



## INFORMATION CIRCULAR: DIREXION SHARES ETF 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:** February 15, 2018

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### EXCHANGE-TRADED FUND

### SYMBOL CUSIP #

|                                   |      |           |
|-----------------------------------|------|-----------|
| Portfolio+ Developed Markets ETF  | PPDM | 25460E596 |
| Portfolio+ Emerging Markets ETF   | PPEM | 25460E612 |
| Portfolio+ S&P Mid Cap ETF        | PPMC | 25460E638 |
| Portfolio+ Total Bond Markets ETF | PPTB | 25460E570 |

### BACKGROUND INFORMATION ON THE FUNDS

The Direxion Shares ETF Trust (the "Trust") is a management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"), consisting of several investment portfolios. This circular relates only to the Funds listed above (each, a "Fund" and together, the "Funds"). The shares of the Fund are referred to herein as "Shares." Direxion Advisors, LLC ("Direxion" or the "Adviser") is the investment adviser to the Funds.

#### Portfolio+ Developed Markets ETF

The Portfolio+ Developed Markets ETF ("PPDM") seeks daily investment results, before fees and expenses, of 125% of the daily performance of the FTSE Developed All Cap ex US Index (the "PPDM Index").

PPDM, under normal circumstances, invests at least 80% of its net assets (plus borrowing for investment purposes) in equities in the PPDM Index, exchange-traded funds ("ETFs") that track the PPDM Index and other financial instruments that provide daily leveraged exposure to the PPDM Index or ETFs that track the PPDM Index. The financial instruments in which PPDM normally invests include swap agreements and futures contracts which are intended to produce economically leveraged investment results. On a day-to-day basis, PPDM is expected to hold equities, money market funds, deposit accounts with institutions with high quality credit ratings, and/or short-term debt instruments that have terms-to-maturity of less than 397 days and exhibit high quality credit profiles, including U.S. government securities and repurchase agreements.

The PPDM Index is a market-capitalization weighted index representing the performance of large-, mid- and small-capitalization companies in developed markets, excluding the USA. The PPDM Index is derived from the FTSE Global Equity Index Series ("GEIS"), which covers over 7,400 securities in 47 different countries and captures 98% of the world's investable market capitalization.

As of November 30, 2017, the PPDM Index was comprised of 3,782 securities from 23 countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Korea, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. Companies from Japan and the United Kingdom represented the largest percentages in the PPDM Index.

As of November 30, 2017, the component securities of the PPDM Index had market capitalizations ranging from \$30 million to \$265.8 billion and were concentrated in the financials, consumer goods and industrials sectors.

The components of the PPDM Index and the percentages represented by various sectors in the PPDM Index may change over time. PPDM will concentrate its investment in a particular industry or group of industries (i.e., hold 25% or more of its total assets in the stocks of a particular industry or group of industries) to approximately the same extent as the PPDM Index is so concentrated.

PPDM may invest in the securities of the PPDM Index, a representative sample of the securities in the PPDM Index that has aggregate characteristics similar to those of the PPDM Index, an ETF that tracks the PPDM Index or a substantially similar index, or utilize derivatives such as swaps on the PPDM Index, swaps on an ETF that tracks the same Index or a substantially similar index as PPDM, or futures contracts that provide leveraged exposure to the above. Derivatives are financial instruments that derive value from the underlying reference asset or assets, such as stocks, bonds, or funds (including ETFs), interest rates or indexes. Certain of the derivative instruments in which PPDM may invest may be traded in the over-the-counter market, which generally provides for less transparency than exchange-traded derivative instruments. PPDM seeks to remain fully invested at all times consistent with its stated investment objective.

At the close of the markets each trading day, Direxion positions PPDM's portfolio so that its exposure to the PPDM Index is consistent with PPDM's investment objective. The impact of the PPDM Index's movements during the day will affect whether PPDM's portfolio needs to be re-positioned. For example, if the PPDM Index has risen on a given day, net assets of PPDM should rise, meaning that PPDM's exposure will need to be increased. Conversely, if the PPDM Index has fallen on a given day, net assets of PPDM should fall, meaning PPDM's exposure will need to be reduced. This re-positioning strategy typically results in high portfolio turnover. The terms "daily," "day," and "trading day," refer to the period from the close of the markets on one trading day to the close of the markets on the next trading day.

### **Portfolio+ Emerging Markets ETF**

The Portfolio+ Emerging Markets ETF ("PPEM") seeks daily investment results, before fees and expenses, of 125% of the daily performance of the FTSE Emerging Index (the "PPEM Index").

PPEM, under normal circumstances, invests at least 80% of its net assets (plus borrowing for investment purposes) in equities in the PPEM Index, exchange-traded funds ("ETFs") that track the

PPEM Index and other financial instruments that provide daily leveraged exposure to the PPEM Index or ETFs that track the PPEM Index. The financial instruments in which PPEM normally invests include swap agreements and futures contracts which are intended to produce economically leveraged investment results. On a day-to-day basis, PPEM is expected to hold equities, money market funds, deposit accounts with institutions with high quality credit ratings, and/or short-term debt instruments that have terms-to-maturity of less than 397 days and exhibit high quality credit profiles, including U.S. government securities and repurchase agreements.

The term “emerging market,” as it is defined by the PPEM Index provider, refers to an economy that is in the initial stages of industrialization and has been historically marked by low per capita income and lack of capital market transparency, but appears to be implementing political and/or market reforms resulting in greater capital market transparency, increased access for foreign investors and generally improved economic conditions. Emerging markets have the potential for significantly higher or lower rates of return and carry greater risks than more developed economies.

The PPEM Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of November 30, 2017, the PPEM Index consisted of the following 23 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. As of November 30, 2017, the component securities of the PPEM Index had capitalizations ranging from \$11 million to \$271.7 billion and were concentrated in the financials and technology and telecommunications sectors.

The components of the PPEM Index and the percentages represented by various sectors in the PPEM Index may change over time. PPEM will concentrate its investment in a particular industry or group of industries (i.e., hold 25% or more of its total assets in the stocks of a particular industry or group of industries) to approximately the same extent as the PPEM Index is so concentrated.

PPEM may invest in the securities of the PPEM Index, a representative sample of the securities in the PPEM Index that has aggregate characteristics similar to those of the PPEM Index, an ETF that tracks the PPEM Index or a substantially similar index, or utilize derivatives such as swaps on the PPEM Index, swaps on an ETF that tracks the same Index or a substantially similar index as PPEM, or futures contracts that provide leveraged exposure to the above. Derivatives are financial instruments that derive value from the underlying reference asset or assets, such as stocks, bonds, or funds (including ETFs), interest rates or indexes. Certain of the derivative instruments in which PPEM may invest may be traded in the over-the-counter market, which generally provides for less transparency than exchange-traded derivative instruments. PPEM seeks to remain fully invested at all times consistent with its stated investment objective.

At the close of the markets each trading day, Direxion positions PPEM’s portfolio so that its exposure to the PPEM Index is consistent with PPEM’s investment objective. The impact of the PPEM Index’s movements during the day will affect whether PPEM’s portfolio needs to be re-positioned. For example, if the PPEM Index has risen on a given day, net assets of PPEM should rise, meaning that PPEM’s exposure will need to be increased. Conversely, if the PPEM Index has fallen on a given day, net assets of PPEM should fall, meaning PPEM’s exposure will need to be reduced. This re-positioning strategy typically results in high portfolio turnover. The terms “daily,” “day,” and “trading day,” refer

to the period from the close of the markets on one trading day to the close of the markets on the next trading day.

### **Portfolio+ S&P Mid Cap ETF**

The Portfolio+ S&P Mid Cap ETF ("PPMC") seeks daily investment results, before fees and expenses, of 125% of the daily performance of the S&P Mid Cap 400 Index (the "PPMC Index").

PPMC, under normal circumstances, invests at least 80% of its net assets (plus borrowing for investment purposes) in equities in the PPMC Index, exchange-traded funds ("ETFs") that track the PPMC Index and other financial instruments that provide daily leveraged exposure to the PPMC Index or ETFs that track the PPMC Index. The financial instruments in which PPMC normally invests include swap agreements and futures contracts which are intended to produce economically leveraged investment results. On a day-to-day basis, PPMC is expected to hold equities, money market funds, deposit accounts with institutions with high quality credit ratings, and/or short-term debt instruments that have terms-to-maturity of less than 397 days and exhibit high quality credit profiles, including U.S. government securities and repurchase agreements.

The PPMC Index measures the performance of 400 mid-sized companies in the United States. The PPMC Index is a float-adjusted market capitalization weighted index composed of liquid common stocks. As of December 29, 2017 the PPMC Index constituents had a median total market capitalization of \$4.1 billion, total market capitalizations ranging from \$626 million to \$13 billion and were concentrated in the information technology, financials and industrials sectors.

The components of the PPMC Index and the percentages represented by various sectors in the PPMC Index may change over time. PPMC will concentrate its investment in a particular industry or group of industries (i.e., hold 25% or more of its total assets in the stocks of a particular industry or group of industries) to approximately the same extent as the PPMC Index is so concentrated.

PPMC may invest in the securities of the PPMC Index, a representative sample of the securities in the PPMC Index that has aggregate characteristics similar to those of the PPMC Index, an ETF that tracks the PPMC Index or a substantially similar index, or utilize derivatives such as swaps on the PPMC Index, swaps on an ETF that tracks the same Index or a substantially similar index as PPMC, or futures contracts that provide leveraged exposure to the above. Derivatives are financial instruments that derive value from the underlying reference asset or assets, such as stocks, bonds, or funds (including ETFs), interest rates or indexes. Certain of the derivative instruments in which PPMC may invest may be traded in the over-the-counter market, which generally provides for less transparency than exchange-traded derivative instruments. PPMC seeks to remain fully invested at all times consistent with its stated investment objective.

At the close of the markets each trading day, Direxion positions PPMC's portfolio so that its exposure to the PPMC Index is consistent with PPMC's investment objective. The impact of the PPMC Index's movements during the day will affect whether PPMC's portfolio needs to be re-positioned. For example, if the PPMC Index has risen on a given day, net assets of PPMC should rise, meaning that PPMC's exposure will need to be increased. Conversely, if the PPMC Index has fallen on a given day, net assets of PPMC should fall, meaning PPMC's exposure will need to be reduced. This re-positioning strategy typically results in high portfolio turnover. The terms "daily," "day," and "trading

day," refer to the period from the close of the markets on one trading day to the close of the markets on the next trading day.

### **Portfolio+ Total Bond Markets ETF**

The Portfolio+ Total Bond Markets ETF ("PPTB") seeks daily investment results, before fees and expenses, of 125% of the daily performance of the Bloomberg Barclays US Aggregate Bond Index (the "PPTB Index").

PPTB, under normal circumstances, invests at least 80% of its net assets (plus borrowing for investment purposes) in equities in the PPTB Index, exchange-traded funds ("ETFs") that track the PPTB Index and other financial instruments that provide daily leveraged exposure to the PPTB Index or ETFs that track the PPTB Index. The financial instruments in which PPTB normally invests include swap agreements and futures contracts which are intended to produce economically leveraged investment results. On a day-to-day basis, PPTB is expected to hold equities, money market funds, deposit accounts with institutions with high quality credit ratings, and/or short-term debt instruments that have terms-to-maturity of less than 397 days and exhibit high quality credit profiles, including U.S. government securities and repurchase agreements.

The PPTB Index measures the performance of the investment grade, U.S. Dollar denominated, fixed-rate taxable bond market, and is composed of U.S. Treasury bonds, government-related bonds, investment-grade corporate bonds, mortgage pass-through securities, commercial mortgage-backed securities and asset-backed securities. All bonds included in the PPTB Index must be denominated in U.S. Dollars, have a fixed rate, be non-convertible, be publicly offered in the U.S. and have at least one year remaining until maturity. The PPTB Index is capitalization weighted and rebalanced monthly. As of December 31, 2017, the PPTB Index had 9,734 components.

The components of the PPTB Index and the percentages represented by various sectors in the PPTB Index may change over time. PPTB will concentrate its investment in a particular industry or group of industries (i.e., hold 25% or more of its total assets in the stocks of a particular industry or group of industries) to approximately the same extent as the PPTB Index is so concentrated.

PPTB may invest in the securities of the PPTB Index, a representative sample of the securities in the PPTB Index that has aggregate characteristics similar to those of the PPTB Index, an ETF that tracks the PPTB Index or a substantially similar index, or utilize derivatives such as swaps on the PPTB Index, swaps on an ETF that tracks the same Index or a substantially similar index as PPTB, or futures contracts that provide leveraged exposure to the above. Derivatives are financial instruments that derive value from the underlying reference asset or assets, such as stocks, bonds, or funds (including ETFs), interest rates or indexes. Certain of the derivative instruments in which PPTB may invest may be traded in the over-the-counter market, which generally provides for less transparency than exchange-traded derivative instruments. PPTB seeks to remain fully invested at all times consistent with its stated investment objective.

At the close of the markets each trading day, Direxion positions PPTB's portfolio so that its exposure to the PPTB Index is consistent with PPTB's investment objective. The impact of the PPTB Index's movements during the day will affect whether PPTB's portfolio needs to be re-positioned. For example, if the PPTB Index has risen on a given day, net assets of PPTB should rise, meaning that PPTB's exposure will need to be increased. Conversely, if the PPTB Index has fallen on a given day,

net assets of PPTB should fall, meaning PPTB's exposure will need to be reduced. This re-positioning strategy typically results in high portfolio turnover. The terms "daily," "day," and "trading day," refer to the period from the close of the markets on one trading day to the close of the markets on the next trading day.

For more information regarding each Fund's investment strategy, please read the prospectus for the Funds.

As described more fully in the Trust's prospectus and Statement of Additional Information ("SAI"), the Funds issue and redeem Shares at net asset value ("NAV") only in large blocks of 50,000 Shares (each block of Shares called a "Creation Unit"). As a practical matter, only broker-dealers or large institutional investors with creation and redemption agreements (called Authorized Participants) can purchase or redeem these Creation Units. Except when aggregated in Creation Units, the Shares may not be redeemed with the Funds.

Shares are held in book-entry form, which means that no Share certificates are issued. The Depository Trust Company or its nominee is the record owner of all outstanding Shares of the Funds and is recognized as the owner of all Shares for all purposes.

The NAV per Share for each Fund is computed by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of Shares outstanding. Expenses and fees are accrued daily and taken into account for purposes of determining NAV. The NAV of each Fund is determined each business day after the close of trading (ordinarily 4:00 p.m., Eastern Time or "ET") of the New York Stock Exchange. Any assets or liabilities denominated in currencies other than the U.S. dollar are converted into U.S. dollars at the current market rates on the date of valuation as quoted by one or more sources.

The registration statement for the Funds describes the various fees and expenses for the Funds' Shares. For a more complete description of the Funds and the underlying indexes, visit the Funds' website at [www.portfolioplusetfs.com](http://www.portfolioplusetfs.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 Funds of the principal risks of an investment in the Funds. These include tracking error risk (factors causing a Fund's performance to not match the performance of its underlying index), market trading risk (for example, trading halts, trading above or below net asset value), effects of compounding and market volatility risk, derivatives risk, leverage risk, counterparty risk, intra-day investment risk, daily index correlation/tracking risk, other investment companies risk, valuation time risk, developed country investing risk, European economic risk, Japanese securities risk, consumer goods sector risk, financials sector risk, industrials sector risk, micro-capitalization company risk, small- and/or mid-

capitalization company risk, currency exchange rate risk, depositary receipt risk, foreign securities risk, international closed market trading risk, early close/trading halt risk, equity securities risk, high portfolio turnover risk, investment risk, liquidity risk, market risk, money market instrument risk, non-diversification risk, and securities lending 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 Funds 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> |
|-----------------------------------|-----------------------|-----------------------|--------------------|-------------------|
| Portfolio+ Developed Markets ETF  | NYSE Arca             | PPDM                  | PPDM.IV            | PPDM.NV           |
| Portfolio+ Emerging Markets ETF   | NYSE Arca             | PPEM                  | PPEM.IV            | PPEM.NV           |
| Portfolio+ S&P Mid Cap ETF        | NYSE Arca             | PPMC                  | PPMC.IV            | PPMC.NV           |
| Portfolio+ Total Bond Markets ETF | NYSE Arca             | PPTB                  | PPTB.IV            | PPTB.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 Funds.

Prospectuses may be obtained through the Funds’ website. The prospectus for the Funds does not contain all of the information set forth in the Funds’ 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 Funds, please refer to the registration statement.

In the event that the Funds rely 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 Funds, 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 Funds.

#### **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 Funds 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 Funds (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 Funds for redemption does not constitute a bid for or purchase of any of the Funds' 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 a 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 a 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 a 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 a Fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830(l)(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 a 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 Funds' prospectus and/or the Funds' website for relevant information.**

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Inquiries regarding this Information Circular should be directed to:

- Ben Haskell, Listing Qualifications, at 301.978.8092
- NASDAQ / BX / PSX Market Sales, at 800.846.0477