilogram of physical palladium bullion is \$0.71 (with a minimum of \$40.00). Assuming the price of platinum to be \$1,400 per ounce and the price of palladium to be \$640 per ounce, and using current expense estimates, a Unitholder redeeming a block of 25,000 Units for physical platinum and palladium bullion will be responsible for approximately \$1,045 in expenses incurred by the Trust in connection with such redemption, representing 0.42% of the value of the bullion represented by the 25,000 Units so redeemed.

A redemption notice to redeem Units for physical platinum and palladium bullion must be received by the Trust's transfer agent no later than 4:00 p.m., Toronto time, on the 15th day of the month in which the redemption notice will be processed or, if such day is not a Business Day, on the immediately following day that is a Business Day. Any redemption notice received after such time will be processed in the next month. For each redemption notice, the Trust's transfer agent will send a confirmation notice to the Unitholder's broker that such notice has been received and determined to be complete.

Physical platinum and palladium bullion received by a Unitholder as a result of a redemption of Units will be transported by armored transportation service carrier pursuant to instructions provided by the Unitholder to the Manager, provided that the instructions are acceptable to the armored transportation service carrier. Physical platinum and palladium bullion transported to an account established by the redeeming Unitholder at an institution authorized to accept and hold Good Delivery plates or ingots by certain armored transportation service carriers will likely retain its Good Delivery status while in the custody of such institution. Physical platinum and palladium bullion transported pursuant to a redeeming Unitholder's instruction to a destination other than such an authorized institution will no longer be deemed Good Delivery once received by such Unitholder. The armored transportation service carrier will receive the appropriate amount of physical platinum and palladium bullion for delivery in connection with a redemption of Units approximately 21 Business Days after the end of the month in which the redemption notice is processed.

Subject to the terms of the Trust Agreement, Units may be redeemed at the option of a Unitholder for cash on a monthly basis. Units redeemed for cash will be entitled to a redemption price equal to 95% of the lesser of (i) the volume-weighted average trading price of the Units traded on NYSE Arca or, if trading has been suspended on NYSE Arca, the volume-weighted average trading price of the Units traded on the TSX, for the last five days on which the respective exchange is open for trading for the month in which the redemption request is processed and (ii) the aggregate value of the NAV per Unit of the redeemed Units as of 4:00 p.m., Toronto time, on the last day of the month on which NYSE Arca is open for trading for the month in which the redemption request is processed. Cash redemption proceeds will be transferred to a redeeming Unitholder approximately three Business Days after the end of the month in which the redemption notice is processed.

A redemption notice to redeem Units for cash must be received by the Trust's transfer agent no later than 4:00 p.m., Toronto time, on the 15th day of the month in which the redemption notice will be processed or, if such day is not a Business Day, then on the immediately following Business Day. Any redemption notice to redeem Units for cash received after such time will be processed in the next month.

As of the last Business Day of each fiscal year or such other time as the Manager otherwise determines, the Manager will determine whether the Trust recorded any net income or net realized capital gains in accordance with the Trust Agreement. The initial

distribution policy of the Trust will be that if the Trust has any net income or net realized capital gains, to distribute any such amounts to Unitholders through a distribution of additional Units to the extent that such income or gains is not being allocated to Unitholders whose Units were redeemed in the year. All distributions are at the discretion of the Trustee, acting on the direction of the Manager. In addition, at the direction of the Manager, the Trust will at such times and in such manner as directed by the Manager, make such additional distributions of monies or properties of the Trust including, without restriction, returns of capital, in such amounts per Unit, payable at such time or times and to Unitholders of record on such distribution date, as from time to time may be determined by the Manager, and make such designations, determinations, allocations and elections for tax purposes of amounts or portions of amounts which it has received, paid, declared payable or allocated to Unitholders and of expenses incurred by the Trust and of tax deductions of which the Trust may be entitled, as the Manager may, in its sole discretion, determine.

The Trust does not have a fixed termination date but will be terminated in certain circumstances, including in the event there are no Units outstanding, the Trustee resigns or is removed and no successor trustee is appointed, the Manager resigns and no successor manager is appointed and approved by Unitholders within the time limits prescribed by the Trust Agreement, the Manager is in material default of its obligations under the Trust Agreement or the Manager experiences certain insolvency events. In addition, the Manager may, in its discretion, at any time terminate and dissolve the Trust, without Unitholder approval, by giving the Trustee and each holder of Units at the time not less than 60 days and not more than 90 days written notice prior to the effective date of the termination of the Trust. To the extent such termination of the Trust in the discretion of the Manager may involve a matter that would be a "conflict of interest matter" as set forth under applicable Canadian securities legislation, the matter will be referred by the Manager to the independent review committee established by the Manager for its recommendation. In connection with the termination of the Trust, the Trust will, to the extent possible, convert its assets to cash and, after paying or making adequate provision for all of the Trust's liabilities, distribute the net assets of the Trust to Unitholders, on a pro rata basis, as soon as practicable after the termination date.

Sprott Asset Management LP is the manager of the Trust.

The Royal Canadian Mint, which we will refer to as the Mint, will act as custodian for physical platinum and palladium bullion owned by the Trust. The Mint will be responsible for, and will bear all risk of the loss of, and damage to, the Trust's physical platinum and palladium bullion that is in the Mint's custody (including physical palladium bullion held by the Mint's sub-custodian), subject to certain limitations based on events beyond the Mint's control as set forth in the Storage Agreements.

The Trust will pay the Manager a monthly management fee equal to 1/12 of 0.50% of the value of net assets of the Trust (determined in accordance with the Trust Agreement), plus any applicable Canadian taxes (such as HST). The management fee will be calculated and accrued daily and payable monthly in arrears on the last day of each month.

The registration statement for the Fund describes the various fees and expenses for the Fund's Shares. For a more complete description of the Fund and the underlying Index, visit the Fund's website at [www.sprottplatinumpalladium.com](http://www.sprottplatinumpalladium.com).

## **Purchases and Redemptions in Creation Unit Size**

NASDAQ members, BX members and PHLX members and member organizations are hereby informed that procedures for purchases and redemptions of Shares in Creation Unit Size are described in the Trust's prospectus and Statement of Additional Information and that Shares are not individually redeemable but are redeemable only in Creation Unit Size aggregations or multiples thereof.

## **Principal Risks**

Interested persons are referred to the discussion in the prospectus for the Fund of the principal risks of an investment in the Fund. These include tracking error risk (factors causing the Fund's performance to not match the performance of the underlying index), market trading risk (for example, trading halts, trading above or below net asset value), investment style risk, sector risk, investment approach risk, non-diversification risk, platinum risk, palladium risk, liquidity risk and industry risk.

## **Exchange Rules Applicable to Trading in the Shares**

Trading in the Shares on NASDAQ is on a UTP basis and is subject to NASDAQ equity trading rules. Trading of the Shares on BX is on a UTP basis and is subject to BX equity trading rules. Trading of the Shares on PHLX's PSX system is on a UTP basis and is subject to PHLX rules.

## **Trading Hours**

The values of each index underlying the Shares are disseminated to data vendors every 15 seconds. The Shares will trade on NASDAQ between 7:00 a.m. and 8:00 p.m. ET. The Shares will trade on BX between 8:00 a.m. and 7:00 p.m. ET. The Shares will trade on PSX between 9:00 a.m. and 5:00 p.m. ET. For trading during each market's pre-market and post-market sessions, market participants should note that additional risks may exist with respect to trading the Fund during these sessions, when the underlying index's values, intraday indicative value, or similar value may not be disseminated or calculated.

## **Dissemination of Fund Data**

The Consolidated Tape Association will disseminate real time trade and quote information for the Funds to Tape B.

<b>Fund Name</b>	<b>Listing Market</b>	<b>Trading Symbol</b>	<b>IOPV Symbol</b>	<b>NAV Symbol</b>
Sprott Physical Platinum and Palladium Trust	NYSE Arca	SPPP	SPPP.IV	SPPP.NV

## **Suitability**

Trading in the Shares on NASDAQ will be subject to the provisions of NASDAQ Rule 2310. Trading in the Shares on BX will be subject to the provisions of BX Equity Rule 2310.

Shares trading on PSX will be subject to the provisions of PHLX Rule 763. Members and member organizations recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the “know your customer” obligation that is embedded in both the NASDAQ Conduct Rules and the BX Conduct Rules.

NASDAQ members, BX members and PHLX members and member organizations should also review NASD Notice to Members 03-71 for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

### **Trading Halts**

NASDAQ will halt trading in the Shares of a Fund in accordance with NASDAQ Rule 4120. BX will halt trading in the Shares of a Fund in accordance with BX Equity Rule 4120. PHLX will halt trading in the Shares of a Fund in accordance with PHLX Rule 3100. The grounds for a halt under these rules include a halt by the primary market because the intraday indicative value of the Fund, the value of its underlying index, or a similar value are not being disseminated as required, or a halt for other regulatory reasons. In addition, NASDAQ, BX and PHLX will also stop trading the Shares of a Fund if the primary market delists the Fund.

### **Delivery of a Prospectus**

NASDAQ members, BX members and PHLX members and member organizations should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Fund.

Prospectuses may be obtained through the Fund’s website. The prospectus for the Funds does not contain all of the information set forth in the Fund’s registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). For further information about the Fund, please refer to the registration statement.

In the event that the Fund relies upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and in the future make available a written product description, NASDAQ Rules 5705 and 5740, BX Equity Rules 4420 and 4421, and PHLX Rule 803 require that members and member organizations, respectively, provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Trust for the Fund, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, members and member organizations shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any other written materials provided by members or member organizations to customers or the public making specific reference to the Shares

as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of the Shares of the Fund has been prepared by the Trust and is available from your broker. It is recommended that you obtain and review such circular before purchasing Shares of the Fund. In addition, upon request you may obtain from your broker a prospectus for Shares of the Fund."

Any NASDAQ, BX or PHLX member or member organization carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to NASDAQ members, BX members and PHLX members or member organizations under this rule.

Upon request of a customer, NASDAQ members, BX members and PHLX members or member organizations shall provide a copy of the prospectus.

### **Exemptive, Interpretive and No-Action Relief Under Federal Securities Regulations**

The SEC has issued exemptive, interpretive or no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 (the "Act") regarding trading in the above mentioned exchange-traded Fund.

### **Regulation M Exemptions**

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of shares of the above-mentioned Fund to engage in secondary market transactions in such shares during their participation in such a distribution. In addition, the SEC has granted relief under Regulation M to permit persons who may be deemed to be participating in the distribution of Shares of the above-mentioned Fund (i) to purchase securities for the purpose of purchasing Creation Unit Aggregations of Fund Shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the SEC has clarified that the tender of Fund Shares to the Fund for redemption does not constitute a bid for or purchase of any of the Fund's securities during the restricted period of Rule 101. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Fund Shares in Creation Unit Aggregations during the continuous offering of Shares.

### **Customer Confirmations for Creation or Redemption of Fund Shares (SEC Rule 10b-10)**

Broker-dealers who handle purchases or redemptions of Fund Shares in Creation Unit size for customers will be permitted to provide such customers with a statement of the

number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to the Fund for purposes of purchasing Creation Unit Aggregations ("Deposit Securities") or the identity, number and price of shares to be delivered by the Trust for the Fund to the redeeming holder ("Redemption Securities"). The composition of the securities required to be tendered to the Fund for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemptions is subject to the following conditions:

- 1) Confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;
- 2) Any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c);
- 3) Except for the identity, number and price of shares of the component securities of the Deposit Securities and Redemption Securities, as described above, confirmations to customers must disclose all other information required by Rule 10b-10(a).

### **SEC Rule 14e-5**

An exemption from Rule 14e-5 has been granted to permit any person acting as a dealer-manager of a tender offer for a component security of the Fund (1) to redeem Fund Shares in Creation Unit Aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase Fund Shares during such tender offer. In addition, a no-action position has been taken under Rule 14e-5 if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more Creation Unit Aggregations of Shares, if made in conformance with the following:

- 1) such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchased; or
- 2) purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and
- 3) such bids or purchases are not effected for the purpose of facilitating such tender offer.

### **Section 11(d)(1); SEC Rules 11d1-1 and 11d1-2**

Section 11(d)(1) of the Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The SEC has clarified that Section 11(d)(1) does not apply to broker-dealers

that are not Authorized Participants (and, therefore, do not create Creation Unit Aggregations) that engage in both proprietary and customer transactions in Shares of the Fund in the secondary market, and for broker-dealer Authorized Participants that engage in creations of Creation Unit Aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an Authorized Participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the Shares of the Fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830(I)(5)(A), (B) or (C). (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.) The SEC also has taken a no-action position under Section 11(d)(1) of the Act that broker-dealers may treat Shares of the Fund, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit or maintain or arrange for the extension or maintenance of credit on Shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

### **SEC Rule 15c1-5 and 15c1-6**

The SEC has taken a no-action position with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of Fund Shares and secondary market transactions therein. (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

**This Information Circular is not a statutory prospectus. NASDAQ members, BX members and PHLX members and member organizations should consult the Fund's prospectus and/or the Fund's website for relevant information.**

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Inquiries regarding this Information Circular should be directed to:

- Will Slattery, Listing Qualifications, at 301.978.8088
- NASDAQ / BX / PSX Market Sales, at 800.846.0477