

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-73078; File No. SR-NASDAQ-2014-80]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1 Thereto, Relating to the Listing and Trading of the Shares of the PowerShares DB Optimum Yield Diversified Commodity Strategy Portfolio, PowerShares Agriculture Commodity Strategy Portfolio, PowerShares Precious Metals Commodity Strategy Portfolio, PowerShares Energy Commodity Strategy Portfolio, PowerShares Base Metals Commodity Strategy Portfolio and PowerShares Bloomberg Commodity Strategy Portfolio, Each a Series of PowerShares Actively Managed Exchange-Traded Commodity Fund Trust

September 11, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 29, 2014, The NASDAQ Stock Market LLC (“Nasdaq” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by Nasdaq. On September 8, 2014, the Exchange filed Amendment No. 1 to the proposal.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment No. 1 thereto, from interested persons.

#### I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

Nasdaq proposes to list and trade the shares of the PowerShares DB Optimum Yield Diversified Commodity Strategy Portfolio, PowerShares Agriculture Commodity Strategy Portfolio, PowerShares Precious Metals Commodity Strategy Portfolio, PowerShares Energy Commodity Strategy Portfolio, PowerShares Base Metals Commodity Strategy Portfolio and PowerShares Bloomberg Commodity Strategy Portfolio (each, a

“Fund,” and collectively, the “Funds”), each a series of PowerShares Actively Managed Exchange-Traded Commodity Fund Trust (the “Trust”). The shares of each Fund are referred to herein as the “Shares.”

The text of the proposed rule change is available at <http://nasdaq.cchwallstreet.com/>, at Nasdaq’s principal office, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, Nasdaq included statements concerning the purpose of, and basis for, the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. Nasdaq has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

###### 1. Purpose

The Exchange proposes to list and trade the Shares of each Fund under Nasdaq Rule 5735, which governs the listing and trading of Managed Fund Shares<sup>4</sup> on the Exchange.<sup>5</sup> Each Fund

<sup>4</sup> A Managed Fund Share is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (the “1940 Act”) organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Index Fund Shares, listed and traded on the Exchange under Nasdaq Rule 5705, seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

<sup>5</sup> The Commission approved Nasdaq Rule 5735 in Securities Exchange Act Release No. 57962 (June 13, 2008), 73 FR 35175 (June 20, 2008) (SR-NASDAQ-2008-039). The Funds would not be the first actively-managed funds listed on the Exchange; see Securities Exchange Act Release No. 66489 (February 29, 2012), 77 FR 13379 (March 6, 2012) (SR-NASDAQ-2012-004) (order approving listing and trading of WisdomTree Emerging Markets Corporate Bond Fund). Moreover, the Commission also previously approved the listing and trading of other actively managed funds within the PowerShares family of ETFs. See, e.g., Securities Exchange Act Release Nos. 68158 (November 5, 2012), 77 FR 67412 (November 9, 2012) (SR-NYSEArca-2012-101) (order approving listing of PowerShares S&P 500® Downside Hedged Portfolio ETF); and 69915 (July 2, 2013) (SR-NYSEArca-2013-56) (order approving listing of PowerShares China A-Share Portfolio ETF). The Exchange believes the proposed rule change raises no significant issues not previously addressed in those prior Commission orders.

will be an actively managed exchange-traded fund (“ETF”). Each Fund’s Shares will be offered by the Trust, which was established as a Delaware statutory trust on December 23, 2013.<sup>6</sup> The Trust is registered with the Commission as an investment company and has filed a registration statement on Form N-1A (“Registration Statement”) with the Commission.<sup>7</sup> Each Fund is a series of the Trust. As part of its investment strategy, each Fund will invest in its own wholly-owned subsidiary controlled by such Fund and organized under the laws of the Cayman Islands (each, a “Subsidiary,” and collectively, the “Subsidiaries”). All of the exchange-traded securities held by a Fund will be traded in a principal trading market that is a member of the Intermarket Surveillance Group (“ISG”) or a market with which the Exchange has a comprehensive surveillance sharing agreement. With respect to futures contracts held indirectly through a Subsidiary, not more than 10% of the weight of such futures contracts in the aggregate shall consist of instruments whose principal trading market is not a member of the ISG or a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

Invesco PowerShares Capital Management LLC will be the investment adviser (“Adviser”) to the Funds. Invesco Distributors, Inc. (“Distributor”) will be the principal underwriter and distributor of each Fund’s Shares. The Bank of New York Mellon (“BNYM”) will act as the administrator, accounting agent, custodian (“Custodian”) and transfer agent to the Funds.

Paragraph (g) of Rule 5735 provides that if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a “fire wall” between the

<sup>6</sup> The Commission has issued an order granting certain exemptive relief to affiliates of the Trust, and which extends to the Trust, under the 1940 Act (the “Exemptive Order”). See Investment Company Act Release No. 30029 (April 10, 2012) (File No. 812-13795). In compliance with Nasdaq Rule 5735(b)(5), which applies to Managed Fund Shares based on an international or global portfolio, the application for exemptive relief under the 1940 Act states that the Funds will comply with the federal securities laws in accepting securities for deposits and satisfying redemptions with redemption securities, including that the securities accepted for deposits and the securities used to satisfy redemption requests are sold in transactions that would be exempt from registration under the Securities Act of 1933 (15 U.S.C. 77a).

<sup>7</sup> See Registration Statement on Form N-1A for the Trust, dated May 20, 2014 (File Nos. 333-193135 and 811-22927). The descriptions of the Funds and the Shares contained herein are based, in part, on information in the Registration Statement.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Amendment No. 1 changes the name of the “PowerShares Diversified Commodity Strategy Portfolio” to the new name “PowerShares DB Optimum Yield Diversified Commodity Strategy Portfolio,” and changes the name of the “PowerShares Balanced Commodity Strategy Portfolio” to the new name “PowerShares Bloomberg Commodity Strategy Portfolio.”

investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.<sup>8</sup> In addition, paragraph (g) further requires that personnel who make decisions on the open-end fund's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material, non-public information regarding the open-end fund's portfolio. The Adviser is not a broker-dealer, although it is affiliated with the Distributor, a broker-dealer. The Adviser has implemented a fire wall with respect to its broker-dealer affiliate regarding access to information concerning the composition and/or changes to a Fund's (including a Subsidiary's) portfolio. In the event (a) the Adviser registers as a broker-dealer or becomes newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, it will implement a fire wall with respect to its relevant personnel and/or such broker-dealer affiliate, if applicable, regarding access to information concerning the composition and/or changes to the portfolio and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio. The Funds do not currently intend to use a sub-adviser.

#### *Principal Investment Strategies Applicable to Each Fund*

Each Fund's investment objective will be to seek long term capital appreciation. Each Fund will be an

<sup>8</sup> An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the "Advisers Act"). As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

actively managed ETF that will seek to achieve its investment objective by investing, under normal circumstances,<sup>9</sup> in a combination of securities and futures contracts either directly or through its respective Subsidiary as follows. Each Fund will invest in: (i) its respective Subsidiary, (ii) exchange-traded products or exchange-traded commodity pools;<sup>10</sup> and (iii) U.S. Treasury Securities,<sup>11</sup> money market mutual funds, high quality commercial paper and similar instruments, as described more fully below. Each respective Subsidiary will invest in exchange-traded commodity futures contracts ("Commodities"). The Commodities generally will be components of certain benchmark indices, as set forth below for each Fund, but each Subsidiary also may invest in Commodities that are outside of those benchmark indices.<sup>12</sup>

Although each Fund's Subsidiary generally will hold many of the Commodities that are components of that Fund's respective benchmark index (each, respectively, a "Benchmark"), each Subsidiary (and its respective parent Fund) will be actively managed by the Adviser and will not be obligated to invest in all of (or limit its investments solely to) the component Commodities within its respective Benchmark. Each Subsidiary (and its respective parent Fund) also will not be obligated to invest in the same amount or proportion as its respective Benchmark, or be obligated to track the performance of a Benchmark or of any index. Rather, the Adviser will determine the weightings of these investments by using a rules-based

<sup>9</sup> The term "under normal circumstances" includes, but is not limited to, the absence of extreme volatility or trading halts in the equity, commodities and futures markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

<sup>10</sup> Specifically, the Funds will invest in: (1) ETFs that provide exposure to commodities as would be listed under Nasdaq Rules 5705 and 5735; (2) exchange-traded notes ("ETNs") that provide exposure to commodities as would be listed under Nasdaq Rule 5710; or (3) exchange-traded pooled investment vehicles that invest primarily in commodities and commodity-linked instruments as would be listed under Nasdaq Rules 5711(b), (d), (f), (g), (h), (i) and (j) ("Commodity Pool" or "Commodity Pools").

<sup>11</sup> U.S. Treasury obligations are backed by the "full faith and credit" of the U.S. government.

<sup>12</sup> In addition, each Subsidiary may, for administrative convenience, also invest in U.S. Treasury Securities, money market mutual funds, high quality commercial paper and similar instruments, as described more fully below, for purposes of collateralizing investments in Commodities.

approach that is designed to ensure that the relative weight of each investment within a Fund's Subsidiary reflects the Adviser's view of the economic significance and market liquidity of the corresponding, underlying physical commodities.

Each Fund's investments will include investments directly in other ETFs,<sup>13</sup> to the extent permitted under the 1940 Act,<sup>14</sup> or ETNs that provide exposure to the relevant Commodities.

Each Fund also may invest in a Commodity Pool that is designed to track the performance of the applicable Benchmark through investments in Commodities.

No Fund will invest directly in Commodities. However, each Fund expects to gain significant exposure to Commodities indirectly by investing directly in the applicable Subsidiary. Each Fund's investment in a Subsidiary may not exceed 25% of the Fund's total assets. In addition, no Fund or Subsidiary will invest directly in physical commodities. The remainder of a Fund's assets that are not invested in ETFs, ETNs, Commodity Pools, or its Subsidiary will be invested in U.S. government securities,<sup>15</sup> money market instruments,<sup>16</sup> cash and cash equivalents (e.g., corporate commercial

<sup>13</sup> An ETF is an investment company registered under the 1940 Act that holds a portfolio of securities. Many ETFs are designed to track the performance of a securities index, including industry, sector, country and region indexes. ETFs included in a Fund will be listed and traded in the U.S. on registered exchanges. Each Fund may invest in the securities of other ETFs in excess of the limits imposed under the 1940 Act pursuant to exemptive relief obtained by an affiliate of the Trust that also applies to the Trust. The ETFs in which a Fund may invest include Index Fund Shares (as described in Nasdaq Rule 5705), Portfolio Depository Receipts (as described in Nasdaq Rule 5705), and Managed Fund Shares (as described in Nasdaq Rule 5735).

<sup>14</sup> The shares of ETFs in which a Fund may invest will be limited to securities that trade in markets that are members of the ISG, which includes all U.S. national securities exchanges, or are parties to a comprehensive surveillance sharing agreement with the Exchange.

<sup>15</sup> Such securities will include securities that are issued or guaranteed by the U.S. Treasury, by various agencies of the U.S. government, or by various instrumentalities, which have been established or sponsored by the U.S. government. U.S. Treasury obligations are backed by the "full faith and credit" of the U.S. government. Securities issued or guaranteed by federal agencies and U.S. government-sponsored instrumentalities may or may not be backed by the full faith and credit of the U.S. government.

<sup>16</sup> For a Fund's purposes, money market instruments will include: Short-term, high-quality securities issued or guaranteed by non-U.S. governments, agencies and instrumentalities; non-convertible corporate debt securities with remaining maturities of not more than 397 days that satisfy ratings requirements under Rule 2a-7 of the 1940 Act; money market mutual funds; and deposits and other obligations of U.S. and non-U.S. banks and financial institutions.

paper).<sup>17</sup> Each Fund will use these assets to provide liquidity and to collateralize the Subsidiary's investments in the applicable Commodities.

*Principal Investments for Each Fund*

*PowerShares DB Optimum Yield Diversified Commodity Strategy Portfolio*

The Fund will seek to achieve its investment objective through indirect investments that provide exposure to a diverse group of the most heavily traded physical commodities in the world. The Fund's indirect investments in commodities primarily will include futures contracts contained in DBIQ Optimum Yield Diversified Commodity Index Excess Return (which is the Fund's Benchmark), an index composed of futures contracts on 14 heavily traded commodities in the energy, precious metals, industrial metals and agriculture sectors.

*PowerShares Agriculture Strategy Portfolio*

The Fund will seek to achieve its investment objective through indirect investments that provide exposure to physical commodities within the agriculture sector. The Fund's indirect investments in commodities primarily will include futures contracts contained in DBIQ Diversified Agriculture Index Excess Return (which is the Fund's Benchmark), an index composed of futures contracts on 11 of the most liquid and widely traded agricultural commodities, including corn, soybeans, wheat, Kansas City wheat, sugar, cocoa, coffee, cotton, live cattle, feeder cattle and lean hogs.

*PowerShares Precious Metals Strategy Portfolio*

The Fund will seek to achieve its investment objective through indirect investments that provide exposure to two of the most important precious metals—gold and silver. The Fund's indirect investments in commodities primarily will include futures contracts contained in DBIQ Optimum Yield Precious Metals Index Excess Return (which is the Fund's Benchmark), an index composed of futures contracts on gold and silver.

*PowerShares Energy Strategy Portfolio*

The Fund will seek to achieve its investment objective through indirect investments that provide exposure to

physical commodities within the energy sector. The Fund's indirect investments in commodities primarily will include futures contracts contained in DBIQ Optimum Yield Energy Index Excess Return (which is the Fund's Benchmark), an index composed of futures contracts on heavily traded energy commodities, including light sweet crude oil (WTI), heating oil, Brent crude oil, RBOB gasoline and natural gas.

*PowerShares Base Metals Strategy Portfolio*

The Fund will seek to achieve its investment objective through indirect investments that provide exposure to the most widely used physical commodities within the base metals sector. The Fund's indirect investments in commodities primarily will include futures contracts contained in DBIQ Optimum Yield Industrial Metals Index Excess Return (which is the Fund's Benchmark), an index composed of futures contracts on physical commodities in the base metals sector, including aluminum, zinc and Grade A copper.

*PowerShares Bloomberg Commodity Strategy Portfolio*

The Fund will seek to achieve its investment objective through indirect investments that provide exposure to a broadly diversified representation of the commodity markets. The Fund's indirect investments in commodities primarily will include futures contracts contained in the Bloomberg Commodity Total Return Index (which is the Fund's Benchmark), a diversified index composed of futures contracts on various physical commodities across seven industry sectors. Historically, the Benchmark has included futures contracts on the following: Aluminum, Brent Crude oil, coffee, copper, corn, cotton, gold, heating oil, Kansas wheat, lean hogs, live cattle, natural gas, nickel, silver, soybeans, soybean meal, soybean oil, sugar, unleaded gasoline, wheat, West Texas Intermediate crude oil and zinc.

*The Subsidiaries*

Each Fund will seek to gain exposure to the market for commodities through investments in its respective Subsidiary. Each Subsidiary will be wholly-owned and controlled by the applicable Fund, and its investments will be consolidated into such Fund's financial statements.

A Fund's investment in its Subsidiary may not exceed 25% of that Fund's total assets at each quarter end of the Fund's fiscal year. A Fund's investment in its Subsidiary will be designed to help

such Fund achieve exposure to Commodities returns in a manner consistent with the federal tax requirements applicable to regulated investment companies, such as the Funds, which limit the ability of investment companies to invest directly in the derivative instruments.

Each Subsidiary will invest in Commodities. The remainder of a Subsidiary's assets, if any, may be invested (like its respective Fund's assets) in U.S. government securities, money market instruments, cash and cash equivalents intended to serve as margin or collateral or otherwise support the Subsidiary's positions in Commodities. Each respective Subsidiary, accordingly, will be subject to the same general investment policies and restrictions as the applicable Fund, except that unlike such Fund, which must invest in assets in compliance with the requirements of Subchapter M of the Internal Revenue Code, a Subsidiary may invest without limitation in Commodities. References to the investment strategies and risks of each Fund include the investment strategies and risks of the applicable Subsidiary.

Each Subsidiary will be advised by the Adviser.<sup>18</sup> The Subsidiaries will not be registered under the 1940 Act. As an investor in a Subsidiary, a Fund, as that Subsidiary's sole shareholder, will not have the protections offered to investors in registered investment companies. However, because each Fund will wholly own and control its respective Subsidiary, and the Fund and the Subsidiary will be managed by the Adviser, the Subsidiary will not take action contrary to the interests of the Fund or the Fund's shareholders. The Board of Trustees of the Trust (the "Board") has oversight responsibility for the investment activities of each Fund, including its expected investments in its Subsidiary, and that Fund's role as the sole shareholder of such Subsidiary. The Adviser will receive no additional compensation for managing the assets of each Subsidiary. Also, in managing a Subsidiary's portfolio, the Adviser will be subject to the same investment restrictions and operational guidelines that apply to the management of a Fund. Changes in the laws of the United States, under which each Fund is organized, or of the Cayman Islands, under which each Subsidiary is organized, could result in the inability of a Fund or a Subsidiary to operate as

<sup>17</sup> The remainder of a Subsidiary's assets, if any, may be invested (like its respective Fund's assets) in these assets to serve as margin or collateral or otherwise support the Subsidiary's positions in Commodities.

<sup>18</sup> Each Subsidiary also will enter into separate contracts for the provision of custody, transfer agency, and accounting agent services with the same or with affiliates of the same service providers that provide those services to the applicable Fund.

described in this filing or in the Registration Statement and could negatively affect such Fund and its shareholders.

#### Commodities Regulation

The Commodity Futures Trading Commission (“CFTC”) has adopted substantial amendments to CFTC Rule 4.5 relating to the permissible exemptions and conditions for reliance on exemptions from registration as a commodity pool operator. As a result of the instruments that each Fund will hold indirectly, the Funds and the Subsidiaries are subject to regulation by the CFTC and the National Futures Association (“NFA”), as well as additional disclosure, reporting and recordkeeping rules imposed upon commodity pools. The Adviser previously registered as a commodity pool operator<sup>19</sup> and is also a member of the NFA.

#### Other Investments

Each Fund may invest (either directly or through its Subsidiary) in U.S. government securities, money market instruments, cash and cash equivalents (e.g., corporate commercial paper) to provide liquidity and to collateralize the Subsidiary’s investments in Commodities. The instruments in which each Fund, or its respective Subsidiary, can invest include any one or more of the following: (i) Short-term obligations issued by the U.S. government;<sup>20</sup> (ii) short term negotiable obligations of commercial banks, fixed time deposits and bankers’ acceptances of U.S. banks and similar institutions;<sup>21</sup> (iii) commercial paper rated at the date of purchase “Prime-1” by Moody’s Investors Service, Inc. or “A-1+” or “A-1” by Standard & Poor’s or, if unrated, of comparable quality, as the Adviser of the Fund determines; and (iv) money market mutual funds, including affiliated money market mutual funds.

In addition, each Fund’s investment in securities of other investment companies (including money market funds) may exceed the limits permitted under the 1940 Act, in accordance with

<sup>19</sup> As defined in Section 1a(11) of the Commodity Exchange Act.

<sup>20</sup> Each Fund may invest in U.S. government obligations. Obligations issued or guaranteed by the U.S. government, its agencies and instrumentalities include bills, notes and bonds issued by the U.S. Treasury, as well as “stripped” or “zero coupon” U.S. Treasury obligations representing future interest or principal payments on U.S. Treasury notes or bonds.

<sup>21</sup> Time deposits are non-negotiable deposits maintained in banking institutions for specified periods of time at stated interest rates. Banker’s acceptances are time drafts drawn on commercial banks by borrowers, usually in connection with international transactions.

certain terms and conditions set forth in a Commission exemptive order issued to an affiliate of the Trust (which applies equally to the Trust) pursuant to Section 12(d)(1)(J) of the 1940 Act.<sup>22</sup> No Fund, or its respective Subsidiary, anticipates investing in options, swaps or forwards.

#### Investment Restrictions

Each Fund may not concentrate its investments (i.e., invest more than 25% of the value of its net assets) in securities of issuers in any one industry or group of industries. This restriction will not apply to obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities.<sup>23</sup>

Each Subsidiary’s shares will be offered only to the applicable Fund and such Fund will not sell shares of that Subsidiary to other investors. Each Fund and the applicable Subsidiary will not invest in any non-U.S. equity securities (other than shares of the Subsidiary).

Each Fund may hold up to an aggregate amount of 15% of its net assets in illiquid securities and other illiquid assets (calculated at the time of investment). Each Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of a Fund’s net assets are held in illiquid securities or other illiquid assets. Illiquid securities and other illiquid assets include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.<sup>24</sup>

<sup>22</sup> Investment Company Act Release No. 30238 (October 23, 2012) (File No. 812-13820).

<sup>23</sup> See Form N-1A, Item 9. The Commission has taken the position that a fund is concentrated if it invests more than 25% of the value of its total assets in any one industry. See, e.g., Investment Company Act Release No. 9011 (October 30, 1975), 40 FR 54241 (November 21, 1975).

<sup>24</sup> The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), FN 34. See also Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding “Restricted Securities”); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund’s portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR

Each Fund intends to qualify for and to elect to be treated as a separate regulated investment company under Subchapter M of the Internal Revenue Code.<sup>25</sup>

Each Fund’s and its respective Subsidiary’s investments will be consistent with that Fund’s investment objective. In pursuing its investment objective, a Fund may utilize instruments that have a leveraging effect on that Fund. This effective leverage occurs when a Fund’s market exposure exceeds the amounts actually invested. Any instance of effective leverage will be covered in accordance with guidance promulgated by the Commission and its staff.<sup>26</sup> Each Fund does not presently intend to engage in any form of borrowing for investment purposes, and will not be operated as “leveraged ETFs”, i.e., it will not be operated in a manner designed to seek a multiple of the performance of an underlying reference index.

#### Net Asset Value

The Funds’ administrator will calculate each Fund’s net asset value (“NAV”) per Share as of the close of regular trading (normally 4:00 p.m., Eastern time (“E.T.”)) on each day Nasdaq is open for business. NAV per Share will be calculated for a Fund by taking the market price of the Fund’s total assets, including interest or dividends accrued but not yet collected, less all liabilities, and dividing such amount by the total number of Shares outstanding. The result, rounded to the nearest cent, will be the NAV per Share (although creations and redemptions will be processed using a price denominated to the fifth decimal point, meaning that rounding to the nearest cent may result in different prices in certain circumstances). All valuations will be subject to review by the Board or its delegate.

In determining NAV, expenses will be accrued and applied daily and securities and other assets for which market quotations are readily available will be valued at market value. Securities listed or traded on an exchange generally will be valued at the last sales price or official closing price that day as of the close of the exchange where the security primarily is traded. Commodities will be valued at the closing price in the market where such contracts are

9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act of 1933).

<sup>25</sup> 26 U.S.C. 851.

<sup>26</sup> *In re* Securities Trading Practices of Investment Companies, SEC Rel. No. IC-10666 (April 27, 1979).

principally traded. Investment company shares will be valued at net asset value, unless the shares are exchange-traded, in which case they will be valued at the last sale or official closing price on the market on which they primarily trade. ETNs will be valued at the last sale or official closing price on the market on which they primarily trade. Commodity Pools will be valued at the last sale or official closing price on the market on which they primarily trade. U.S. government securities will be valued at the mean price provided by a third party vendor for U.S. government securities. Short term money market instruments, cash and cash equivalents (including corporate commercial paper, negotiable obligations of commercial banks, fixed time deposits, bankers acceptances and similar securities) will be valued in accordance with the Trust's valuation policies and procedures approved by the Trust's Board. A Fund's investment in its Subsidiary will be valued by aggregating the value of the Subsidiary's underlying holdings, and they, in turn, will be valued as discussed above. The NAV for each Fund will be calculated and disseminated daily. If an asset's market price is not readily available, the asset will be valued using pricing provided from independent pricing services or by another method that the Adviser, in its judgment, believes will better reflect the asset's fair value in accordance with the Trust's valuation policies and procedures approved by the Trust's Board and with the 1940 Act.

#### *Creation and Redemption of Shares*

The Trust will issue and redeem Shares of each Fund at NAV only with authorized participants ("APs" or "Authorized Participants") and only in aggregations of 50,000 Shares (each, a "Creation Unit"), on a continuous basis through the Distributor, without a sales load, at the NAV next determined after receipt, on any business day, of an order in proper form.

The consideration for purchase ("Creation Amount") of Creation Unit aggregations of a Fund will consist of cash. The consideration for redemption (Redemption Amount) of Creation Unit aggregations of a Fund will consist of cash. The Creation Amount and the Redemption Amount will be calculated based on the NAV per Share, multiplied by the number of Shares representing a Creation Unit, plus a fixed and/or variable transaction fee.

To be eligible to place orders with respect to creations and redemptions of Creation Units, an AP must be (i) a "Participating Party," *i.e.*, a broker-dealer or other participant in the clearing process through the continuous

net settlement system of the NSCC or (ii) a Depository Trust Company ("DTC") Participant (a "DTC Participant"). In addition, each AP must execute an agreement that has been agreed to by the Distributor and the Custodian with respect to purchases and redemptions of Creation Units.

All orders to create Creation Unit aggregations must be received by the transfer agent no later than the closing time of the regular trading session on Nasdaq (ordinarily 4:00 p.m., E.T.) in each case on the date such order is placed in order for creations of Creation Unit aggregations to be effected based on the NAV of Shares of the applicable Fund as next determined on such date after receipt of the order in proper form.

In order to redeem Creation Units of a Fund, an AP must submit an order to redeem for one or more Creation Units. All such orders must be received by the Fund's transfer agent in proper form no later than the close of regular trading on Nasdaq (ordinarily 4:00 p.m. E.T.) in order to receive that day's closing NAV per Share.

#### *Availability of Information*

The Funds' Web site ([www.invescopowershares.com](http://www.invescopowershares.com)), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for each Fund that may be downloaded. The Web site will include the Share's ticker, CUSIP and exchange information along with additional quantitative information updated on a daily basis, including, for each Fund: (1) Daily trading volume, the prior business day's reported NAV and closing price, mid-point of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask Price")<sup>27</sup> and a calculation of the premium and discount of the Bid/Ask Price against the NAV; and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. On each business day, before commencement of trading in Shares in the Regular Market Session<sup>28</sup> on the Exchange, each Fund will disclose on its Web site the identities and quantities of its portfolio

<sup>27</sup> The Bid/Ask Price of a Fund will be determined using the midpoint of the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund's NAV. The records relating to Bid/Ask Prices will be retained by the applicable Fund and its service providers.

<sup>28</sup> See Nasdaq Rule 4120(b)(4) (describing the three trading sessions on the Exchange: (1) Pre-Market Session from 4 a.m. to 9:30 a.m. E.T.; (2) Regular Market Session from 9:30 a.m. to 4 p.m. or 4:15 p.m. E.T.; and (3) Post-Market Session from 4 p.m. or 4:15 p.m. to 8 p.m. E.T.).

of securities and other assets (the "Disclosed Portfolio" as defined in Nasdaq Rule 5735(c)(2)) held by such Fund and its Subsidiary, that will form the basis for each Fund's calculation of NAV at the end of the business day.<sup>29</sup> The Disclosed Portfolio will include, as applicable, the names, quantity, percentage weighting and market value of securities and other assets held by a Fund and the Subsidiary and the characteristics of such assets. The Web site and information will be publicly available at no charge.

In addition, for each Fund, an estimated value, defined in Rule 5735(c)(3) as the "Intraday Indicative Value," that reflects an estimated intraday value of such Fund's portfolio (including the Subsidiary's portfolio), will be disseminated. Moreover, the Intraday Indicative Value, available on the NASDAQ OMX Information LLC proprietary index data service,<sup>30</sup> will be based upon the current value for the components of the Disclosed Portfolio and will be updated and widely disseminated by one or more major market data vendors and broadly displayed at least every 15 seconds during the Regular Market Session.

The dissemination of the Intraday Indicative Value, together with the Disclosed Portfolio, will allow investors to determine the value of the underlying portfolio of each Fund on a daily basis and will provide a close estimate of that value throughout the trading day.

Intra-day, executable price quotations on the securities and other assets held by each Fund and its applicable Subsidiary, as well as closing price information, will be available from major broker-dealer firms or on the exchange on which they are traded, as applicable. Intra-day and closing price information will also be available through subscription services, such as Bloomberg, Markit and Thomson Reuters, which can be accessed by APs and other investors.

<sup>29</sup> Under accounting procedures to be followed by the Funds, trades made on the prior business day ("T") will be booked and reflected in NAV on the current business day ("T + 1"). Notwithstanding the foregoing, portfolio trades that are executed prior to the opening of the Exchange on any business day may be booked and reflected in NAV on such business day. Accordingly, each Fund will be able to disclose at the beginning of the business day the portfolio that will form the basis for the NAV calculation at the end of the business day.

<sup>30</sup> Currently, the NASDAQ OMX Global Index Data Service ("GIDS") is the NASDAQ OMX global index data feed service, offering real-time updates, daily summary messages, and access to widely followed indexes and Intraday Indicative Values for ETFs. GIDS provides investment professionals with the daily information needed to track or trade NASDAQ OMX indexes, listed ETFs, or third-party partner indexes and ETFs.

Investors also will be able to obtain each Fund's Statement of Additional Information ("SAI"), as well as each Fund's shareholder report, Form N-CSR and Form N-SAR, which are filed twice a year, except the SAI, which is filed at least annually. Each Fund's SAI and shareholder reports will be available free upon request from the Trust, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's Web site at [www.sec.gov](http://www.sec.gov). Information regarding market price and volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding the previous day's closing price and trading volume for the Shares will be published daily in the financial section of newspapers. Quotation and last sale information for the Shares will be available via Nasdaq proprietary quote and trade services, as well as in accordance with the Unlisted Trading Privileges and the Consolidated Tape Association plans for the Shares. Quotation and last sale information for any underlying exchange-traded instruments (including ETFs, ETNs and Commodity Pools) will also be available via the quote and trade service of their respective primary exchanges, as well as in accordance with the Unlisted Trading Privileges and the Consolidated Tape Association plans. Quotation and last sale information for any underlying Commodities will be available via the quote and trade service of their respective primary exchanges. Pricing information related to U.S. government securities, money market mutual funds, commercial paper, and other short-term investments held by a Fund or its Subsidiary will be available through publicly available quotation services, such as Bloomberg, Markit and Thomson Reuters.

Additional information regarding each Fund and the Shares, including investment strategies, risks, creation and redemption procedures, fees, portfolio holdings disclosure policies, distributions and taxes, will be included in the Registration Statement.

#### *Initial and Continued Listing*

The Shares will conform to the initial and continued listing criteria applicable to Managed Fund Shares, as set forth under Rule 5735. For initial and/or continued listing, each Fund and its respective Subsidiary must be in compliance with Rule 10A-3<sup>31</sup> under the Act. A minimum of 100,000 Shares of each Fund will be outstanding at the

commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.

#### *Trading Halts*

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of a Fund. Nasdaq will halt trading in the Shares under the conditions specified in Nasdaq Rules 4120 and 4121, including the trading pauses under Nasdaq Rules 4120(a)(11) and (12). Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in a Fund's Shares inadvisable. These may include: (1) The extent to which trading is not occurring in the securities and other assets constituting the Disclosed Portfolio of a Fund and the applicable Subsidiary; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares also will be subject to Rule 5735(d)(2)(D), which sets forth circumstances under which Shares of a Fund may be halted.

#### *Trading Rules*

Nasdaq deems the Shares to be equity securities, thus rendering trading in the Shares subject to Nasdaq's existing rules governing the trading of equity securities. Nasdaq will allow trading in the Shares from 4:00 a.m. until 8:00 p.m. E.T. The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in Nasdaq Rule 5735(b)(3), the minimum price variation for quoting and entry of orders in Managed Fund Shares traded on the Exchange is \$0.01.

#### *Surveillance*

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by both Nasdaq and also the Financial Industry Regulatory Authority ("FINRA"), on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.<sup>32</sup> The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and

<sup>32</sup> FINRA surveils trading on the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA's performance under this regulatory services agreement.

detect violations of Exchange rules and applicable federal securities laws.

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations. In addition, the Exchange may obtain information from the Trade Reporting and Compliance Engine ("TRACE"), which is the FINRA-developed vehicle that facilitates mandatory reporting of over-the-counter secondary market transactions in eligible fixed income securities.<sup>33</sup> FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares, Commodities, ETFs, ETNs and Commodity Pools held by a Fund or a Fund's Subsidiary, as applicable, with other markets and other entities that are members of the ISG,<sup>34</sup> and FINRA may obtain trading information regarding trading in the Shares, Commodities, ETFs, ETNs and Commodity Pool held by such Fund, or its Subsidiary, as applicable, from such markets and other entities.

In addition, the Exchange may obtain information regarding trading in the Shares, Commodities, ETFs, ETNs and Commodity Pools held by a Fund or its respective Subsidiary from markets and other entities that are members of ISG, which includes securities and futures exchanges, or with which the Exchange has in place a comprehensive surveillance sharing agreement. With respect to Commodities held indirectly through a Subsidiary, not more than 10% of the weight of such Commodities, in the aggregate, shall consist of instruments whose principal trading market is not a member of ISG or a market with which the Exchange does not have a comprehensive surveillance sharing agreement. FINRA, on behalf of the Exchange, is also able to access, as needed, trade information for certain fixed income securities held by a Fund reported to FINRA's TRACE. The Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

<sup>33</sup> All broker/dealers who are FINRA member firms have an obligation to report transactions in corporate bonds to TRACE.

<sup>34</sup> For a list of the current members of ISG, see [www.isgportal.org](http://www.isgportal.org). The Exchange notes that not all components of the Disclosed Portfolio may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

<sup>31</sup> See 17 CFR 240.10A-3.

### Information Circular

Prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (1) The procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) Nasdaq Rule 2111A, which imposes suitability obligations on Nasdaq members with respect to recommending transactions in the Shares to customers; (3) how and by whom information regarding the Intraday Indicative Value and the Disclosed Portfolio is disseminated, including how it is made available and by who; (4) the risks involved in trading the Shares during the Pre-Market and Post-Market Sessions when an updated Intraday Indicative Value will not be calculated or publicly disseminated; (5) the requirement that members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Information Circular will advise members, prior to the commencement of trading, of the prospectus delivery requirements applicable to each Fund. Members purchasing Shares from a Fund for resale to investors will deliver a prospectus to such investors. The Information Circular will also discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the Act.

Additionally, the Information Circular will reference that a Fund is subject to various fees and expenses described in the Registration Statement. The Information Circular will also disclose the trading hours of the Shares of each Fund and the applicable NAV calculation time for the Shares. The Information Circular will disclose that information about the Shares of a Fund will be publicly available on the Fund's Web site.

### 2. Statutory Basis

Nasdaq believes that the proposal is consistent with Section 6(b) of the Act in general, and Section 6(b)(5) of the Act in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the

mechanism of a free and open market and in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in Nasdaq Rule 5735. The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by both Nasdaq and FINRA, on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws and are adequate to properly monitor trading in the Shares in all trading sessions. The Adviser is affiliated with a broker-dealer and has implemented a fire wall with respect to its broker-dealer affiliate regarding access to information concerning the composition and/or changes to each Fund's portfolio. In addition, paragraph (g) of Nasdaq Rule 5735 further requires that personnel who make decisions on the open-end fund's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material, non-public information regarding the open-end fund's portfolio. Each Fund's and its Subsidiary's investments will be consistent with such Fund's investment objective. In pursuing its investment objective, each Fund may utilize instruments that have a leveraging effect on the Fund. This effective leverage occurs when a Fund's market exposure exceeds the amounts actually invested. Any instance of effective leverage will be covered in accordance with guidance promulgated by the Commission and its staff.<sup>35</sup> Each Fund does not presently intend to engage in any form of borrowing for investment purposes, and will not be operated as a "leveraged ETF," *i.e.*, it will not be operated in a manner designed to seek a multiple of the performance of an underlying reference index.

FINRA may obtain information via ISG from other exchanges that are members of ISG. In addition, the Exchange may obtain information regarding trading in the Shares, Commodities, ETFs, ETNs, and Commodity Pools held by each Fund or its Subsidiary, as applicable, from markets and other entities that are members of ISG, which includes securities and futures exchanges, or with which the Exchange has in place a comprehensive surveillance sharing

<sup>35</sup> *In re Securities Trading Practices of Investment Companies*, SEC Rel. No. IC-10666 (April 27, 1979).

agreement. In addition, the Exchange may obtain information from TRACE, which is the FINRA-developed vehicle that facilitates mandatory reporting of over-the-counter secondary market transactions in eligible fixed income securities. With respect to Commodities held indirectly through a Subsidiary, not more than 10% of the weight of such Commodities, in the aggregate, shall consist of instruments whose principal trading market is not a member of ISG or a market with which the Exchange does not have a comprehensive surveillance sharing agreement. Each Fund will invest up to 25% of its total assets in the applicable Subsidiary. Each Fund may hold up to an aggregate amount of 15% of its net assets in illiquid securities (calculated at the time of investment).

No Fund or Subsidiary will invest directly in physical commodities, and each Fund expects to gain significant exposure to Commodities indirectly by investing in the applicable Subsidiary. Each Fund will invest in: (i) Its respective Subsidiary, (ii) exchange-traded products or Commodity Pools,<sup>36</sup> and (iii) U.S. Treasury Securities,<sup>37</sup> money market mutual funds, high quality commercial paper and similar instruments (*i.e.*, short term negotiable obligations of commercial banks, fixed time deposits and bankers' acceptances of U.S. banks and similar institutions). Each respective Subsidiary generally will invest in Commodities that are components of a certain Benchmark, but each Subsidiary may invest in Commodities that are outside of that Benchmark.<sup>38</sup>

The Funds and their respective Subsidiaries will use the fixed income securities for liquidity and to collateralize the respective Subsidiary's investments in Commodities. Each Fund also may invest directly in ETFs—to the extent permitted under an exemptive order issued to an affiliate of the Trust (which applies equally to the Trust) pursuant to Section 12(d)(1)(f) of the 1940 Act—as well as ETNs and Commodity Pools that provide exposure to commodities. [sic] The Funds and the Subsidiaries will not invest in any non-U.S. equity securities (other than shares of the applicable Subsidiary).

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the

<sup>36</sup> See *supra*, note 10.

<sup>37</sup> See *supra*, note 11.

<sup>38</sup> See *supra*, note 12.



NAV and the Disclosed Portfolio will be made available to all market participants at the same time. In addition, a large amount of information will be publicly available regarding the Funds and the Shares, thereby promoting market transparency. Moreover, the Intraday Indicative Value, available on the NASDAQ OMX Information LLC proprietary index data service will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Regular Market Session. On each business day, before commencement of trading in Shares in the Regular Market Session on the Exchange, each Fund will disclose on its Web site the Disclosed Portfolio of the Fund and the Subsidiary that will form the basis for such Fund's calculation of NAV at the end of the business day. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information for the Shares will be available via Nasdaq proprietary quote and trade services, as well as in accordance with the Unlisted Trading Privileges and the Consolidated Tape Association plans for the Shares. Quotation and last sale information for any underlying exchange-traded equity (including ETFs, ETNs and Commodity Pools) also will be available via the quote and trade service of their respective primary exchanges, as well as in accordance with the Unlisted Trading Privileges and the Consolidated Tape Association plans. Quotation and last sale information for any underlying Commodities will be available via the quote and trade service of their respective primary exchanges. Pricing information related to U.S. government securities, money market mutual funds, commercial paper, and other short-term investments held by a Fund or its Subsidiary will be available through publicly available quotation services, such as Bloomberg, Markit and Thomson Reuters. Intra-day and closing price information will be available through subscription services, such as Bloomberg, Markit and Thomson Reuters, which can be accessed by APs and other investors.

The Funds' Web site will include a form of the prospectus for each Fund and additional data relating to NAV and other applicable quantitative information. Moreover, prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with

trading the Shares. Trading in Shares of a Fund will be halted under the conditions specified in Nasdaq Rules 4120 and 4121 or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable, and trading in the Shares will be subject to Nasdaq Rule 5735(d)(2)(D), which sets forth circumstances under which Shares of a Fund may be halted. In addition, as noted above, investors will have ready access to information regarding each Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of additional types of actively-managed exchange-traded products that will enhance competition among market participants, to the benefit of investors and the marketplace.

For the above reasons, Nasdaq believes the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed rule change will facilitate the listing and trading of an additional type [sic] of actively-managed exchange-traded funds that will enhance competition among market participants, to the benefit of investors and the marketplace.

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

Written comments were neither solicited nor received.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will: (a) By order approve or disapprove such proposed rule change; or (b) institute proceedings to determine whether the

proposed rule change should be disapproved.

### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2014-80 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2014-80. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASDAQ-2014-80, and should be submitted on or before October 8, 2014.



For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>39</sup>

**Kevin M. O'Neill,**  
*Deputy Secretary.*

[FR Doc. 2014-22114 Filed 9-16-14; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-73081; File No. SR-NYSEArca-2014-20]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change, as Modified by Amendment Nos. 3 and 5, Relating to the Listing and Trading of Shares of Reality Shares DIVS ETF under NYSE Arca Equities Rule 8.600

September 11, 2014.

#### I. Introduction

On February 25, 2014, NYSE Arca, Inc. ("Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to list and trade shares ("Shares") of Reality Shares DIVS ETF ("Fund") under NYSE Arca Equities Rule 8.600. On March 7, 2014, the Exchange filed Amendment No. 2 to the proposed rule change, which amended and replaced the proposed rule change in its entirety.<sup>3</sup> The proposed rule change, as modified by Amendment No. 2, was published for comment in the **Federal Register** on March 17, 2014.<sup>4</sup> The Commission received no comments on the proposal. On April 23, 2014, pursuant to Section 19(b)(2) of the Act,<sup>5</sup> the Commission designated a longer period within which to either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.<sup>6</sup>

On May 27, 2014, the Exchange submitted Amendment No. 3 to the proposed rule change.<sup>7</sup> On June 5, 2014, the Exchange filed Amendment No. 5 to the proposed rule change.<sup>8</sup> On June 9, 2014, the Commission published notice of Amendment Nos. 3 and 5 and instituted proceedings to determine whether to approve or disapprove the proposed rule change, as modified by Amendment Nos. 3 and 5.<sup>9</sup> The Commission received no comments on the proposal, as modified by Amendment Nos. 3 and 5. This order grants approval of the proposed rule change, as modified by Amendment Nos. 3 and 5.

#### II. Description of the Proposed Rule Change

The Exchange has made the following representations and statements in describing the Fund and its investment strategies, including other portfolio holdings and investment restrictions.<sup>10</sup>

##### General

The Fund will be an actively-managed exchange-traded fund ("ETF"). The Shares of the Fund will be offered by the Reality Shares ETF Trust (formerly, the ERNY Financial ETF Trust) ("Trust"). The Trust will be registered with the Commission as an open-end management investment company.<sup>11</sup>

<sup>7</sup> Amendment No. 3 replaced SR-NYSEArca-2014-20, as previously amended by Amendment No. 2, and superseded such filing in its entirety.

<sup>8</sup> Amendment No. 5 was technical in nature and changed the name of the Fund, and all related references in the filing, from "Reality Shares Isolated Dividend Growth ETF" to "Reality Shares DIVS ETF." Amendment No. 4 was filed by the Exchange on June 4, 2014 and withdrawn on June 5, 2014.

<sup>9</sup> See Securities Exchange Act Release No. 72347, 79 FR 33964 (June 13, 2014) ("Notice and Order").

<sup>10</sup> The Commission notes that additional information regarding the Trust, the Fund, and the Shares, including investment strategies, risks, net asset value ("NAV") calculation, creation and redemption procedures, fees, portfolio holdings disclosure policies, distributions, and taxes, among other information, is included in the Notice and the Registration Statement, as applicable. See Notice and Order and Registration Statement, *supra* note 9 and *infra* note 11, respectively.

<sup>11</sup> The Trust will be registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) ("1940 Act"). According to the Exchange, on November 12, 2013, the Trust filed a registration statement on Form N-1A under the Securities Act of 1933 ("1933 Act") (15 U.S.C. 77a), and under the 1940 Act relating to the Fund, as amended by Pre-Effective Amendment Number 1, filed with the Commission on February 6, 2014 (File Nos. 333-192288 and 811-22911) and Pre-Effective Amendment Number 2, filed with the Commission on May 1, 2014 (File Nos. 333-192288 and 811-22911) ("Registration Statement"). According to the Exchange, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. Investment Company Act Release No. 30552 (June 10, 2013) ("Exemptive Order"). According to the Exchange, the Trust filed an

Reality Shares Advisors, LLC (formerly, ERNY Financial Advisors, LLC) will serve as the investment adviser to the Fund ("Adviser").<sup>12</sup> ALPS Distributors, Inc. will be the principal underwriter and distributor of the Fund's Shares. The Bank of New York Mellon will serve as administrator, custodian, and transfer agent for the Fund.

##### Investment Strategies

The Fund is actively managed by the Adviser and seeks long-term capital appreciation by using proprietary trading strategies designed to isolate and capture the growth in the level of dividends expected to be paid on a portfolio of large-capitalization equity securities listed for trading in the U.S., Europe, and Japan,<sup>13</sup> while attempting to minimize the Fund's exposure to the price fluctuations associated with such securities.<sup>14</sup> The Adviser believes that, over time, the level of expected dividends reflected in the Fund's portfolio will be highly correlated to the level of actual dividends paid on such large capitalization securities.

Under normal market conditions,<sup>15</sup> and as further described below, the

Application for an Order under Section 6(c) of the 1940 Act for exemptions from various provisions of the 1940 Act and rules thereunder (File No. 812-14146), on April 5, 2013, as amended on May 10, 2013 ("Exemptive Application"). The Exchange represents that investments made by the Fund will comply with the conditions set forth in the Exemptive Application and the Exemptive Order.

<sup>12</sup> The Exchange states that the Adviser is not registered as a broker-dealer and is not affiliated with any broker-dealers. In addition, the Exchange states that in the event (a) the Adviser or any sub-adviser becomes registered as a broker-dealer or newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, such adviser or sub-adviser will implement a fire wall with respect to its relevant personnel or broker-dealer affiliate regarding access to information concerning the composition and changes to the portfolio, and such adviser or sub-adviser will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding the portfolio.

<sup>13</sup> The Exchange states that the Adviser considers U.S. large capitalization companies to be those with market capitalizations within the range of market capitalizations of the companies included in the S&P 500 Index. The Adviser considers European large capitalization companies to be those with market capitalizations within the range of market capitalizations of the companies included in the Euro Stoxx 50 Index. The Adviser considers Japanese large capitalization companies to be those with market capitalizations within the range of market capitalizations of the companies included in the Nikkei 225 Index.

<sup>14</sup> The Exchange states that there is no guarantee that either the level of overall dividends paid by such companies will grow over time, or that the Fund's investment strategies will capture such growth. The Exchange represents that the Fund will include appropriate risk disclosure in its offering documents disclosing both of these risks.

<sup>15</sup> The term "under normal market conditions" includes, but is not limited to, the absence of

Continued

<sup>39</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Amendment No. 1 was filed on March 6, 2014 and withdrawn on March 7, 2014.

<sup>4</sup> See Securities Exchange Act Release No. 71686 (March 11, 2014), 79 FR 14761.

<sup>5</sup> 15 U.S.C. 78s(b)(2).

<sup>6</sup> Securities Exchange Act Release No. 72000 (April 23, 2014), 79 FR 24032 (April 29, 2014). The Commission determined that it was appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the proposed rule change. Accordingly, the Commission designated June 13, 2014 as the date by which it should approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change.