

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-2012-61 and should be submitted on or before December 4, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Kevin M. O'Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68165; File No. SR-NYSEArca-2012-102]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change Relating to the Listing and Trading of Twelve Funds of the Direxion Shares ETF Trust II Under NYSE Arca Equities Rule 8.200

November 6, 2012.

I. Introduction

On September 5, 2012, 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" or "Exchange Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to list and trade shares ("Shares") of twelve funds of the Direxion Shares ETF Trust II (each a "Fund" and, collectively, "Funds") under NYSE Arca Equities Rule 8.200, Commentary .02. The proposed rule change was published for comment in the **Federal Register** on September 24, 2012.³ The Commission received no comments on the proposed rule change. This order

grants approval of the proposed rule change.

II. Description of the Proposed Rule Change

The Exchange proposes to list and trade Shares of the following Funds pursuant to NYSE Arca Equities Rule 8.200, Commentary .02: Direxion Daily Gold Bear 1X Shares; Direxion Daily Gold Bull 3X Shares; Direxion Daily Silver Bear 1X Shares; Direxion Daily Silver Bull 3X Shares; Direxion Daily Japanese Yen Bull 3X Shares; Direxion Daily Japanese Yen Bear 3X Shares; Direxion Daily Dollar Bull 3X Shares; Direxion Daily Dollar Bear 3X Shares; Direxion Daily Euro Bull 3X Shares; and Direxion Daily Euro Bear 3X Shares.⁴

The Shares will be issued by Direxion Shares ETF Trust II ("Trust"), a Delaware statutory trust.⁵ Direxion Asset Management, LLC will be the sponsor ("Sponsor") for the Trust. The Bank of New York Mellon will be the administrator, custodian, and transfer agent for the Funds, and Foreside Fund Services, LLC will be the distributor for the Shares.

Twelve Funds of the Direxion Shares ETF Trust II

All Funds except for the Direxion Daily Gold Bear 1X Shares and Direxion Daily Silver Bear 1X Shares are also referred to herein as "Leveraged Funds," and the Direxion Daily Gold Bear 1X Shares and Direxion Daily Silver Bear 1X Shares are also referred to herein as "Bear 1X Funds." The Leveraged Funds will seek daily leveraged investment results and are intended to be used as short-term trading vehicles. The Leveraged Funds with the word "Bull" in their name (collectively, "Leveraged Bull Funds") will attempt to provide daily leveraged investment results (before fees and expenses) that correlate positively to three times (300%) the daily return of a target benchmark, meaning a Leveraged Bull Fund will attempt to move in the same direction as the target benchmark. The Leveraged Funds with the word "Bear" in their name (collectively,

"Leveraged Bear Funds") will attempt to provide daily leveraged investment results (before fees and expenses) that correlate to the inverse (opposite) of three times the return of a target benchmark, meaning that the Leveraged Bear Funds will attempt to move in the opposite or inverse direction of the target benchmark.

The Bear 1X Funds will attempt to provide daily investment results (before fees and expenses) that correlate to the inverse (opposite) of the return of a target benchmark commodity, meaning that the Bear 1X Funds will attempt to move in the opposite or inverse direction of a target benchmark commodity.

Principal Investment Strategies

In seeking to achieve each Fund's daily investment objective, the Sponsor will use statistical and quantitative analysis to determine the investments each Fund will make and the techniques it will employ. Using this approach, the Sponsor will determine the type, quantity, and mix of investment positions that the Sponsor believes in combination should produce daily returns consistent with a Fund's objective. The Sponsor will rely upon a pre-determined model to generate orders that result in repositioning each Fund's investments in accordance with its daily investment objective. As a consequence, if a Fund is performing as designed, the return of the applicable benchmark (as discussed below) will dictate the return for that Fund. Each Fund will pursue its investment objective regardless of market conditions and will not take defensive positions.

Each of the Direxion Daily Gold Bear 1X Shares, Direxion Daily Gold Bull 3X Shares, and Direxion Daily Gold Bear 3X Shares (collectively, "Gold Funds") and Direxion Daily Silver Bear 1X Shares, Direxion Daily Silver Bull 3X Shares, and Direxion Daily Silver Bear 3X Shares (collectively, "Silver Funds," and collectively with the Gold Funds, "Commodity Funds") will seek to achieve its investment objective by investing in futures contracts related to its benchmark commodity. As such, the Gold Funds will invest in gold futures contracts traded on the Commodity Exchange, Inc. ("COMEX," an affiliate of the CME Group, Inc. ("CME")) ("Gold Futures Contracts"), and the Silver Funds will invest in silver futures contracts traded on COMEX ("Silver Futures Contracts" and, collectively with Gold Futures Contracts,

⁴ Commentary .02 to NYSE Arca Equities Rule 8.200 applies to Trust Issued Receipts that invest in "Financial Instruments." The term "Financial Instruments," as defined in Commentary .02(b)(4) to NYSE Arca Equities Rule 8.200, means any combination of investments, including cash; securities; options on securities and indices; futures contracts; options on futures contracts; forward contracts; equity caps, collars, and floors; and swap agreements.

⁵ See Pre-Effective Amendment No. 1 to Form S-1, dated October 13, 2010 ("Registration Statement") (File No. 333-168227).

¹⁶ 17 CFR 200.30-3(a)(12).

¹⁵ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 67882 (September 18, 2012), 77 FR 58881 ("Notice").

“Commodity Futures Contracts”).⁶ For each of the Commodity Funds, in the event position limits or position accountability levels are reached with respect to the applicable Commodity Futures Contracts, or if trading of such Commodity Futures Contracts is suspended due to price fluctuation limits being reached or if the CME imposes any other suspension or limitation on trading in a Commodity Futures Contract, the Sponsor may, in its commercially reasonable judgment, cause the Commodity Funds to obtain exposure through cash-settled, exchange-traded options on Commodity Futures Contracts, as applicable, and forward contracts, swaps,⁷ and other over-the-counter transactions that are based on the price of Commodity Futures Contracts, as applicable, if such instruments tend to exhibit trading prices or returns that correlate with any Commodity Futures Contract and will further the investment objective of such Commodity Fund (collectively, “Commodity Financial Instruments”).⁸

The Gold Funds’ benchmark will be the daily last sale price occurring on or before 4:00 p.m. E.T. of a standard Gold Futures Contract for 100 troy ounces of gold, specified by the CME to be of a grade and quality that shall assay to a minimum of 995 fineness, as measured in U.S. Dollars and cents per troy ounce with a minimum fluctuation of \$0.10 per troy ounce (“Gold Benchmark Futures Contract”). The Silver Funds’ benchmark will be the daily last sale price occurring on or before 4:00 p.m. E.T. of a standard Silver Futures Contract for 5,000 troy ounces of silver, specified by the CME to be at a grade and quality that shall assay to a minimum of 999 fineness, as measured in U.S. Dollars and cents per troy ounce with a minimum fluctuation of \$0.10

⁶ According to the Exchange, Gold and Silver Futures Contracts traded on COMEX are the global benchmark contracts and most liquid futures contracts in the world for each respective commodity. As of March 15, 2012, open interest in Gold Futures Contracts and Silver Futures Contracts traded on the CME was \$23.7 billion and \$8.5 billion, respectively. Gold Futures Contracts and Silver Futures Contracts had an average daily trading volume in 2011 of 138,964 contracts and 63,913 contracts, respectively. The trading hours for the Gold Futures Contracts and Silver Futures Contracts are 8:20 a.m. until 1:30 p.m. Eastern Time (“E.T.”).

⁷ To the extent practicable, the Commodity Funds will invest in swaps cleared through the facilities of a centralized clearing house.

⁸ Each Fund will enter into swap agreements and other over-the-counter transactions only with large, established and well capitalized financial institutions that meet certain credit quality standards and monitoring policies. Each Fund will use various techniques to minimize credit risk including early termination or reset and payment, using different counterparties and limiting the net amount due from any individual counterparty.

per troy ounce (“Silver Benchmark Futures Contract”). For both the Gold Benchmark Futures Contract and the Silver Benchmark Futures Contract, the last sale price value will be calculated as the last sale price published by the CME on or before 4:00 p.m. E.T. for the current active month Commodity Futures Contract. The last sale price and benchmark valuation may reflect trades occurring and published by the CME outside the normal trading session for the applicable Commodity Futures Contract.

Each of the Direxion Daily Japanese Yen Bull 3X Shares and Direxion Daily Japanese Yen Bear 3X Shares (collectively, “Yen Funds”); Direxion Daily Dollar Bull 3X Shares and Direxion Daily Dollar Bear 3X Shares (collectively, “Dollar Funds”); and Direxion Daily Euro Bull 3X Shares and Direxion Daily Euro Bear 3X Shares (collectively, “Euro Funds” and, collectively with the Yen Funds and Dollar Funds, “Currency Funds”) will seek to achieve its investment objective by investing in futures contracts related to its benchmark currency. As such, the Yen Funds will invest in Japanese Yen futures contracts traded on the CME (“Yen Futures Contracts”), the Euro Funds will invest in Euro futures traded on the CME (“Euro Futures Contracts”), and the Dollar Funds will invest in U.S. Dollar Index futures contracts traded on the ICE Futures U.S. (“ICE”) (“Dollar Futures Contracts” and, collectively with Yen Futures Contracts and Euro Futures Contracts, “Currency Futures Contracts”).⁹ For each Currency Fund except the Dollar Funds, which invest in futures contracts that do not have position limits, accountability levels, or price fluctuation limits, in the event position limits or position accountability levels are reached with respect to the applicable Currency Futures Contracts, or if trading of such Currency Futures Contracts is suspended due to price fluctuation limits being reached or if the CME or ICE (with respect to the Dollar Funds), as applicable, imposes any other suspension or limitation on trading in a

⁹ According to the Exchange, the CME constitutes the largest regulated foreign exchange marketplace in the world, with over \$100 billion in daily liquidity. As of March 15, 2012, open interest in Euro Futures Contracts and Yen Futures Contracts traded on the CME and, for Dollar Futures Contracts, on the ICE, were \$42.7 billion, \$20.8 billion, and \$4.8 billion, respectively. Euro Futures Contracts, Yen Futures Contracts, and Dollar Futures Contracts had an average daily trading volume in 2011 of 325,103, 106,824, and 27,258 contracts, respectively. The trading hours for the Euro Futures Contracts and Yen Futures Contracts are 8:20 a.m. until 3:00 p.m. E.T., and the trading hours for the Dollar Futures Contracts are 8:00 p.m. E.T. until 5:00 p.m. E.T. the following day.

Currency Futures Contract, the Sponsor may, in its commercially reasonable judgment, cause the Currency Funds to obtain exposure through cash-settled, exchange-traded options on Currency Futures Contracts, as applicable, and forward contracts, swaps,¹⁰ and other over-the-counter transactions that are based on the price of Currency Futures Contracts, as applicable, if such instruments tend to exhibit trading prices or returns that correlate with any Currency Futures Contract and will further the investment objective of such Currency Fund (collectively, “Currency Financial Instruments”).

The benchmark for the Yen Funds will be the last sale price occurring on or before 4:00 p.m. E.T. of a standard Yen Futures Contract for 12,500,000 Japanese Yen, priced in U.S. Dollars and traded on the CME (“Yen Benchmark Futures Contract”). The benchmark for the Euro Funds will be the last sale price occurring on or before 4:00 p.m. E.T. of a standard Euro Futures Contract for 125,000 Euro, priced in U.S. Dollars and traded on the CME (“Euro Benchmark Futures Contract”). For both the Yen Benchmark Futures Contract and Euro Benchmark Futures Contract, the last sale price value will be calculated as the last sale price published by the CME on or before 4:00 p.m. E.T. for the current active month Currency Futures Contract. The last sale price and benchmark valuation may reflect trades occurring and published by the CME outside the normal trading session for the applicable Currency Futures Contract.

The benchmark for the Dollar Funds will be the last sale price occurring on or before 4:00 p.m. E.T. of a standard Dollar Futures Contract for \$1,000 times the U.S. Dollar Index value as measured in U.S. Dollars and traded on the ICE (“Dollar Benchmark Futures Contract” and, collectively with the Gold Benchmark Futures Contract, Silver Benchmark Futures Contract, Yen Benchmark Futures Contract, and Euro Benchmark Futures Contract, “Benchmark Futures Contracts”). The U.S. Dollar Index indicates the general international value of the U.S. Dollar. The U.S. Dollar Index does this by geometrically weighting the exchange rates between the U.S. Dollar and six major world currencies. The U.S. Dollar Index consists of the following six currencies: Euro, Japanese Yen, British Pound, Canadian Dollar, Swedish Krona, and Swiss Franc. The components and weightings are held

¹⁰ To the extent practicable, the Currency Funds will invest in swaps cleared through the facilities of a centralized clearing house.

constant, and have not changed since the introduction of the Euro. Because the U.S. Dollar Index is geometrically weighted, holding the individual currencies in their specified weights will not necessarily mimic U.S. Dollar Index moves. The last sale price for the Dollar Benchmark Futures Contract will be calculated using the last sale price published by the ICE on or before 4:00 p.m. E.T. for the current active month Dollar Futures Contract.

In seeking its investment objective, each Fund will invest in Commodity or Currency Futures Contracts, as applicable, including (but not limited to)¹¹ the Fund's related Benchmark Futures Contract, as well as Commodity or Currency Financial Instruments in certain circumstances. Assets of each Fund not invested in Commodity Futures Contracts, Currency Futures Contracts, or other Commodity Financial Instruments or Currency Financial Instruments, as applicable, will be held in cash or invested in cash equivalents and/or U.S. Treasury Securities or other high credit quality short-term fixed-income or similar securities (such as shares of money market funds, bank deposits, bank money market accounts, certain variable rate-demand notes, and repurchase agreements collateralized by government securities, whether denominated in U.S. or the applicable foreign currency with respect to a Currency Fund) that serve as collateral for Commodity Futures Contracts, Currency Futures Contracts, and Commodity or Currency Financial Instruments, as applicable.

At the close of the U.S. equity markets each trading day, each Fund will position its portfolio to ensure that the Fund's exposure to its benchmark is consistent with the Fund's stated goals. The impact of market movements during the day will determine whether a portfolio needs to be repositioned. If the target benchmark has risen on a given day, a Leveraged Bull Fund's net assets should rise, meaning their exposure may need to be increased. Conversely, if the target benchmark has fallen on a given day, a Leveraged Bull

Fund's net assets should fall, meaning their exposure may need to be reduced.

If a Leveraged Bull Fund is successful in meeting its objective, its value in a given day (before fees and expenses) should gain approximately three times as much on a percentage basis as its corresponding benchmark when the benchmark rises during a given day. Conversely, its value in a given day (before fees and expenses) should lose approximately three times as much on a percentage basis as the corresponding benchmark when the benchmark declines during a given day. Each Leveraged Bull Fund will acquire long exposure through investment in Commodity or Currency Futures Contracts, including (but not limited to) the applicable Benchmark Futures Contracts, and, once position limits or position accountability levels are reached, if trading of such Commodity or Currency Futures Contracts is suspended due to price fluctuation limits being reached, or if the CME or ICE, as applicable, imposes any other suspension or limitation on trading in a Commodity or Currency Futures Contract, in Commodity Financial Instruments or Currency Financial Instruments, as applicable, such that each Leveraged Bull Fund has approximately 300% exposure to the corresponding benchmark at the time of the net asset value ("NAV") calculation.

If a Leveraged Bear Fund is successful in meeting its objective, its value in a given day (before fees and expenses) should gain approximately three times as much on a percentage basis as its corresponding benchmark loses when the benchmark falls in a given day. Conversely, its value in a given day (before fees and expenses) should lose approximately three times as much on a percentage basis as the corresponding benchmark gains when the benchmark rises in a given day. Each Leveraged Bear Fund will acquire short exposure through investment in Commodity or Currency Futures Contracts, including (but not limited to) the applicable Benchmark Futures Contracts, and, once position limits or position accountability levels are reached, if trading of such Commodity or Currency Futures Contracts is suspended due to price fluctuation limits being reached, or if the CME or ICE, as applicable, imposes any other suspension or limitation on trading in a Commodity or Currency Futures Contract, in Commodity Financial Instruments or Currency Financial Instruments, as applicable, such that each Leveraged Bear Fund has approximately -300% exposure to the corresponding

benchmark at the time of the NAV calculation.

If a Bear 1X Fund is successful in meeting its objective, its value in a given day (before fees and expenses) should gain approximately an equal amount on a percentage basis as its corresponding benchmark when the benchmark falls in a given day. Conversely, its value in a given day (before fees and expenses) should lose approximately an equal amount on a percentage basis as the corresponding benchmark when the benchmark rises in a given day. Each Bear 1X Fund will acquire short exposure through investment in Commodity Futures Contracts, including (but not limited to) the applicable Benchmark Futures Contracts, and, once position limits or position accountability levels, if applicable, are reached, if trading of the Commodity Futures Contracts is suspended due to price fluctuation limits being reached, or if the CME imposes any other suspension or limitation on trading in a Commodity Futures Contract, a Bear 1X Fund may invest in Commodity Financial Instruments such that each Bear 1X Fund has approximately -100% exposure to the corresponding benchmark at the time of the NAV calculation.

In the event that trading of a Commodity or Currency Futures Contract is suspended due to price fluctuation limits being reached for that futures contract, or if CME or ICE, as applicable, imposes any other suspension or limitation on trading in a Commodity or Currency Futures Contract, the related Fund or Funds may be limited in their ability to seek their investment objective until trading resumes.

Additional information regarding the Funds and the Shares, including investment strategies, risks, creation and redemption procedures, NAV, fees, portfolio holdings disclosure, distributions, and taxes, among other things, is included in the Notice and Registration Statement, as applicable.¹²

III. Discussion and Commission's Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of Section 6 of the Act¹³ and the rules and regulations thereunder applicable to a national securities exchange.¹⁴ In

¹² See Notice and Registration Statement, *supra* notes 3 and 5, respectively.

¹³ 15 U.S.C. 78f.

¹⁴ In approving this proposed rule change, the Commission notes that it has considered the

¹¹ A Fund, in seeking to achieve its investment objective by investing in futures contracts related to its target benchmark, may be invested in futures contracts that are not the current active month futures contracts on which the Fund's target benchmark is based. For example, if, on a date in September 2012, the current active month futures contract with respect to a target benchmark is December 2012, a Fund may have a portion of its assets in the October 2012 or February 2013 contracts. A Fund may use this flexibility, for example, in case of liquidity issues with respect to the applicable, current active month futures contracts or when deciding when to roll the Fund's assets into the next current active month contract.

particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹⁵ 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 8.200 and Commentary .02 thereto 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,¹⁶ which sets forth Congress's 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 will be disseminated through the facilities of the Consolidated Tape Association ("CTA"). The value of the benchmarks, updated at least every 15 seconds during the NYSE Arca Core Trading Session, will be disseminated by one or more major market data vendors. The closing and daily settlement prices for the Commodity and Currency Futures Contracts are publicly available on the Web site of the CME and ICE, as applicable. Intraday prices for the Commodity and Currency Futures Contracts are updated at least every 15 seconds and are available through major market data vendors. Further, the applicable specific contract specifications for Commodity and Currency Futures Contracts are available from the CME and ICE Web sites, as well as other financial information sources. Real-time dissemination of spot pricing for gold, silver, Yen, Euro, and currencies included in the U.S. Dollar Index is available on a 24-hour basis worldwide from various major market data vendors. In addition, there is a considerable amount of foreign currency price and market information available on public Web sites and through professional and subscription services,

proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁵ 15 U.S.C. 78f(b)(5).

¹⁶ 15 U.S.C. 78k-1(a)(1)(C)(iii).

including price information with respect to currencies included in the U.S. Dollar Index. The U.S. Dollar Index value is disseminated every 15 seconds by major market data vendors during the Exchange's Core Trading Session. Further, the Funds will provide Web site disclosure of portfolio holdings daily and will include, as applicable, the names and value (in U.S. dollars) of Commodity Futures Contracts and Currency Futures Contracts, as applicable; Commodity Financial Instruments and Currency Financial Instruments, if any; and the amount of cash and/or cash equivalents held in the portfolio of the Funds. This Web site disclosure will occur at the same time as the disclosure by the Sponsor of the portfolio composition to authorized participants so that all market participants are provided portfolio composition information at the same time. The current trading prices of each Fund will be published continuously under its ticker symbol as trades occur throughout each trading day via CTA, Reuters, and/or Bloomberg. The intraday indicative value ("IIV") with respect to each Fund will be updated every 15 seconds and be widely disseminated by one or more major market data vendors during the NYSE Arca Core Trading Session.¹⁷ The NAV of each Fund will be calculated at 4:00 p.m. E.T. and will be disseminated daily to all market participants at the same time. Recent NAV and Shares outstanding will be disseminated on a daily basis via CTA. The Web site of the Funds and/or the Exchange will include the prospectus for the Funds and additional data relating to NAV and

¹⁷ According to the Exchange, several major market data vendors display and/or make widely available IIVs taken from the CTA or other data feeds. In addition, the Exchange states that circumstances may arise in which the NYSE Arca Core Trading Session is in progress, but trading in Commodity or Currency Futures Contracts is not occurring. Such circumstances may result from reasons including, but not limited to, the CME or ICE, as applicable, having a separate holiday schedule than the NYSE Arca, the CME or ICE closing prior to the close of the NYSE Arca, price fluctuation limits being reached in a Commodity or Currency Futures Contract, or the CME or ICE, as applicable, imposing any other suspension or limitation on trading in a Commodity or Currency Futures Contract. In such instances, the value of the applicable Commodity or Currency Futures Contracts, as well as Commodity or Currency Financial Instruments whose value is derived from the Commodity or Currency Futures Contracts, held by the Funds would be static or priced by the Fund at the applicable early cut-off time of the exchange trading the applicable Commodity or Currency Futures Contract. Moreover, any cash held by the Funds for collateralization purposes will be invested in short term treasury vehicles that do not have market exposure, such that their value would change throughout the trading day. As such, during such periods, the disseminated IIV for the affected Fund or Funds will be static.

other applicable quantitative information.

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. If the Exchange becomes aware that the NAV with respect to the Shares is not disseminated to all market participants at the same time, it will halt trading in the Shares until such times as the NAV is available to all market participants. Further, the Exchange represents that it may halt trading during the day in which an interruption to the dissemination of the IIV, trading in the applicable Commodity or Currency Futures Contract, or trading in Currency or Commodity Financial Instruments occurs for a Fund. If the interruption persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. The Exchange may halt trading in the Shares if trading is not occurring in the Commodity or Currency Futures Contracts or Commodity or Currency Financial Instruments held by the Funds, or if other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.¹⁸ The Exchange states that it has a general policy prohibiting the distribution of material, non-public information by its employees. Moreover, the trading of the Shares will be subject to NYSE Arca Equities Rule 8.200, Commentary .02(e), which sets forth certain restrictions on Equity Trading Permit ("ETP") Holders¹⁹ acting as registered Market Makers²⁰ in Trust Issued Receipts to facilitate surveillance. The Exchange is able to obtain information regarding trading in the Shares, the physical commodities or currencies underlying options, futures or options on futures through ETP Holders, in connection with such ETP Holders' proprietary or customer trades which they effect through ETP Holders on any relevant market. The Exchange can obtain market

¹⁸ With respect to trading halts, the Exchange may consider other relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Funds. Trading in Shares of the Funds 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.

¹⁹ See NYSE Arca Equities Rule 1.1(n) (defining ETP Holder).

²⁰ See NYSE Arca Equities Rule 1.1(v) (defining Market Maker).

surveillance information, including customer identity information, with respect to transactions (including transactions in cash-settled options on Commodity or Currency Futures Contracts) occurring on the CME, ICE, or COMEX (“Futures Exchanges”), which are members of the Intermarket Surveillance Group (“ISG”).

Prior to the commencement of trading, the Exchange will inform its ETP Holders of the suitability requirements of NYSE Arca Equities Rule 9.2(a) in an Information Bulletin. Specifically, ETP Holders will be reminded in the Information Bulletin that, in recommending transactions in the Shares, they must have a reasonable basis to believe that (1) the recommendation is suitable for a customer given reasonable inquiry concerning the customer’s investment objectives, financial situation, needs, and any other information known by such ETP Holder, and (2) the customer can evaluate the special characteristics, and is able to bear the financial risks, of an investment in the Shares. In connection with the suitability obligation, the Information Bulletin will also provide that ETP Holders must make reasonable efforts to obtain the following information: (1) The customer’s financial status; (2) the customer’s tax status; (3) the customer’s investment objectives; and (4) such other information used or considered to be reasonable by such ETP Holder or registered representative in making recommendations to the customer.

In addition, the Exchange states that the Financial Industry Regulatory Authority (“FINRA”) has implemented increased sales practice and customer margin requirements for FINRA members applicable to leveraged exchange-traded funds (which include the Shares) and options on leveraged exchange-traded funds, as described in FINRA Regulatory Notices 09–31 (June 2009), 09–53 (August 2009), and 09–65 (November 2009) (collectively, “FINRA Regulatory Notices”). ETP Holders that carry customer accounts will be required to follow the FINRA guidance set forth in these notices. As noted above, each Leveraged Fund will seek a multiple or inverse multiple (plus or minus 300%) of the return (before fees and expenses) of its target benchmark commodity or currency on a given day, and each Bear 1X Fund will seek –100% of the return (before fees and expenses) of its target benchmark commodity on a given day. Over a period of time in excess of one day, the cumulative percentage increase or decrease in the NAV of the Shares of a Fund may diverge significantly from a

multiple or inverse multiple of the cumulative percentage decrease or increase in the relevant benchmark due to a compounding effect.

The Exchange 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 meet the initial and continued listing requirements applicable to Trust Issued Receipts in NYSE Arca Equities Rule 8.200 and Commentary .02 thereto.

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

(3) The Exchange’s surveillance procedures applicable to derivative products, which include Trust Issued Receipts, are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

(4) Prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Specifically, the Information Bulletin will discuss the following: (a) The risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated IIV will not be calculated or publicly disseminated; (b) except for the Dollar Funds, a static IIV may be disseminated between the close of trading of all applicable Commodity or Currency Futures Contracts on Futures Exchanges and the close of the NYSE Arca Core Trading Session; (c) the procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (d) 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; (e) how information regarding the IIV is disseminated; (f) 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 (g) trading information. The Information Bulletin will further advise ETP Holders that FINRA has implemented increased sales practice and customer margin requirements for FINRA members applicable to leveraged exchange-traded funds (which include the Shares) and options on leveraged exchange-traded funds, as described in the FINRA Regulatory Notices.

(5) For initial and continued listing, the Funds must be in compliance with NYSE Arca Equities Rule 5.3 and Rule 10A–3 under the Exchange Act.²¹

(6) To the extent practicable, the Funds will invest in swaps cleared through the facilities of a centralized clearing house. In addition, each Fund will enter into swap agreements and other over-the-counter transactions only with large, established and well capitalized financial institutions that meet certain credit quality standards and monitoring policies. Each Fund will use various techniques to minimize credit risk including early termination or reset and payment, using different counterparties and limiting the net amount due from any individual counterparty.

(7) 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 all of the Exchange’s representations and description of the Funds, including those set forth above and in the Notice.²²

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act²³ 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,²⁴ that the proposed rule change (SR–NYSEArca–2012–102) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁵

Kevin M. O’Neill,
Deputy Secretary.

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²¹ 17 CFR 240.10A–3.

²² The Commission notes that it does not regulate the market for futures in which the Funds plan to take positions, which is the responsibility of the Commodity Futures Trading Commission (“CFTC”). The CFTC has the authority to set limits on the positions that any person may take in futures. These limits may be directly set by the CFTC or by the markets on which the futures are traded. The Commission has no role in establishing position limits on futures even though such limits could impact an exchange-traded product that is under the jurisdiction of the Commission.

²³ 15 U.S.C. 78f(b)(5).

²⁴ 15 U.S.C. 78s(b)(2).

²⁵ 17 CFR 200.30–3(a)(12).