

Janet McGinness  
EVP & Corporate Secretary  
General Counsel, NYSE Markets



May 6, 2014

**VIA E-MAIL**

Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

**Re: (SR-NYSEArca-2014-47 – Amendment No. 1)**

Dear Ms. Murphy,

NYSE Arca, Inc. filed the attached amendment to the above-referenced filing on April 30, 2014.

Sincerely,

A handwritten signature in cursive script that reads "Janet McGinness".

**Encl. (Amendment No. 1 to SR-NYSEArca-2014-47)**

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 74	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2014 - * 47	Amendment No. (req. for Amendments *) 1
Filing by NYSE Arca Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
			Rule	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(6)
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934	
Section 806(e)(1) <input type="checkbox"/>		Section 806(e)(2) <input type="checkbox"/>	Section 3C(b)(2) <input type="checkbox"/>	
Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>			
<b>Description</b>				
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).				
<input type="text" value="Proposal to list and trade shares of Fidelity Corporate Bond under NYSE Arca Equities Rule 8.600"/>				
<b>Contact Information</b>				
Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.				
First Name *	<input type="text" value="Michael"/>	Last Name *	<input type="text" value="Cavalier"/>	
Title *	<input type="text" value="Chief Counsel NYSE Regulation Inc"/>			
E-mail *	<input type="text" value="mcavalier@nyx.com"/>			
Telephone *	<input type="text" value="(212) 656-2474"/>	Fax	<input type="text" value="(212) 656-2223"/>	
<b>Signature</b>				
Pursuant to the requirements of the Securities Exchange Act of 1934,				
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.				
(Title *)				
Date	<input type="text" value="04/30/2014"/>	<input type="text" value="Vice President"/>		
By	<input type="text" value="Sudhir Bhattacharyya"/>	<input type="text" value="Sudhir Bhattacharyya"/>		
(Name *)				
NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.				

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

- (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”), through its wholly-owned subsidiary NYSE Arca Equities, Inc. (“NYSE Arca Equities” or the “Corporation”), proposes to list and trade shares of the following under NYSE Arca Equities Rule 8.600 (“Managed Fund Shares”): Fidelity® Corporate Bond ETF.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1.

- (b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change is being submitted to the Securities and Exchange Commission (the “Commission”) by Exchange staff pursuant to authority delegated to it by the NYSE Arca Board of Directors and the NYSE Arca Equities Board of Directors.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule change is:

Michael Cavalier  
Chief Counsel  
NYSE Regulation, Inc.  
(212) 656-2474

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

- (a) Purpose

The Exchange proposes to list and trade the shares (“Shares”) of the following under NYSE Arca Equities Rule 8.600, which governs the listing and trading of

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

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

Managed Fund Shares:<sup>3</sup> Fidelity Corporate Bond ETF (the “Fund”)<sup>4</sup>. The Fund will be a fund of Fidelity Merrimack Street Trust (“Trust”), a Massachusetts business trust.<sup>5</sup>

Fidelity Management & Research Company (“FMR”) will be the Fund’s manager (“Manager”). Fidelity Investments Money Management, Inc. (“FIMM”) and other investment advisers, as described below, will serve as sub-advisers for the Fund (“Sub-Advisers”). FIMM will have day-to-day responsibility for choosing investments for the Fund. FIMM is an affiliate of FMR. Other investment advisers, which also are affiliates of FMR, will assist FMR with foreign investments, including Fidelity Management & Research (U.K.) Inc. (“FMR U.K.”), Fidelity Management & Research (Hong Kong) Limited (“FMR H.K.”),

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<sup>3</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) (“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 Investment Company Units, listed and traded on the Exchange under NYSE Arca Equities Rule 5.2(j)(3), 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>4</sup> The Commission has previously approved the listing and trading on the Exchange of other actively managed funds under Rule 8.600. See e.g., Securities Exchange Act Release Nos. 57801 (May 8, 2008), 73 FR 27878 (May 14, 2008) (SR-NYSEArca-2008-31) (order approving Exchange listing and trading of twelve actively-managed funds of the WisdomTree Trust); 60981 (November 10, 2009), 74 FR 59594 (November 18, 2009) (SR-NYSEArca-2009-79) (order approving Exchange listing and trading of five fixed income funds of the PIMCO ETF Trust); 66321 (February 3, 2012), 77 FR 6850 (February 9, 2012) (SR-NYSEArca-2011-95) (order approving Exchange listing and trading of PIMCO Total Return ETF); 66670 (March 28, 2012), 77 FR 20087 (April 3, 2012) (SR-NYSEArca-2012-09) (order approving Exchange listing and trading of PIMCO Global Advantage Inflation-Linked Bond Strategy Fund).

<sup>5</sup> The Trust is registered under the 1940 Act. On April 17, 2014, the Trust filed with the Commission an amendment to its registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) (“1933 Act”) and the 1940 Act relating to the Fund (File Nos. 333-186372 and 811-22796) (“Registration Statement”). The description of the operation of the Trust and the Fund herein is based, in part, on the Registration Statement. In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 30513 (May 10, 2013) (“Exemptive Order”) (File No. 812-14104).

and Fidelity Management & Research (Japan) Inc. (“FMR Japan”). Fidelity Distributors Corporation (“FDC”) will be the distributor for the Fund’s Shares.<sup>6</sup>

Commentary .06 to Rule 8.600 provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser will erect a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.<sup>7</sup> In addition, Commentary .06 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 nonpublic information regarding the open-end fund’s portfolio. The Manager and the Sub-Advisers are not broker-dealers but are affiliated with one or more broker-dealers and have implemented a fire wall with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Fund’s portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding the Fund’s portfolio.

In the event (a) the Manager or any of the Sub-Advisers become registered as a broker-dealer or become 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, they will implement a fire wall with respect to their relevant personnel or broker-dealer affiliate regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures

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<sup>6</sup> This Amendment No. 1 to SR-NYSEArca-2014-47 replaces SR-NYSEArca-2014-47 as originally filed and supersedes such filing in its entirety.

<sup>7</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 Manager and the Sub-Advisers, and their 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.

designed to prevent the use and dissemination of material non-public information regarding such portfolio.

### Fidelity Corporate Bond ETF

According to the Registration Statement, the Fund will seek a high level of current income.

According to the Registration Statement, FMR normally<sup>8</sup> will invest at least 80% of assets in investment-grade corporate bonds and other corporate debt securities.<sup>9</sup>

According to the Registration Statement, corporate debt securities are bonds and other debt securities issued by corporations and other business structures. According to the Manager, corporate debt securities include loans<sup>10</sup>, loan participations and loan assignments, structured securities<sup>11</sup>, repurchase

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<sup>8</sup> The term “normally” as used herein includes, but is not limited to, the absence of adverse market, economic, political or other conditions, including extreme volatility or trading halts in the fixed income markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance. According to the Registration Statement, however, the Fund reserves the right to invest without limitation in investment-grade money market or short-term debt instruments for temporary, defensive purposes.

<sup>9</sup> According to the Registration Statement, investment-grade debt securities include all types of debt instruments, including corporate debt securities, that are of medium and high-quality. An investment-grade rating means the security or issuer is rated investment-grade by a credit rating agency registered as a nationally recognized statistical rating organization (“NRSRO”) with the Commission (for example, Moody’s Investors Service, Inc.), or is unrated but considered to be of equivalent quality by the Fund’s Manager or Sub-Advisers.

<sup>10</sup> According to the Registration Statement, the Fund may acquire loans by buying an assignment of all or a portion of the loan from a lender or by purchasing a loan participation from a lender or other purchaser of a participation.

<sup>11</sup> According to the Registration Statement, structured securities (also called “structured notes”) are derivative debt securities, the interest rate on or principal of which is determined by an unrelated indicator. According to the Registration Statement, the Fund may invest in “indexed securities”, which are instruments whose prices are indexed to the prices of other securities, securities indexes, or other financial indicators.

agreements with corporate counterparties<sup>12</sup>, and other securities believed to have corporate debt-like characteristics, including hybrid securities<sup>13</sup>, which may offer characteristics similar to those of a bond security such as stated maturity and preference over equity in bankruptcy. According to the Registration Statement, the Fund may hold uninvested cash or may invest it in cash equivalents such as money market securities, or shares of short-term bond exchanged- traded funds registered under the 1940 Act (“ETFs”)<sup>14</sup> or mutual funds or money market funds, including Fidelity central funds (special types of investment vehicles created by Fidelity for use by the Fidelity funds and other advisory clients).<sup>15</sup>

FMR will use the Barclays<sup>®</sup> U.S. Credit Bond Index (“Index”) as a guide in structuring the Fund and selecting its investments. FMR will manage the Fund to have similar overall interest rate risk to the Index.

According to the Registration Statement, FMR also may invest the Fund’s assets in debt securities of foreign issuers in addition to securities of domestic issuers. In selecting foreign securities, FMR’s analysis also will consider the credit, currency, and economic risks associated with the security and the country of its issuer. FMR may also consider an issuer’s potential for success in light of its current financial condition, its industry position, and economic and market conditions.

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<sup>12</sup> According to the Registration Statement, a repurchase agreement is an agreement to buy a security at one price and a simultaneous agreement to sell it back at an agreed-upon price. The Fund may engage in repurchase agreement transactions with parties whose creditworthiness has been reviewed and found satisfactory by the Manager. Investment-grade debt securities include repurchase agreements collateralized by U.S. Government securities as well as repurchase agreements collateralized by equity securities, non-investment-grade debt, and all other instruments in which the Fund can perfect a security interest, provided the repurchase agreement counterparty has an investment-grade rating.

<sup>13</sup> According to the Manager, a hybrid security generally combines both debt and equity characteristics. A common type of hybrid security is a convertible bond that has features of a debt security, until a certain date or triggering event, at which point the security may be converted into an equity security. A hybrid security may also be a warrant, convertible security, certificate of deposit or other evidence of indebtedness.

<sup>14</sup> For purposes of this filing, ETFs, which will be listed on a national securities exchange, include the following: Investment Company Units (as described in NYSE Arca Equities Rule 5.2(j)(3)); Portfolio Depositary Receipts (as described in NYSE Arca Equities Rule 8.100); and Managed Fund Shares (as described in NYSE Arca Equities Rule 8.600).

<sup>15</sup> According to the Manager, it is currently expected that the Fund will only invest in central funds that are money market funds.

According to the Registration Statement, in buying and selling securities for the Fund, FMR analyzes the credit quality of the issuer, security-specific features, current valuation relative to alternatives in the market, short-term trading opportunities resulting from market inefficiencies, and potential future valuation. In managing the Fund's exposure to various risks, including interest rate risk, FMR will consider, among other things, the market's overall risk characteristics, the market's current pricing of those risks, information on the Fund's competitive universe and internal views of potential future market conditions.

### Other Investments

While FMR normally will invest at least 80% of assets of the Fund in investment-grade corporate bonds and other corporate debt securities, as described above, FMR may invest up to 20% of the Fund's assets in other securities and financial instruments, as summarized below.<sup>16</sup>

In addition to corporate debt securities, the debt securities in which the Fund may invest are U.S. Government securities<sup>17</sup>; repurchase agreements<sup>18</sup> and reverse repurchase agreements<sup>19</sup>; mortgage and other asset-backed securities<sup>20</sup>; loans;

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<sup>16</sup> The Fund's holdings of investment grade corporate bonds and other corporate debt securities are generally expected to be U.S. dollar denominated.

<sup>17</sup> According to the Manager, U.S. Government securities are high-quality securities issued or guaranteed by the U.S. Treasury or by an agency or instrumentality of the U.S. Government. U.S. Government securities may be backed by the full faith and credit of the U.S. Treasury, the right to borrow from the U.S. Treasury, or the agency or instrumentality issuing or guaranteeing the security. Certain issuers of U.S. Government securities, including the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), and the Federal Home Loan Banks, are sponsored or chartered by Congress but their securities are neither issued nor guaranteed by the U.S. Treasury. U.S. Government securities include mortgage and other asset-backed securities.

<sup>18</sup> According to the Manager, in addition to the investment-grade repurchase agreements with corporate counterparties described above, the Fund may invest in repurchase agreements collateralized by U.S. Government securities as well as repurchase agreements collateralized by equity securities, non-investment-grade debt, and all other instruments in which the Fund can perfect a security interest, with repurchase agreement counterparties that do not have an investment-grade rating.

<sup>19</sup> In a reverse repurchase agreement, a fund sells a security to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase that security at an agreed-upon price and time. According to the Registration Statement, the Fund

loan participations and loan assignments and other evidences of indebtedness, including letters of credit, revolving credit facilities and other standby financing commitments<sup>21</sup>; structured securities; stripped securities<sup>22</sup>; municipal securities;

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will enter into reverse repurchase agreements with parties whose creditworthiness has been reviewed and found satisfactory by the Manager.

<sup>20</sup> According to the Registration Statement, asset-backed securities represent interests in pools of mortgages, loans, receivables, or other assets. The Fund's investments in asset backed securities may include investments in private label residential mortgage backed securities ("RMBS"). The Fund may invest in privately issued asset-backed securities. According to the Manager, the Fund may invest up to 20% of its total assets in mortgage-backed securities or in other asset-backed securities, although this 20% limitation will not apply to U.S. Government securities.

According to the Registration Statement, the Fund may invest in mortgage securities, which are issued by government and non-government entities such as banks, mortgage lenders, or other institutions. A mortgage security is an obligation of the issuer backed by a mortgage or pool of mortgages or a direct interest in an underlying pool of mortgages. Some mortgage securities, such as collateralized mortgage obligations (or "CMOs"), make payments of both principal and interest at a range of specified intervals; others make semiannual interest payments at a predetermined rate and repay principal at maturity (like a typical bond). Mortgage securities are based on different types of mortgages, including those on commercial real estate or residential properties.

Fannie Maes and Freddie Macs are pass-through securities issued by Fannie Mae and Freddie Mac, respectively. Fannie Mae and Freddie Mac, which guarantee payment of interest and repayment of principal on Fannie Maes and Freddie Macs, respectively, are federally chartered corporations supervised by the U.S. Government that act as governmental instrumentalities under authority granted by Congress. Fannie Mae and Freddie Mac are authorized to borrow from the U.S. Treasury to meet their obligations. Fannie Maes and Freddie Macs are not backed by the full faith and credit of the U.S. Government.

According to the Registration Statement, to earn additional income for the Fund, FMR may use a trading strategy that involves selling (or buying) mortgage securities and simultaneously agreeing to purchase (or sell) mortgage securities on a later date at a set price.

<sup>21</sup> According to the Manager, in addition to the loans, loan participations and loan assignments described in corporate debt securities above, the Fund may invest in loans, loan participations and loan assignments that do not have an investment-grade rating.

<sup>22</sup> According to the Registration Statement, the Fund may invest in stripped securities, which are the separate income or principal components of a debt

sovereign debt obligations<sup>23</sup>; obligations of international agencies or supranational entities; and other securities believed to have debt-like characteristics, including hybrid securities,<sup>24</sup> which may offer characteristics similar to those of a bond security such as stated maturity and preference over equity in bankruptcy (collectively, and including corporate debt securities, “Debt Securities”).<sup>25</sup>

According to the Registration Statement, the Fund may invest in securities of other investment companies, including shares of ETFs registered under the 1940 Act, closed-end investment companies (which include business development companies), unit investment trusts, and open-end investment companies. In addition, the Fund may invest in other exchange-traded products (“ETPs”) such as commodity pools, or other entities that are traded on an exchange.<sup>26</sup> It is anticipated that the Fund’s investments in other ETFs and ETPs will generally be limited to fixed income ETFs and ETPs.

According to the Registration Statement, the Fund may invest in inverse ETFs (also called “short ETFs” or “bear ETFs”), shares of which are expected to increase in value as the value of the underlying benchmark decreases.

security. Stripped mortgage securities are created when the interest and principal components of a mortgage security are separated and sold as individual securities.

<sup>23</sup> According to the Manager, sovereign debt obligations are issued or guaranteed by foreign governments or their agencies, including debt of developing countries. Sovereign debt may be in the form of conventional securities or other types of debt instruments such as loans or loan participations.

<sup>24</sup> See, supra note 13.

<sup>25</sup> According to the Manager, Debt Securities may be fixed, variable or floating rate securities. Variable rate securities provide for a specific periodic adjustment in the interest rate, while floating rate securities have interest rates that change whenever there is a change in a designated benchmark rate or the issuer’s credit quality, sometimes subject to a cap or floor on such rate. Some variable or floating rate securities are structured with put features that permit holders to demand payment of the unpaid principal balance plus accrued interest from the issuers or certain financial intermediaries. In addition, Debt Securities may include zero coupon bonds, which do not make interest payments; instead, they are sold at a discount from their face value and are redeemed at face value when they mature. Investments in Debt Securities may have a leveraging effect on the Fund.

<sup>26</sup> For purposes of this filing, ETPs, which will be listed on a national securities exchange, include Trust Issued Receipts (as described in NYSE Arca Equities Rule 8.200); Commodity-Based Trust Shares (as described in NYSE Arca Equities Rule 8.201); Currency Trust Shares (as described in NYSE Arca Equities Rule 8.202); Commodity Index Trust Shares (as described in NYSE Arca Equities Rule 8.203); and Trust Units (as described in NYSE Arca Equities Rule 8.500).

According to the Registration Statement, the Fund also may invest in leveraged ETFs, which seek to deliver multiples or inverse multiples of the performance of an index or other benchmark they track and use derivatives in an effort to amplify the returns of the underlying index or benchmark.

According to the Registration Statement, the Fund may invest in exchange traded notes (“ETNs”), which are a type of senior, unsecured, unsubordinated debt security issued by financial institutions that combines aspects of both bonds and ETFs.<sup>27</sup> It is anticipated that the Fund’s investments in other ETNs will generally be limited to fixed income ETNs. An ETN’s returns are based on the performance of a market index or other reference asset minus fees and expenses. The Fund may invest in leveraged ETNs.

According to the Registration Statement, the Fund may invest in American Depositary Receipts (“ADRs”) as well as other “hybrid” forms of ADRs, including European Depositary Receipts (“EDRs”) and Global Depositary Receipts (“GDRs”), which are certificates evidencing ownership of shares of a foreign issuer.<sup>28</sup> These certificates are issued by depository banks and generally trade on an established market in the United States or elsewhere. The underlying shares are held in trust by a custodian bank or similar financial institution in the issuer’s home country. The depository bank may not have physical custody of the underlying securities at all times and may charge fees for various services, including forwarding dividends and interest and corporate actions. ADRs are alternatives to directly purchasing the underlying foreign securities in their national markets and currencies.

According to the Registration Statement, FMR may make investments in derivatives<sup>29</sup>, regardless of whether the Fund may own the asset, instrument, or

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<sup>27</sup> ETNs, which will be listed on a national securities exchange, are securities such as those described in NYSE Arca Equities Rule 5.2(j)(6).

<sup>28</sup> The Fund will invest only in ADRs, EDRs and GDRs that are traded on an exchange that is a member of the Intermarket Surveillance Group (“ISG”) or with which the Exchange has in place a comprehensive surveillance sharing agreement. See, infra note 57.

<sup>29</sup> According to the Registration Statement, derivatives are investments whose values are tied to an underlying asset, instrument, currency or index. The derivatives in which the Fund may invest are futures (both long and short positions), options (including options on futures and swaps), forwards, and swaps (including interest rate swaps (exchanging a floating rate for a fixed rate)), total return swaps (exchanging a floating rate for the total return of an index, security, or other instrument or investment) and credit default swaps (buying or selling credit default protection). Investments in derivatives may have a leveraging effect on the Fund.

components of the index underlying the derivative, as applicable, (e.g., a swap based on the Barclays U.S. Credit Bond Index), and forward-settling securities.<sup>30</sup> The Fund's derivative investments may be on corporate debt securities, Debt Securities, interest rates, currencies, and related indexes. Depending on FMR's outlook and market conditions, FMR may engage in these transactions to increase or decrease the Fund's exposure to changing security prices, interest rates, credit qualities, or other factors that affect security values, or to gain or reduce exposure to an asset, instrument, or index.

According to the Registration Statement, the Fund may conduct foreign currency transactions on a spot (i.e., cash) or forward basis (i.e., by entering into forward contracts to purchase or sell foreign currencies). Forward contracts are customized transactions that require a specific amount of a currency to be delivered at a specific exchange rate on a specific date or range of dates in the future. Forward contracts are generally traded in an interbank market directly between currency traders (usually large commercial banks) and their customers. The parties to a forward contract may agree to offset or terminate the contract before its maturity, or may hold the contract to maturity and complete the contemplated currency exchange.

According to the Registration Statement, the Fund may utilize certain currency management strategies involving forward contracts, as described below. The Fund may also use swap agreements, indexed securities, and options and futures contracts relating to foreign currencies for the same purposes. Forward contracts not calling for physical delivery of the underlying instrument will be settled through cash payments rather than through delivery of the underlying currency.

According to the Registration Statement, forward contracts may be used as a "settlement hedge" or "transaction hedge" designed to protect the Fund against an adverse change in foreign currency values between the date a security denominated in a foreign currency is purchased or sold and the date on which payment is made or received. Entering into a forward contract for the purchase or sale of the amount of foreign currency involved in an underlying security transaction for a fixed amount of U.S. dollars "locks in" the U.S. dollar price of the security. Forward contracts to purchase or sell a foreign currency may also be used to protect the Fund in anticipation of future purchases or sales of securities denominated in foreign currency, even if the specific investments have not yet been selected.

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<sup>30</sup> According to the Registration Statement, forward-settling securities involve a commitment to purchase or sell specific securities when issued, or at a predetermined price or yield. When a fund does not already own or have the right to obtain securities equivalent in kind and amount, a commitment to sell securities is equivalent to a short sale. Payment and delivery take place after the customary settlement period.

According to the Registration Statement, the Fund may also use forward contracts to hedge against a decline in the value of existing investments denominated in a foreign currency. The Fund also may enter into forward contracts to shift its investment exposure from one currency into another. This may include shifting exposure from U.S. dollars to a foreign currency, or from one foreign currency to another foreign currency. This type of strategy, sometimes known as a “cross-hedge”, will tend to reduce or eliminate exposure to the currency that is sold, and increase exposure to the currency that is purchased, much as if the Fund had sold a security denominated in one currency and purchased an equivalent security denominated in another.<sup>31</sup>

According to the Registration Statement, the Fund may invest in options and futures relating to foreign currencies. Currency futures contracts are similar to forward currency exchange contracts, except that they are traded on exchanges (and have margin requirements) and are standardized as to contract size and delivery date. Most currency futures contracts call for payment or delivery in U.S. dollars. The underlying instrument of a currency option may be a foreign currency, which generally is purchased or delivered in exchange for U.S. dollars, or may be a futures contract. The purchaser of a currency call obtains the right to purchase the underlying currency, and the purchaser of a currency put obtains the right to sell the underlying currency.

As described in the Registration Statement, the Fund may invest in exchange-listed futures.<sup>32</sup> The exchange-listed futures contracts in which the Fund may invest will have various types of underlying instruments, including specific assets

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<sup>31</sup> According to the Registration Statement, the Fund may cross-hedge its U.S. dollar exposure in order to achieve a representative weighted mix of the major currencies in its benchmark index and/or to cover an underweight country or region exposure in its portfolio. Cross-hedges protect against losses resulting from a decline in the hedged currency, but will cause the Fund to assume the risk of fluctuations in the value of the currency it purchases.

<sup>32</sup> According to the Registration Statement, in purchasing a futures contract, the buyer agrees to purchase a specified underlying instrument at a specified future date. In selling a futures contract, the seller agrees to sell a specified underlying instrument at a specified date. Futures contracts are standardized, exchange-traded contracts and the price at which the purchase and sale will take place is fixed when the buyer and seller enter into the contract. Some currently available futures contracts are based on specific securities or baskets of securities, some are based on commodities or commodities indexes (for funds that seek commodities exposure), and some are based on indexes of securities prices (including foreign indexes for funds that seek foreign exposure) or rates. In addition, some currently available futures contracts are based on Eurodollars. Positions in Eurodollar futures reflect market expectations of forward levels of three-month London Interbank Offered Rate (LIBOR) rates.

or securities, baskets of assets or securities, commodities or commodities indexes, or indexes of securities prices or rates.

According to the Registration Statement, the Fund may invest in U.S. exchange-traded as well as over-the-counter (“OTC”) options.<sup>33</sup> Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of OTC options generally are established through negotiation with the other party to the option contract. The OTC options in which the Fund may invest will have various types of underlying instruments, including specific assets or securities, baskets of assets or securities, indexes of securities or commodities prices, and futures contracts (including commodity futures contracts).

According to the Registration Statement, the Fund may also buy and sell options on swaps (swaptions), which are generally options on interest rate swaps.<sup>34</sup> An option on a swap gives a party the right (but not the obligation) to enter into a new swap agreement or to extend, shorten, cancel or modify an existing contract at a specific date in the future in exchange for a premium.

As described in the Registration Statement, the Fund may hold swap agreements, a portion of which holdings may consist of cleared swaps.<sup>35</sup> The Fund may enter

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<sup>33</sup> Not more than 10% of the net assets of the Fund in the aggregate shall consist of futures contracts or exchange-traded options contracts whose principal market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

<sup>34</sup> According to the Manager, the Fund may also enter into options on credit default swaps, credit default index swaps or interest rate swaps. Options on credit default swaps or credit default index swaps can be used to hedge the credit risk of the Fund. An option on an interest rate swap can be used to hedge the interest risk of the Fund.

<sup>35</sup> According to the Registration Statement, swap agreements are two-party contracts entered into primarily by institutional investors. Cleared swaps are transacted through futures commission merchants (FCMs) that are members of central clearinghouses with the clearinghouse serving as a central counterparty similar to transactions in futures contracts. In a standard “swap” transaction, two parties agree to exchange one or more payments based, for example, on the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments (such as securities, commodities, indexes, or other financial or economic interests). The underlier of a cleared swap will depend on the product being cleared. For a cleared interest rate swap, as with previously uncleared interest rate swaps, the underlier will be a designated interest rate indicator. According to the Registration Statement, to limit the counterparty risk involved in swap agreements, the Fund will enter into swap agreements only with counterparties that meet certain standards of creditworthiness.

into, among other things, interest rate swaps (where the parties exchange a floating rate for a fixed rate)<sup>36</sup>, asset swaps (e.g., where parties combine the purchase or sale of a bond with an interest rate swap), total return swaps, and credit default swaps.

According to the Registration Statement, a total return swap is a contract whereby one party agrees to make a series of payments to another party based on the change in the market value of the assets underlying such contract (which can include a security or other instrument, commodity, index or baskets thereof) during the specified period. In exchange, the other party to the contract agrees to make a series of payments calculated by reference to an interest rate and/or some other agreed-upon amount (including the change in market value of other underlying assets). In total return swaps, the underlying asset, referred to as the reference asset, is usually a benchmark (e.g., Barclays CMBS Index), asset class or designated security. The Fund may use total return swaps to gain exposure to an asset without owning it or taking physical custody of it.

According to the Registration Statement, in a credit default swap, the credit default protection buyer makes periodic payments, known as premiums, to the credit default protection seller. In return the credit default protection seller will make a payment to the credit default protection buyer upon the occurrence of a specified credit event. A credit default swap can refer to a single issuer or asset, a basket of issuers or assets or index of assets, each known as the reference entity or underlying asset.<sup>37</sup>

According to the Registration Statement, the Fund may invest in lower-quality Debt Securities. Lower-quality Debt Securities include all types of debt instruments, including debt securities of foreign issuers, that have poor protection

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<sup>36</sup> According to the Manager, an interest rate swap is a swap where one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps often provide for the exchange of fixed rate payments for floating rate payments linked to a specified floating interest rate (most often the LIBOR) plus/minus a spread. Interest rate swaps can be used to limit or manage exposure to fluctuations in interest rates, or to obtain a marginally lower interest rate on a debt issuance hedged by the interest rate swap than it would have been able to get without the swap.

<sup>37</sup> A credit default index swap is similar to a credit default swap, but is a transaction on an index of single name entities. Again, the buyer of a credit default index swap receives credit protection on each name in the index and the seller of the swap takes on the risk of the creditworthiness of each name in the index. The buying or selling of protection on an index is an efficient way to adjust the overall exposure to a specific sector or subset of a sector rather than buying many single name credit default swaps to achieve a similar effect.

with respect to the payment of interest and repayment of principal, or may be in default.

According to the Registration Statement, the Fund may invest in preferred securities.<sup>38</sup> Preferred securities may take the form of preferred stock and represent an equity or ownership interest in an issuer that pays dividends at a specified rate and that has precedence over common stock in the payment of dividends. The Fund's investments in preferred securities generally are not expected to be exchange-listed. In the event an issuer is liquidated or declares bankruptcy, the claims of owners of bonds take precedence over the claims of those who own preferred and common stock.

As described in the Registration Statement, the Fund may invest in real estate investment trusts ("REITS"). According to the Manager, the Fund may invest in exchange-listed and non-exchange-listed REITs.

According to the Registration Statement, the Fund may invest in restricted securities, which are subject to legal restrictions on their sale. Restricted securities generally can be sold in privately negotiated transactions, pursuant to an exemption from registration under the 1933 Act, or in a registered public offering.

According to the Registration Statement, the Fund may engage in transactions with financial institutions that are, or may be considered to be, "affiliated persons" of the Fund under the 1940 Act. These transactions may involve repurchase agreements with custodian banks; short-term obligations of, and repurchase agreements with, the 50 largest U.S. banks (measured by deposits); municipal securities; U.S. Government securities with affiliated financial institutions that are primary dealers in these securities; short-term currency transactions; and short-term borrowings. In accordance with exemptive orders issued by the Commission, the Fund's Board of Trustees has established and periodically reviews procedures applicable to transactions involving affiliated financial institutions.

#### Limitations on Investments

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Manager or Sub-Advisers.<sup>39</sup> The Fund will monitor its

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<sup>38</sup> According to the Manager, the Fund may invest in exchange-listed and non-exchange-listed preferred securities.

<sup>39</sup> According to the Registration Statement, the Fund does not currently intend to purchase any security if, as a result, more than 10% of its net assets would be invested in securities that are deemed to be illiquid because they are subject to legal or contractual restrictions on resale or because they cannot be sold or

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 the Fund's net assets are held in illiquid assets. 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>40</sup>

According to the Registration Statement, the Fund may not with respect to 75% of the Fund's total assets, purchase the securities of any issuer (other than securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, or securities of other investment companies) if, as a result, (a)

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disposed of in the ordinary course of business at approximately the prices at which they are valued.

For purposes of the Fund's illiquid assets limitation discussed above, if through a change in values, net assets, or other circumstances, the Fund were in a position where more than 10% of its net assets were invested in illiquid assets, it would consider appropriate steps to protect liquidity. According to the Registration Statement, various factors may be considered in determining the liquidity of the Fund's investments, including: (1) the frequency of trades and quotes for the security; (2) the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; (3) dealer undertakings to make a market in the security; and (4) the nature of the security and the nature of the marketplace in which it trades (including any demand, put or tender features, the mechanics and other requirements for transfer, any letters of credit or other credit enhancement features, any ratings, the number of holders, the method of soliciting offers, the time required to dispose of the security, and the ability to assign or offset the rights and obligations of the security).

<sup>40</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), footnote 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 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 1933 Act).

more than 5% of the Fund's total assets would be invested in the securities of that issuer, or (b) the Fund would hold more than 10% of the outstanding voting securities of that issuer.<sup>41</sup>

According to the Registration Statement, the Fund may not purchase the securities of any issuer (other than securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities) if, as a result, more than 25% of the Fund's total assets would be invested in the securities of companies whose principal business activities are in the same industry.<sup>42</sup>

According to the Registration Statement, the Trust, on behalf of the Fund, will file with the National Futures Association a notice claiming an exclusion from the definition of the term "commodity pool operator" ("CPO") under the Commodity Exchange Act,<sup>43</sup> as amended, and the rules of the Commodity Futures Trading Commission ("CFTC") promulgated thereunder, with respect to the Fund's operation. Accordingly, neither the Fund nor its Manager will be subject to registration or regulation as a commodity pool or a CPO. However, the CFTC has adopted certain rule amendments that significantly affect the continued availability of this exclusion, and may subject advisers to funds to regulation by the CFTC. The Manager currently does not expect to register as a CPO of the Fund. However, there is no certainty that the Fund or its Sub-Advisers will be able to rely on an exclusion in the future as the Fund's investments change over time. The Fund may determine not to use investment strategies that trigger additional CFTC regulation or may determine to operate subject to CFTC regulation, if applicable.

Any foreign equity securities in which the Fund may invest will be limited to securities that trade in markets that are members of the Intermarket Surveillance Group ("ISG"), which includes all U.S. national securities exchanges and certain

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<sup>41</sup> The diversification standard is set forth in Section 5(b)(1) of the 1940 Act.

<sup>42</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).

According to the Registration Statement, for purposes of the Fund's concentration limitation discussed above, with respect to any investment in repurchase agreements collateralized by U.S. Government securities, FMR will look through to the U.S. Government securities. For purposes of the Fund's concentration limitation discussed above, FMR may analyze the characteristics of a particular issuer and security and assign an industry or sector classification consistent with those characteristics in the event that the third-party classification provider used by FMR does not assign a classification.

<sup>43</sup> 7 U.S.C. 1.

foreign exchanges, or are parties to a comprehensive surveillance sharing agreement with the Exchange.<sup>44</sup>

According to the Registration Statement, the Fund intends to qualify annually and to elect to be treated as a regulated investment company (“RIC”) under the Internal Revenue Code.<sup>45</sup>

### Net Asset Value

According to the Registration Statement, the Fund’s net asset value (“NAV”) will be the value of a single Share. The NAV of the Fund will be computed by adding the value of the Fund’s investments, cash, and other assets, subtracting its liabilities, and dividing the result by the number of Shares outstanding.

The value of the Fund’s Shares bought and sold in the secondary market will be driven by market price. The price of these Shares, like the price of all traded securities, will be subject to factors such as supply and demand, as well as the current value of the portfolio securities held by the Fund. Secondary market Shares, available for purchase or sale on an intraday basis, do not have a fixed relationship either to the previous day’s NAV or to the current day’s NAV. Prices in the secondary market, therefore, may be below, at, or above the most recently calculated NAV of such Shares.

According to the Registration Statement, the Fund’s Board of Trustees has delegated day-to-day valuation oversight responsibilities to FMR. FMR has established the FMR Fair Value Committee (“FMR Committee”) to fulfill these oversight responsibilities.

Generally, portfolio securities and assets held by the Fund will be valued as follows:

In computing the Fund’s NAV, the Fund’s Debt Securities (including defaulted debt<sup>46</sup>, but excluding exchange-traded convertible securities), restricted securities, OTC-traded REITs; OTC-traded preferred securities; and forward-settling securities (collectively, “OTC-Traded Securities”) will be valued based on price quotations obtained from a broker-dealer who makes markets in such securities or other equivalent indications of value provided by a third-party

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<sup>44</sup> See, *infra* “Surveillance”. The Fund does not currently intend to invest in foreign equity securities.

<sup>45</sup> 26 U.S.C. 851.

<sup>46</sup> According to the Manager, when a bond defaults and goes into bankruptcy, a market often continues to exist for the bond (normally at a steep discount to its face value). Buyers typically value the defaulted bond based on expected restructuring outcomes or liquidation distributions. Market quotations provided by broker-dealers or pricing services reflect these market indicators.

pricing service. Any such third-party pricing service may use a variety of methodologies to value some or all such securities to determine the market price. For example, the prices of securities with characteristics similar to those held by the Fund may be used to assist with the pricing process. In addition, the pricing service may use proprietary pricing models. The Fund's OTC-Traded Securities will generally be valued at bid prices. In certain cases, some of the Fund's OTC-Traded Securities may be valued at the mean between the last available bid and ask prices.<sup>47</sup>

Debt securities with remaining maturities of sixty days or less for which market quotations and information furnished by a third party pricing service are not readily available will be valued at amortized cost, which approximates current value.

Exchange traded equity securities, including ETFs, ETPs, ETNs, ADRs, EDRs, and GDRs, as well as exchange-traded REITs, exchange-traded preferred securities, and exchange-traded convertible securities, will be valued at market value, which will generally be determined using the last reported official closing or last trading price on the exchange or market on which the security is primarily traded at the time of valuation or, if no sale has occurred, at the last quoted bid price on the primary market or exchange on which they are traded.

Investment company securities (other than ETFs), including money market funds, central funds, closed end investment companies, unit investment trusts and open-end investment companies will be valued at NAV.

Exchange-traded futures contracts will be valued at the settlement or closing price determined by the applicable exchange.

Exchange-traded option contracts, including options on futures and swaps, will be valued at their most recent sale price. If no such sales are reported, these contracts will be valued at their most recent bid price. In certain cases, some of the Fund's exchange-traded derivative securities may be valued at the mean between the last available bid and ask prices.

OTC-traded derivative instruments, including options, swaps, forwards and currency-related derivatives, will normally be valued on the basis of quotes obtained from a third party broker-dealer who makes markets in such securities or on the basis of quotes obtained from an independent third-party pricing service. The Fund's OTC-traded derivative instruments will generally be valued at bid prices. Certain OTC-traded derivative instruments, such as interest rate swaps and credit default swaps, are valued at the mean price.

Prices described above will be obtained from pricing services that have been approved by the Fund's Board of Trustees. A number of independent third party

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For example, foreign bonds for which a current bid price is not available will be valued at the mean between the last available bid and ask prices.

pricing services are available and the Fund may use more than one of these services. The Fund may also discontinue the use of any pricing service at any time. FMR will engage in oversight activities with respect to the Fund's pricing services, which includes, among other things, testing the prices provided by pricing services prior to calculation of the Fund's NAV, conducting periodic due diligence meetings, and periodically reviewing the methodologies and inputs used by these services.

Foreign securities and instruments will be valued in their local currency following the methodologies described above. Foreign securities, instruments and currencies will be translated to U.S. dollars, based on foreign currency exchange rate quotations supplied by a pricing service as of the close of the New York Stock Exchange ("NYSE"), which will use a proprietary model to determine the exchange rate.

Forward foreign currency exchange contracts will be valued at an interpolated rate based on days to maturity between the closest preceding and subsequent settlement period. Such interpolated rates are derived from foreign currency exchange rate quotations reported by an independent third-party pricing service.

Other portfolio securities and assets for which market quotations, official closing prices, or information furnished by a pricing service are not readily available or, in the opinion of the FMR Committee, are deemed unreliable will be fair valued in good faith by the FMR Committee in accordance with applicable fair value pricing policies. For example, if, in the opinion of the FMR Committee, a security's value has been materially affected by events occurring before the Fund's pricing time but after the close of the exchange or market on which the security is principally traded, that security will be fair valued in good faith by the FMR Committee in accordance with applicable fair value pricing policies.

In fair valuing a security, the FMR Committee may consider factors including price movements in futures contracts and ADRs, market and trading trends, the bid/ask quotes of brokers, and off-exchange institutional trading.

#### Creation and Redemption of Shares

According to the Registration Statement, the Fund will issue and redeem Shares on a continuous basis at NAV per Share in aggregations of a specified number of Shares called "Creation Units." Creation Units generally will be issued in exchange for portfolio securities and/or cash. Shares trade in the secondary market at market prices that may differ from the Shares' NAV. Shares are not individually redeemable, but are redeemable only in Creation Unit aggregations, and in exchange for portfolio securities and/or cash. A Creation Unit of the Fund will consist of a block of 50,000 shares, which is subject to change. Shareholders who are not "Authorized Participants" (as defined below) will not be able to purchase or redeem Shares directly with or from the Fund.

Purchases and redemptions of Creation Units may be made in whole or in part on a cash basis, rather than in-kind, under the circumstances set forth in the Exemptive Order.

The Trust will issue and redeem Shares of the Fund only in Creation Units on a continuous basis through FDC, without a sales load, at its NAV next determined after receipt, on any business day, of an order in proper form. To be eligible to place orders to purchase a Creation Unit of the Fund, an entity must be an Authorized Participant, which is either (i) a “Participating Party,” *i.e.*, broker-dealer or other participant in the clearing process through the Continuous Net Settlement System of the National Securities Clearing Corporation (“NSCC”), a clearing agency that is registered with the Commission (the “Clearing Process”); or (ii) a Depository Trust Company (“DTC”) participant, and, in each case, must have executed an agreement with FDC, with respect to creations and redemptions of Creation Units (“Participant Agreement”). All Shares of the Fund, however created, will be entered on the records of DTC in the name of Cede & Co. for the account of a DTC participant.

The consideration for purchase of a Creation Unit generally will consist of an in-kind deposit of a designated portfolio of securities (“Deposit Securities”) together with a deposit of a specified cash payment (“Cash Component”) computed as described herein. Alternatively, the Fund may issue and redeem Creation Units in exchange for a specified all-cash payment (“Cash Deposit”). Together, the Deposit Securities and the Cash Component or, alternatively, the Cash Deposit, will constitute the “Portfolio Deposit,” which represents the minimum initial and subsequent investment amount for a Creation Unit. In the event the Fund requires Deposit Securities and a Cash Component in consideration for purchasing a Creation Unit, the function of the Cash Component is to compensate for any differences between the NAV per Creation Unit and the Deposit Amount (as defined below). The Cash Component would be an amount equal to the difference between the NAV of the Shares (per Creation Unit) and the “Deposit Amount,” which is an amount equal to the market value of the Deposit Securities. A fixed transaction fee is applicable to each purchase of Creation Units, and an additional variable transaction fee may apply under certain circumstances.<sup>48</sup>

The Fund will make available through the NSCC on each business day, prior to the opening of trading on the NYSE (currently 9:30 a.m. Eastern time), the list of the names and the required number of shares of each Deposit Security and the amount of the Cash Component (or Cash Deposit) to be included in the current Portfolio Deposit (based on information at the end of the previous business day) for the Fund. Such Portfolio Deposit will be applicable, subject to any

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An additional variable transaction charge will be imposed for purchases effected outside the Clearing Process, which would include purchases of Creation Units for cash and in-kind purchases where the investor is allowed to substitute cash in lieu of depositing a portion of the Deposit Securities.

adjustments as described below, in order to effect purchases of Creation Units until such time as the next-announced Portfolio Deposit composition is made available.

Shares may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Fund through the transfer agent and only on a business day through an Authorized Participant that has entered into a Participant Agreement. FMR, through NSCC, will make available immediately prior to the opening of trading on NYSE (currently 9:30 a.m. Eastern time) on each business day, the identity of the basket of securities (“Fund Securities”) that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form (as defined below) on that day.

All orders to purchase Creation Units of the Fund must be received by FDC or its agent no later than the closing time of regular trading hours on the NYSE (ordinarily 4:00 p.m. Eastern time), or one hour prior to the closing time (ordinarily 3:00 p.m. Eastern time) in the case of nonconforming orders,<sup>49</sup> in each case on the date such order is placed in order for the creation of Creation Units to be effected based on the NAV of Shares of the Fund as next determined on such date after receipt of the order in proper form.

The redemption proceeds for a Creation Unit generally will consist of an in-kind transfer Fund Securities - as announced by the Fund on the business day of the request for redemption received in proper form - plus cash in an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after a receipt of the request in proper form, and the value of the Fund Securities (“Cash Redemption Amount”), less a redemption transaction fee and any applicable variable fee. In the event that the Fund Securities have a value greater than the NAV of the Shares being redeemed, a compensating cash payment to the Fund equal to the differential plus the applicable redemption transaction fee is required to be made by or through an Authorized Participant by the redeeming shareholder. Notwithstanding the foregoing, the Fund will substitute a cash-in-lieu amount to replace any Fund Security that is a non-

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<sup>49</sup> A nonconforming order may be placed by an Authorized Participant in the event that the Fund permits the substitution of an amount of cash to be added to the Cash Component to replace any Deposit Security. The Fund reserves the right to permit the substitution of an amount of cash (i.e., a cash in lieu amount) to replace any Deposit Security which may, among other reasons, not be available in sufficient quantity for delivery, not be eligible for transfer through the systems of DTC, the Federal Reserve System or the clearing process, not be permitted to be re-registered in the name of the Trust as a result of an in-kind purchase order pursuant to local law or market convention, restricted under the securities laws or which may not be eligible for trading by an Authorized Participant or the investor for which it is acting.

deliverable instrument. Non-deliverable instruments will be part of the Cash Component.

An order to redeem Creation Units will be deemed received by the Fund on the transmittal date if such order is received in proper form by the transfer agent not later than 4:00 p.m. Eastern time (or one hour prior to the closing time (ordinarily 3:00 p.m. Eastern time) for nonconforming orders) on such transmittal date and other applicable requirements are met.

The right of redemption may be suspended or the date of payment postponed with respect to the Fund (i) for any period during which the NYSE is closed (other than customary weekend and holiday closings); (ii) for any period during which trading on the NYSE is suspended or restricted; (iii) for any period during which an emergency exists as a result of which disposal of the shares or determination of the Fund's NAV is not reasonably practicable; or (iv) in such other circumstances as is permitted by the Commission.

#### Availability of Information

The Trust's website ([www.fidelity.com](http://www.fidelity.com)), which will be publicly available, will include a form of the prospectus for the Fund that may be downloaded. The Trust's website will include additional quantitative information updated on a daily basis, including, on a per Share basis for the Fund, the prior business day's NAV and the market closing price or, if that is unavailable, the mid-point of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask Price"),<sup>50</sup> and a calculation of the premium or discount of the market closing price, or if that is unavailable, the Bid/Ask Price against the NAV. On each business day, before commencement of trading in Shares in the "Core Trading Session" (9:30 a.m. Eastern time to 4:00 p.m. Eastern time) on the Exchange, the Fund will disclose on the Trust's website the Disclosed Portfolio as defined in NYSE Arca Equities Rule 8.600 (c) (2) that will form the basis for the Fund's calculation of NAV at the end of the business day.<sup>51</sup>

On a daily basis, the Fund will disclose for each portfolio security and other financial instrument of the Fund the following information: ticker symbol (if

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<sup>50</sup> The Bid/Ask Price of the Fund's Shares will be determined using the mid-point 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 Fund and its service providers.

<sup>51</sup> Under accounting procedures followed by the Fund, trades made on the prior business day ("T") will be booked and reflected in NAV on the current business day ("T+1"). Accordingly, the 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.

applicable), name of security or financial instrument, number of shares (if applicable) and dollar value of each of the securities and financial instruments held in the portfolio, and percentage weighting of the security and financial instrument in the portfolio. The website information will be publicly available at no charge.

Investors can also obtain the Trust's Statement of Additional Information ("SAI"), the Fund's Shareholder Reports, and its Form N-CSR and Form N-SAR, filed twice a year. The Trust's SAI and Shareholder Reports are 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 website at [www.sec.gov](http://www.sec.gov). 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. Information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers.

Quotation and last sale information for the Shares and underlying equity securities that are U.S. exchange listed, including ETFs, ETPs, ETNs, and ADRs and exchange-traded REITs, exchange-traded preferred securities, and exchange-traded convertible securities will be available via the Consolidated Tape Association ("CTA") high speed line. Quotation and last sale information for such U.S. exchange-listed securities, as well as futures will be available from the exchange on which they are listed. Quotation and last sale information for exchange-listed options will be available via the Options Price Reporting Authority.

Quotation information for OTC-Traded Securities, OTC-traded derivative securities (such as options, swaps, forwards and currency-related derivatives), and investment company securities (excluding ETFs), may be obtained from brokers and dealers who make markets in such securities or through nationally recognized pricing services through subscription agreements. The U.S. dollar value of foreign securities, instruments and currencies can be derived by using foreign currency exchange rate quotations obtained from nationally recognized pricing services.

In addition, the Portfolio Indicative Value, as defined in NYSE Arca Equities Rule 8.600 (c)(3), will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session.<sup>52</sup> The dissemination of the Portfolio Indicative Value, together with the Disclosed Portfolio, will allow investors to determine the approximate value of the underlying portfolio of the Fund on a daily basis and will provide a close estimate of that value throughout the trading day.

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Currently, it is the Exchange's understanding that several major market data vendors display and/or make widely available Portfolio Indicative Values taken from the CTA or other data feeds.

### 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 the Fund.<sup>53</sup> Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in the securities and/or the financial instruments comprising the Disclosed Portfolio of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted.

### Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m. Eastern time in accordance with NYSE Arca Equities Rule 7.34 (Opening, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, Commentary .03, the minimum price variation ("MPV") for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600. The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A-3<sup>54</sup> under the Act, as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares 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.<sup>55</sup>

### Surveillance

The Exchange represents that trading in the Shares will be subject to the existing

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<sup>53</sup> See NYSE Arca Equities Rule 7.12.

<sup>54</sup> 17 CFR 240.10A-3.

<sup>55</sup> The term "Disclosed Portfolio" is defined in NYSE Arca Equities Rule 8.600(c)(2).

trading surveillances, administered by 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>56</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 detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.

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.

FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares and underlying exchange-traded options, futures, exchange-traded equity securities (including ADRs, EDRs and GDRs), and other exchange-traded instruments with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares and underlying exchange-traded options, futures, exchange-traded equity securities (including ADRs, EDRs and GDRs), and other exchange-traded instruments from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and underlying exchange-traded options, futures, exchange-traded equity securities (including ADRs, EDRs and GDRs), and other exchange-traded instruments from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.<sup>57</sup> In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by the Fund reported to FINRA’s Trade Reporting and Compliance Engine (“TRACE”).

Not more than 10% of the net assets of the Fund in the aggregate shall consist of futures contracts or exchange-traded options contracts whose principal market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

In addition, the Exchange also has a general policy prohibiting the distribution of

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<sup>56</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.

<sup>57</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 for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

material, non-public information by its employees.

### Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders in an Information Bulletin (“Bulletin”) of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (2) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its Equity Trading Permit Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated Portfolio Indicative Value will not be calculated or publicly disseminated; (4) how information regarding the Portfolio Indicative Value is disseminated; (5) the requirement that Equity Trading Permit Holders 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 Bulletin will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Bulletin will discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act. The Bulletin will also disclose that the NAV for the Shares will be calculated after 4:00 p.m. Eastern time each trading day.

### (b) Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>58</sup> that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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 NYSE Arca Equities Rule 8.600. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares and underlying exchange-traded options, futures, exchange-traded equity securities (including ADRs, EDRs and GDRs), and other exchange-traded instruments with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the

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15 U.S.C. 78f(b)(5).

Shares and underlying exchange-traded options, futures, exchange-traded equity securities (including ADRs, EDRs and GDRs), and other exchange-traded instruments from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and underlying exchange-traded options, futures, exchange-traded equity securities (including ADRs, EDRs and GDRs), and other exchange-traded instruments from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by the Fund reported to FINRA's TRACE.

FMR normally will invest at least 80% of assets in investment-grade corporate bonds and other corporate debt securities. The Manager and the Sub-Advisers are affiliated with one or more broker-dealers and have implemented a fire wall with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Fund's portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding the portfolio. The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Manager or Sub-Adviser. Any foreign equity securities in which the Fund may invest will be limited to securities that trade in markets that are members of the ISG or parties to a comprehensive surveillance sharing agreement. The Fund will invest only in ADRs, EDRs and GDRs that are traded on an exchange that is a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. Not more than 10% of the net assets of the Fund in the aggregate shall consist of futures contracts or exchange-traded options contracts whose principal market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

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 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 Fund and the Shares, thereby promoting market transparency. Quotation and last sale information for the Shares and underlying securities that are U.S. exchange listed, including ETFs, ETPs, ETNs, ADRs, EDRs, GDRs, exchange-traded REITs, exchange-traded preferred securities, and exchange-traded convertible securities, will be available via the CTA high speed line. Quotation and last sale information for such U.S. exchange-listed securities as well as futures will be available from the exchange on which they are listed. Quotation and last sale information for exchange-listed options will be available via the Options Price Reporting Authority. Quotation information from brokers and dealers or pricing services will be available for Debt Securities; restricted securities; OTC-traded REITs; OTC-traded preferred securities; OTC-traded derivative securities, including

options, swaps, and currency-related derivatives; forwards; and investment company securities (other than ETFs).

Moreover, the Portfolio Indicative Value will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Fund will disclose on the Trust's website the Disclosed Portfolio that will form the basis for the Fund's calculation of NAV at the end of the business day. The Trust's website will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Moreover, prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached 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 NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Portfolio 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 an additional type of actively-managed exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Portfolio Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

4. 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 purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of another actively-managed exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

The Exchange does not consent at this time to an extension of any time period for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange requests the Commission to find good cause to accelerate effectiveness of this proposed rule change pursuant to Section 19(b)(2) of the Act and to approve the proposed rule change prior to the 30th day after publication of the proposed rule change in the Federal Register. The Exchange believes there is good cause to grant expedited review and accelerated effectiveness of this proposal because the issues raised are similar to those raised in the proposed rule change approved by the Commission relating to listing and trading of other issues of Managed Fund Shares on the Exchange, including the twelve actively-managed funds of the WisdomTree Trust and the five fixed income funds of the PIMCO ETF Trust.<sup>59</sup>

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 - Form of Notice of Proposed Rule Change for Federal Register

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<sup>59</sup> See, supra note 4.

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NYSEARCA-2014-47; Amendment No. 1)

[Date]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Proposing to List and Trade Shares of Fidelity® Corporate Bond ETF Managed Shares under NYSE Arca Equities Rule 8.600

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on April 30, 2014, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to list and trade shares of the following under NYSE Arca Equities Rule 8.600 (“Managed Fund Shares”): Fidelity® Corporate Bond ETF. The text of the proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, 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, the self-regulatory organization included

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange proposes to list and trade the shares (“Shares”) of the following under NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares:<sup>4</sup> Fidelity Corporate Bond ETF (the “Fund”).<sup>5</sup> The Fund will be a fund of

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<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) (“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 Investment Company Units, listed and traded on the Exchange under NYSE Arca Equities Rule 5.2(j)(3), 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 has previously approved the listing and trading on the Exchange of other actively managed funds under Rule 8.600. See e.g., Securities Exchange Act Release Nos. 57801 (May 8, 2008), 73 FR 27878 (May 14, 2008) (SR-NYSEArca-2008-31) (order approving Exchange listing and trading of twelve actively-managed funds of the WisdomTree Trust); 60981 (November 10, 2009), 74 FR 59594 (November 18, 2009) (SR-NYSEArca-2009-79) (order approving Exchange listing and trading of five fixed income funds of the PIMCO ETF Trust); 66321 (February 3, 2012), 77 FR 6850 (February 9, 2012) (SR-NYSEArca-2011-95) (order approving Exchange listing and trading of PIMCO Total Return ETF); 66670 (March 28, 2012), 77 FR 20087 (April 3, 2012) (SR-NYSEArca-2012-09) (order approving Exchange listing and trading of PIMCO Global Advantage Inflation-Linked Bond Strategy Fund).

Fidelity Merrimack Street Trust (“Trust”), a Massachusetts business trust.<sup>6</sup>

Fidelity Management & Research Company (“FMR”) will be the Fund’s manager (“Manager”). Fidelity Investments Money Management, Inc. (“FIMM”) and other investment advisers, as described below, will serve as sub-advisers for the Fund (“Sub-Advisers”). FIMM will have day-to-day responsibility for choosing investments for the Fund. FIMM is an affiliate of FMR. Other investment advisers, which also are affiliates of FMR, will assist FMR with foreign investments, including Fidelity Management & Research (U.K.) Inc. (“FMR U.K.”), Fidelity Management & Research (Hong Kong) Limited (“FMR H.K.”), and Fidelity Management & Research (Japan) Inc. (“FMR Japan”). Fidelity Distributors Corporation (“FDC”) will be the distributor for the Fund’s Shares.<sup>7</sup>

Commentary .06 to Rule 8.600 provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser will erect a “fire wall” between the 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, Commentary .06 further

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<sup>6</sup> The Trust is registered under the 1940 Act. On April 17, 2014, the Trust filed with the Commission an amendment to its registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) (“1933 Act”) and the 1940 Act relating to the Fund (File Nos. 333-186372 and 811-22796) (“Registration Statement”). The description of the operation of the Trust and the Fund herein is based, in part, on the Registration Statement. In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 30513 (May 10, 2013) (“Exemptive Order”) (File No. 812-14104).

<sup>7</sup> This Amendment No. 1 to SR-NYSEArca-2014-47 replaces SR-NYSEArca-2014-47 as originally filed and supersedes such filing in its entirety.

<sup>8</sup> An investment adviser to an open-end fund is required to be registered under the

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 nonpublic information regarding the open-end fund's portfolio. The Manager and the Sub-Advisers are not broker-dealers but are affiliated with one or more broker-dealers and have implemented a fire wall with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Fund's portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding the Fund's portfolio.

In the event (a) the Manager or any of the Sub-Advisers become registered as a broker-dealer or become 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, they will implement a fire wall with respect to their relevant personnel or broker-dealer affiliate regarding access to information concerning the composition and/or changes to

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Investment Advisers Act of 1940 (the "Advisers Act"). As a result, the Manager and the Sub-Advisers, and their 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.

the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

Fidelity Corporate Bond ETF

According to the Registration Statement, the Fund will seek a high level of current income.

According to the Registration Statement, FMR normally<sup>9</sup> will invest at least 80% of assets in investment-grade corporate bonds and other corporate debt securities.<sup>10</sup>

According to the Registration Statement, corporate debt securities are bonds and other debt securities issued by corporations and other business structures. According to the Manager, corporate debt securities include loans<sup>11</sup>, loan participations and loan assignments, structured securities<sup>12</sup>, repurchase agreements with corporate

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<sup>9</sup> The term “normally” as used herein includes, but is not limited to, the absence of adverse market, economic, political or other conditions, including extreme volatility or trading halts in the fixed income markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance. According to the Registration Statement, however, the Fund reserves the right to invest without limitation in investment-grade money market or short-term debt instruments for temporary, defensive purposes.

<sup>10</sup> According to the Registration Statement, investment-grade debt securities include all types of debt instruments, including corporate debt securities, that are of medium and high-quality. An investment-grade rating means the security or issuer is rated investment-grade by a credit rating agency registered as a nationally recognized statistical rating organization (“NRSRO”) with the Commission (for example, Moody’s Investors Service, Inc.), or is unrated but considered to be of equivalent quality by the Fund’s Manager or Sub-Advisers.

<sup>11</sup> According to the Registration Statement, the Fund may acquire loans by buying an assignment of all or a portion of the loan from a lender or by purchasing a loan participation from a lender or other purchaser of a participation.

<sup>12</sup> According to the Registration Statement, structured securities (also called

counterparties<sup>13</sup>, and other securities believed to have corporate debt-like characteristics, including hybrid securities<sup>14</sup>, which may offer characteristics similar to those of a bond security such as stated maturity and preference over equity in bankruptcy. According to the Registration Statement, the Fund may hold uninvested cash or may invest it in cash equivalents such as money market securities, or shares of short-term bond exchanged-traded funds registered under the 1940 Act (“ETFs”)<sup>15</sup> or mutual funds or money market

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“structured notes”) are derivative debt securities, the interest rate on or principal of which is determined by an unrelated indicator. According to the Registration Statement, the Fund may invest in “indexed securities”, which are instruments whose prices are indexed to the prices of other securities, securities indexes, or other financial indicators.

<sup>13</sup> According to the Registration Statement, a repurchase agreement is an agreement to buy a security at one price and a simultaneous agreement to sell it back at an agreed-upon price. The Fund may engage in repurchase agreement transactions with parties whose creditworthiness has been reviewed and found satisfactory by the Manager. Investment-grade debt securities include repurchase agreements collateralized by U.S. Government securities as well as repurchase agreements collateralized by equity securities, non-investment-grade debt, and all other instruments in which the Fund can perfect a security interest, provided the repurchase agreement counterparty has an investment-grade rating.

<sup>14</sup> According to the Manager, a hybrid security generally combines both debt and equity characteristics. A common type of hybrid security is a convertible bond that has features of a debt security, until a certain date or triggering event, at which point the security may be converted into an equity security. A hybrid security may also be a warrant, convertible security, certificate of deposit or other evidence of indebtedness.

<sup>15</sup> For purposes of this filing, ETFs, which will be listed on a national securities exchange, include the following: Investment Company Units (as described in NYSE Arca Equities Rule 5.2(j)(3)); Portfolio Depositary Receipts (as described in NYSE Arca Equities Rule 8.100); and Managed Fund Shares (as described in NYSE Arca Equities Rule 8.600).

funds, including Fidelity central funds (special types of investment vehicles created by Fidelity for use by the Fidelity funds and other advisory clients).<sup>16</sup>

FMR will use the Barclays<sup>®</sup> U.S. Credit Bond Index (“Index”) as a guide in structuring the Fund and selecting its investments. FMR will manage the Fund to have similar overall interest rate risk to the Index.

According to the Registration Statement, FMR also may invest the Fund’s assets in debt securities of foreign issuers in addition to securities of domestic issuers. In selecting foreign securities, FMR’s analysis also will consider the credit, currency, and economic risks associated with the security and the country of its issuer. FMR may also consider an issuer’s potential for success in light of its current financial condition, its industry position, and economic and market conditions.

According to the Registration Statement, in buying and selling securities for the Fund, FMR analyzes the credit quality of the issuer, security-specific features, current valuation relative to alternatives in the market, short-term trading opportunities resulting from market inefficiencies, and potential future valuation. In managing the Fund’s exposure to various risks, including interest rate risk, FMR will consider, among other things, the market’s overall risk characteristics, the market’s current pricing of those risks, information on the Fund’s competitive universe and internal views of potential future market conditions.

#### Other Investments

While FMR normally will invest at least 80% of assets of the Fund in investment-grade corporate bonds and other corporate debt securities, as described above, FMR may

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<sup>16</sup> According to the Manager, it is currently expected that the Fund will only invest in central funds that are money market funds.

invest up to 20% of the Fund's assets in other securities and financial instruments, as summarized below.<sup>17</sup>

In addition to corporate debt securities, the debt securities in which the Fund may invest are U.S. Government securities<sup>18</sup>; repurchase agreements<sup>19</sup> and reverse repurchase agreements<sup>20</sup>; mortgage and other asset-backed securities<sup>21</sup>; loans; loan participations and

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<sup>17</sup> The Fund's holdings of investment grade corporate bonds and other corporate debt securities are generally expected to be U.S. dollar denominated.

<sup>18</sup> According to the Manager, U.S. Government securities are high-quality securities issued or guaranteed by the U.S. Treasury or by an agency or instrumentality of the U.S. Government. U.S. Government securities may be backed by the full faith and credit of the U.S. Treasury, the right to borrow from the U.S. Treasury, or the agency or instrumentality issuing or guaranteeing the security. Certain issuers of U.S. Government securities, including the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), and the Federal Home Loan Banks, are sponsored or chartered by Congress but their securities are neither issued nor guaranteed by the U.S. Treasury. U.S. Government securities include mortgage and other asset-backed securities.

<sup>19</sup> According to the Manager, in addition to the investment-grade repurchase agreements with corporate counterparties described above, the Fund may invest in repurchase agreements collateralized by U.S. Government securities as well as repurchase agreements collateralized by equity securities, non-investment-grade debt, and all other instruments in which the Fund can perfect a security interest, with repurchase agreement counterparties that do not have an investment-grade rating.

<sup>20</sup> In a reverse repurchase agreement, a fund sells a security to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase that security at an agreed-upon price and time. According to the Registration Statement, the Fund will enter into reverse repurchase agreements with parties whose creditworthiness has been reviewed and found satisfactory by the Manager.

<sup>21</sup> According to the Registration Statement, asset-backed securities represent interests in pools of mortgages, loans, receivables, or other assets. The Fund's investments in asset backed securities may include investments in private label residential mortgage backed securities ("RMBS"). The Fund may invest in privately issued asset-backed securities. According to the Manager, the Fund may invest up to 20% of its total assets in mortgage-backed securities or in other asset-

loan assignments and other evidences of indebtedness, including letters of credit, revolving credit facilities and other standby financing commitments<sup>22</sup>; structured securities; stripped securities<sup>23</sup>; municipal securities; sovereign debt obligations<sup>24</sup>;

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backed securities, although this 20% limitation will not apply to U.S. Government securities.

According to the Registration Statement, the Fund may invest in mortgage securities, which are issued by government and non-government entities such as banks, mortgage lenders, or other institutions. A mortgage security is an obligation of the issuer backed by a mortgage or pool of mortgages or a direct interest in an underlying pool of mortgages. Some mortgage securities, such as collateralized mortgage obligations (or “CMOs”), make payments of both principal and interest at a range of specified intervals; others make semiannual interest payments at a predetermined rate and repay principal at maturity (like a typical bond). Mortgage securities are based on different types of mortgages, including those on commercial real estate or residential properties.

Fannie Maes and Freddie Macs are pass-through securities issued by Fannie Mae and Freddie Mac, respectively. Fannie Mae and Freddie Mac, which guarantee payment of interest and repayment of principal on Fannie Maes and Freddie Macs, respectively, are federally chartered corporations supervised by the U.S. Government that act as governmental instrumentalities under authority granted by Congress. Fannie Mae and Freddie Mac are authorized to borrow from the U.S. Treasury to meet their obligations. Fannie Maes and Freddie Macs are not backed by the full faith and credit of the U.S. Government.

According to the Registration Statement, to earn additional income for the Fund, FMR may use a trading strategy that involves selling (or buying) mortgage securities and simultaneously agreeing to purchase (or sell) mortgage securities on a later date at a set price.

<sup>22</sup> According to the Manager, in addition to the loans, loan participations and loan assignments described in corporate debt securities above, the Fund may invest in loans, loan participations and loan assignments that do not have an investment-grade rating.

<sup>23</sup> According to the Registration Statement, the Fund may invest in stripped securities, which are the separate income or principal components of a debt security. Stripped mortgage securities are created when the interest and principal components of a mortgage security are separated and sold as individual securities.

<sup>24</sup> According to the Manager, sovereign debt obligations are issued or guaranteed by foreign governments or their agencies, including debt of developing countries.

obligations of international agencies or supranational entities; and other securities believed to have debt-like characteristics, including hybrid securities,<sup>25</sup> which may offer characteristics similar to those of a bond security such as stated maturity and preference over equity in bankruptcy (collectively, and including corporate debt securities, “Debt Securities”).<sup>26</sup>

According to the Registration Statement, the Fund may invest in securities of other investment companies, including shares of ETFs registered under the 1940 Act, closed-end investment companies (which include business development companies), unit investment trusts, and open-end investment companies. In addition, the Fund may invest in other exchange-traded products (“ETPs”) such as commodity pools, or other entities that are traded on an exchange.<sup>27</sup> It is anticipated that the Fund’s investments in other ETFs and ETPs will generally be limited to fixed income ETFs and ETPs.

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Sovereign debt may be in the form of conventional securities or other types of debt instruments such as loans or loan participations.

<sup>25</sup> See, supra note 14.

<sup>26</sup> According to the Manager, Debt Securities may be fixed, variable or floating rate securities. Variable rate securities provide for a specific periodic adjustment in the interest rate, while floating rate securities have interest rates that change whenever there is a change in a designated benchmark rate or the issuer’s credit quality, sometimes subject to a cap or floor on such rate. Some variable or floating rate securities are structured with put features that permit holders to demand payment of the unpaid principal balance plus accrued interest from the issuers or certain financial intermediaries. In addition, Debt Securities may include zero coupon bonds, which do not make interest payments; instead, they are sold at a discount from their face value and are redeemed at face value when they mature. Investments in Debt Securities may have a leveraging effect on the Fund.

<sup>27</sup> For purposes of this filing, ETPs, which will be listed on a national securities exchange, include Trust Issued Receipts (as described in NYSE Arca Equities Rule 8.200); Commodity-Based Trust Shares (as described in NYSE Arca Equities Rule 8.201); Currency Trust Shares (as described in NYSE Arca Equities

According to the Registration Statement, the Fund may invest in inverse ETFs (also called “short ETFs” or “bear ETFs”), shares of which are expected to increase in value as the value of the underlying benchmark decreases.

According to the Registration Statement, the Fund also may invest in leveraged ETFs, which seek to deliver multiples or inverse multiples of the performance of an index or other benchmark they track and use derivatives in an effort to amplify the returns of the underlying index or benchmark.

According to the Registration Statement, the Fund may invest in exchange traded notes (“ETNs”), which are a type of senior, unsecured, unsubordinated debt security issued by financial institutions that combines aspects of both bonds and ETFs.<sup>28</sup> It is anticipated that the Fund’s investments in other ETNs will generally be limited to fixed income ETNs. An ETN’s returns are based on the performance of a market index or other reference asset minus fees and expenses. The Fund may invest in leveraged ETNs.

According to the Registration Statement, the Fund may invest in American Depositary Receipts (“ADRs”) as well as other “hybrid” forms of ADRs, including European Depositary Receipts (“EDRs”) and Global Depositary Receipts (“GDRs”), which are certificates evidencing ownership of shares of a foreign issuer.<sup>29</sup> These certificates are issued by depository banks and generally trade on an established market

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Rule 8.202); Commodity Index Trust Shares (as described in NYSE Arca Equities Rule 8.203); and Trust Units (as described in NYSE Arca Equities Rule 8.500).

<sup>28</sup> ETNs, which will be listed on a national securities exchange, are securities such as those described in NYSE Arca Equities Rule 5.2(j)(6).

<sup>29</sup> The Fund will invest only in ADRs, EDRs and GDRs that are traded on an exchange that is a member of the Intermarket Surveillance Group (“ISG”) or with which the Exchange has in place a comprehensive surveillance sharing agreement. See, infra note 58.

in the United States or elsewhere. The underlying shares are held in trust by a custodian bank or similar financial institution in the issuer's home country. The depository bank may not have physical custody of the underlying securities at all times and may charge fees for various services, including forwarding dividends and interest and corporate actions. ADRs are alternatives to directly purchasing the underlying foreign securities in their national markets and currencies.

According to the Registration Statement, FMR may make investments in derivatives<sup>30</sup>, regardless of whether the Fund may own the asset, instrument, or components of the index underlying the derivative, as applicable, (e.g., a swap based on the Barclays U.S. Credit Bond Index), and forward-settling securities.<sup>31</sup> The Fund's derivative investments may be on corporate debt securities, Debt Securities, interest rates, currencies, and related indexes. Depending on FMR's outlook and market conditions, FMR may engage in these transactions to increase or decrease the Fund's exposure to changing security prices, interest rates, credit qualities, or other factors that affect security values, or to gain or reduce exposure to an asset, instrument, or index.

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<sup>30</sup> According to the Registration Statement, derivatives are investments whose values are tied to an underlying asset, instrument, currency or index. The derivatives in which the Fund may invest are futures (both long and short positions), options (including options on futures and swaps), forwards, and swaps (including interest rate swaps (exchanging a floating rate for a fixed rate)), total return swaps (exchanging a floating rate for the total return of an index, security, or other instrument or investment) and credit default swaps (buying or selling credit default protection). Investments in derivatives may have a leveraging effect on the Fund.

<sup>31</sup> According to the Registration Statement, forward-settling securities involve a commitment to purchase or sell specific securities when issued, or at a predetermined price or yield. When a fund does not already own or have the right to obtain securities equivalent in kind and amount, a commitment to sell securities is equivalent to a short sale. Payment and delivery take place after the customary settlement period.

According to the Registration Statement, the Fund may conduct foreign currency transactions on a spot (i.e., cash) or forward basis (i.e., by entering into forward contracts to purchase or sell foreign currencies). Forward contracts are customized transactions that require a specific amount of a currency to be delivered at a specific exchange rate on a specific date or range of dates in the future. Forward contracts are generally traded in an interbank market directly between currency traders (usually large commercial banks) and their customers. The parties to a forward contract may agree to offset or terminate the contract before its maturity, or may hold the contract to maturity and complete the contemplated currency exchange.

According to the Registration Statement, the Fund may utilize certain currency management strategies involving forward contracts, as described below. The Fund may also use swap agreements, indexed securities, and options and futures contracts relating to foreign currencies for the same purposes. Forward contracts not calling for physical delivery of the underlying instrument will be settled through cash payments rather than through delivery of the underlying currency.

According to the Registration Statement, forward contracts may be used as a “settlement hedge” or “transaction hedge” designed to protect the Fund against an adverse change in foreign currency values between the date a security denominated in a foreign currency is purchased or sold and the date on which payment is made or received. Entering into a forward contract for the purchase or sale of the amount of foreign currency involved in an underlying security transaction for a fixed amount of U.S. dollars “locks in” the U.S. dollar price of the security. Forward contracts to purchase or sell a foreign currency may also be used to protect the Fund in anticipation of future purchases

or sales of securities denominated in foreign currency, even if the specific investments have not yet been selected.

According to the Registration Statement, the Fund may also use forward contracts to hedge against a decline in the value of existing investments denominated in a foreign currency. The Fund also may enter into forward contracts to shift its investment exposure from one currency into another. This may include shifting exposure from U.S. dollars to a foreign currency, or from one foreign currency to another foreign currency. This type of strategy, sometimes known as a “cross-hedge”, will tend to reduce or eliminate exposure to the currency that is sold, and increase exposure to the currency that is purchased, much as if the Fund had sold a security denominated in one currency and purchased an equivalent security denominated in another.<sup>32</sup>

According to the Registration Statement, the Fund may invest in options and futures relating to foreign currencies. Currency futures contracts are similar to forward currency exchange contracts, except that they are traded on exchanges (and have margin requirements) and are standardized as to contract size and delivery date. Most currency futures contracts call for payment or delivery in U.S. dollars. The underlying instrument of a currency option may be a foreign currency, which generally is purchased or delivered in exchange for U.S. dollars, or may be a futures contract. The purchaser of a

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<sup>32</sup> According to the Registration Statement, the Fund may cross-hedge its U.S. dollar exposure in order to achieve a representative weighted mix of the major currencies in its benchmark index and/or to cover an underweight country or region exposure in its portfolio. Cross-hedges protect against losses resulting from a decline in the hedged currency, but will cause the Fund to assume the risk of fluctuations in the value of the currency it purchases.

currency call obtains the right to purchase the underlying currency, and the purchaser of a currency put obtains the right to sell the underlying currency.

As described in the Registration Statement, the Fund may invest in exchange-listed futures.<sup>33</sup> The exchange-listed futures contracts in which the Fund may invest will have various types of underlying instruments, including specific assets or securities, baskets of assets or securities, commodities or commodities indexes, or indexes of securities prices or rates.

According to the Registration Statement, the Fund may invest in U.S. exchange-traded as well as over-the-counter (“OTC”) options.<sup>34</sup> Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of OTC options generally are established through negotiation with the other party to the option contract. The OTC options in which the Fund may invest will have various types of underlying instruments, including specific

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<sup>33</sup> According to the Registration Statement, in purchasing a futures contract, the buyer agrees to purchase a specified underlying instrument at a specified future date. In selling a futures contract, the seller agrees to sell a specified underlying instrument at a specified date. Futures contracts are standardized, exchange-traded contracts and the price at which the purchase and sale will take place is fixed when the buyer and seller enter into the contract. Some currently available futures contracts are based on specific securities or baskets of securities, some are based on commodities or commodities indexes (for funds that seek commodities exposure), and some are based on indexes of securities prices (including foreign indexes for funds that seek foreign exposure) or rates. In addition, some currently available futures contracts are based on Eurodollars. Positions in Eurodollar futures reflect market expectations of forward levels of three-month London Interbank Offered Rate (LIBOR) rates.

<sup>34</sup> Not more than 10% of the net assets of the Fund in the aggregate shall consist of futures contracts or exchange-traded options contracts whose principal market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

assets or securities, baskets of assets or securities, indexes of securities or commodities prices, and futures contracts (including commodity futures contracts).

According to the Registration Statement, the Fund may also buy and sell options on swaps (swaptions), which are generally options on interest rate swaps.<sup>35</sup> An option on a swap gives a party the right (but not the obligation) to enter into a new swap agreement or to extend, shorten, cancel or modify an existing contract at a specific date in the future in exchange for a premium.

As described in the Registration Statement, the Fund may hold swap agreements, a portion of which holdings may consist of cleared swaps.<sup>36</sup> The Fund may enter into, among other things, interest rate swaps (where the parties exchange a floating rate for a fixed rate)<sup>37</sup>, asset swaps (e.g., where parties combine the purchase or sale of a bond with an interest rate swap), total return swaps, and credit default swaps.

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<sup>35</sup> According to the Manager, the Fund may also enter into options on credit default swaps, credit default index swaps or interest rate swaps. Options on credit default swaps or credit default index swaps can be used to hedge the credit risk of the Fund. An option on an interest rate swap can be used to hedge the interest risk of the Fund.

<sup>36</sup> According to the Registration Statement, swap agreements are two-party contracts entered into primarily by institutional investors. Cleared swaps are transacted through futures commission merchants (FCMs) that are members of central clearinghouses with the clearinghouse serving as a central counterparty similar to transactions in futures contracts. In a standard “swap” transaction, two parties agree to exchange one or more payments based, for example, on the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments (such as securities, commodities, indexes, or other financial or economic interests). The underlier of a cleared swap will depend on the product being cleared. For a cleared interest rate swap, as with previously uncleared interest rate swaps, the underlier will be a designated interest rate indicator. According to the Registration Statement, to limit the counterparty risk involved in swap agreements, the Fund will enter into swap agreements only with counterparties that meet certain standards of creditworthiness.

<sup>37</sup> According to the Manager, an interest rate swap is a swap where one stream of

According to the Registration Statement, a total return swap is a contract whereby one party agrees to make a series of payments to another party based on the change in the market value of the assets underlying such contract (which can include a security or other instrument, commodity, index or baskets thereof) during the specified period. In exchange, the other party to the contract agrees to make a series of payments calculated by reference to an interest rate and/or some other agreed-upon amount (including the change in market value of other underlying assets). In total return swaps, the underlying asset, referred to as the reference asset, is usually a benchmark (e.g., Barclays CMBS Index), asset class or designated security. The Fund may use total return swaps to gain exposure to an asset without owning it or taking physical custody of it.

According to the Registration Statement, in a credit default swap, the credit default protection buyer makes periodic payments, known as premiums, to the credit default protection seller. In return the credit default protection seller will make a payment to the credit default protection buyer upon the occurrence of a specified credit event. A credit default swap can refer to a single issuer or asset, a basket of issuers or assets or index of assets, each known as the reference entity or underlying asset.<sup>38</sup>

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future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps often provide for the exchange of fixed rate payments for floating rate payments linked to a specified floating interest rate (most often the LIBOR) plus/minus a spread. Interest rate swaps can be used to limit or manage exposure to fluctuations in interest rates, or to obtain a marginally lower interest rate on a debt issuance hedged by the interest rate swap than it would have been able to get without the swap.

<sup>38</sup> A credit default index swap is similar to a credit default swap, but is a transaction on an index of single name entities. Again, the buyer of a credit default index swap receives credit protection on each name in the index and the seller of the swap takes on the risk of the creditworthiness of each name in the index. The buying or selling of protection on an index is an efficient way to adjust the overall exposure to a specific sector or subset of a sector rather than buying many single

According to the Registration Statement, the Fund may invest in lower-quality Debt Securities. Lower-quality Debt Securities include all types of debt instruments, including debt securities of foreign issuers, that have poor protection with respect to the payment of interest and repayment of principal, or may be in default.

According to the Registration Statement, the Fund may invest in preferred securities.<sup>39</sup> Preferred securities may take the form of preferred stock and represent an equity or ownership interest in an issuer that pays dividends at a specified rate and that has precedence over common stock in the payment of dividends. The Fund's investments in preferred securities generally are not expected to be exchange-listed. In the event an issuer is liquidated or declares bankruptcy, the claims of owners of bonds take precedence over the claims of those who own preferred and common stock.

As described in the Registration Statement, the Fund may invest in real estate investment trusts ("REITS"). According to the Manager, the Fund may invest in exchange-listed and non-exchange-listed REITs.

According to the Registration Statement, the Fund may invest in restricted securities, which are subject to legal restrictions on their sale. Restricted securities generally can be sold in privately negotiated transactions, pursuant to an exemption from registration under the 1933 Act, or in a registered public offering.

According to the Registration Statement, the Fund may engage in transactions with financial institutions that are, or may be considered to be, "affiliated persons" of the

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name credit default swaps to achieve a similar effect.

<sup>39</sup> According to the Manager, the Fund may invest in exchange-listed and non-exchange-listed preferred securities.

Fund under the 1940 Act. These transactions may involve repurchase agreements with custodian banks; short-term obligations of, and repurchase agreements with, the 50 largest U.S. banks (measured by deposits); municipal securities; U.S. Government securities with affiliated financial institutions that are primary dealers in these securities; short-term currency transactions; and short-term borrowings. In accordance with exemptive orders issued by the Commission, the Fund's Board of Trustees has established and periodically reviews procedures applicable to transactions involving affiliated financial institutions.

#### Limitations on Investments

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Manager or Sub-Advisers.<sup>40</sup> The Fund will monitor its portfolio liquidity

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<sup>40</sup> According to the Registration Statement, the Fund does not currently intend to purchase any security if, as a result, more than 10% of its net assets would be invested in securities that are deemed to be illiquid because they are subject to legal or contractual restrictions on resale or because they cannot be sold or disposed of in the ordinary course of business at approximately the prices at which they are valued.

For purposes of the Fund's illiquid assets limitation discussed above, if through a change in values, net assets, or other circumstances, the Fund were in a position where more than 10% of its net assets were invested in illiquid assets, it would consider appropriate steps to protect liquidity. According to the Registration Statement, various factors may be considered in determining the liquidity of the Fund's investments, including: (1) the frequency of trades and quotes for the security; (2) the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; (3) dealer undertakings to make a market in the security; and (4) the nature of the security and the nature of the marketplace in which it trades (including any demand, put or tender features, the mechanics and other requirements for transfer, any letters of credit or other credit enhancement features, any ratings, the number of holders, the method of soliciting offers, the time required to dispose of the security, and the ability to assign or offset the rights and obligations of the security).

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 the Fund's net assets are held in illiquid assets. 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>41</sup>

According to the Registration Statement, the Fund may not with respect to 75% of the Fund's total assets, purchase the securities of any issuer (other than securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, or securities of other investment companies) if, as a result, (a) more than 5% of the Fund's total assets would be invested in the securities of that issuer, or (b) the Fund would hold more than 10% of the outstanding voting securities of that issuer.<sup>42</sup>

According to the Registration Statement, the Fund may not purchase the securities of any issuer (other than securities issued or guaranteed by the U.S. Government or any

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<sup>41</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), footnote 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 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 1933 Act).

<sup>42</sup> The diversification standard is set forth in Section 5(b)(1) of the 1940 Act.

of its agencies or instrumentalities) if, as a result, more than 25% of the Fund's total assets would be invested in the securities of companies whose principal business activities are in the same industry.<sup>43</sup>

According to the Registration Statement, the Trust, on behalf of the Fund, will file with the National Futures Association a notice claiming an exclusion from the definition of the term "commodity pool operator" ("CPO") under the Commodity Exchange Act,<sup>44</sup> as amended, and the rules of the Commodity Futures Trading Commission ("CFTC") promulgated thereunder, with respect to the Fund's operation. Accordingly, neither the Fund nor its Manager will be subject to registration or regulation as a commodity pool or a CPO. However, the CFTC has adopted certain rule amendments that significantly affect the continued availability of this exclusion, and may subject advisers to funds to regulation by the CFTC. The Manager currently does not expect to register as a CPO of the Fund. However, there is no certainty that the Fund or its Sub-Advisers will be able to rely on an exclusion in the future as the Fund's investments change over time. The Fund may determine not to use investment strategies

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<sup>43</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).

According to the Registration Statement, for purposes of the Fund's concentration limitation discussed above, with respect to any investment in repurchase agreements collateralized by U.S. Government securities, FMR will look through to the U.S. Government securities. For purposes of the Fund's concentration limitation discussed above, FMR may analyze the characteristics of a particular issuer and security and assign an industry or sector classification consistent with those characteristics in the event that the third-party classification provider used by FMR does not assign a classification.

<sup>44</sup> 7 U.S.C. 1.

that trigger additional CFTC regulation or may determine to operate subject to CFTC regulation, if applicable.

Any foreign equity securities in which the Fund may invest will be limited to securities that trade in markets that are members of the Intermarket Surveillance Group (“ISG”), which includes all U.S. national securities exchanges and certain foreign exchanges, or are parties to a comprehensive surveillance sharing agreement with the Exchange.<sup>45</sup>

According to the Registration Statement, the Fund intends to qualify annually and to elect to be treated as a regulated investment company (“RIC”) under the Internal Revenue Code.<sup>46</sup>

#### Net Asset Value

According to the Registration Statement, the Fund’s net asset value (“NAV”) will be the value of a single Share. The NAV of the Fund will be computed by adding the value of the Fund’s investments, cash, and other assets, subtracting its liabilities, and dividing the result by the number of Shares outstanding.

The value of the Fund’s Shares bought and sold in the secondary market will be driven by market price. The price of these Shares, like the price of all traded securities, will be subject to factors such as supply and demand, as well as the current value of the portfolio securities held by the Fund. Secondary market Shares, available for purchase or sale on an intraday basis, do not have a fixed relationship either to the previous day’s

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<sup>45</sup> See, infra “Surveillance”. The Fund does not currently intend to invest in foreign equity securities.

<sup>46</sup> 26 U.S.C. 851.

NAV or to the current day's NAV. Prices in the secondary market, therefore, may be below, at, or above the most recently calculated NAV of such Shares.

According to the Registration Statement, the Fund's Board of Trustees has delegated day-to-day valuation oversight responsibilities to FMR. FMR has established the FMR Fair Value Committee ("FMR Committee") to fulfill these oversight responsibilities.

Generally, portfolio securities and assets held by the Fund will be valued as follows:

In computing the Fund's NAV, the Fund's Debt Securities (including defaulted debt<sup>47</sup>, but excluding exchange-traded convertible securities), restricted securities, OTC-traded REITs; OTC-traded preferred securities; and forward-settling securities (collectively, "OTC-Traded Securities") will be valued based on price quotations obtained from a broker-dealer who makes markets in such securities or other equivalent indications of value provided by a third-party pricing service. Any such third-party pricing service may use a variety of methodologies to value some or all such securities to determine the market price. For example, the prices of securities with characteristics similar to those held by the Fund may be used to assist with the pricing process. In addition, the pricing service may use proprietary pricing models. The Fund's OTC-Traded Securities will generally be valued at bid prices. In certain cases, some of the

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<sup>47</sup> According to the Manager, when a bond defaults and goes into bankruptcy, a market often continues to exist for the bond (normally at a steep discount to its face value). Buyers typically value the defaulted bond based on expected restructuring outcomes or liquidation distributions. Market quotations provided by broker-dealers or pricing services reflect these market indicators.

Fund's OTC-Traded Securities may be valued at the mean between the last available bid and ask prices.<sup>48</sup>

Debt securities with remaining maturities of sixty days or less for which market quotations and information furnished by a third party pricing service are not readily available will be valued at amortized cost, which approximates current value.

Exchange traded equity securities, including ETFs, ETPs, ETNs, ADRs, EDRs, and GDRs, as well as exchange-traded REITs, exchange-traded preferred securities, and exchange-traded convertible securities, will be valued at market value, which will generally be determined using the last reported official closing or last trading price on the exchange or market on which the security is primarily traded at the time of valuation or, if no sale has occurred, at the last quoted bid price on the primary market or exchange on which they are traded.

Investment company securities (other than ETFs), including money market funds, central funds, closed end investment companies, unit investment trusts and open- end investment companies will be valued at NAV.

Exchange-traded futures contracts will be valued at the settlement or closing price determined by the applicable exchange.

Exchange-traded option contracts, including options on futures and swaps, will be valued at their most recent sale price. If no such sales are reported, these contracts will be valued at their most recent bid price. In certain cases, some of the Fund's exchange-traded derivative securities may be valued at the mean between the last available bid and ask prices.

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<sup>48</sup> For example, foreign bonds for which a current bid price is not available will be valued at the mean between the last available bid and ask prices.

OTC-traded derivative instruments, including options, swaps, forwards and currency-related derivatives, will normally be valued on the basis of quotes obtained from a third party broker-dealer who makes markets in such securities or on the basis of quotes obtained from an independent third-party pricing service. The Fund's OTC-traded derivative instruments will generally be valued at bid prices. Certain OTC-traded derivative instruments, such as interest rate swaps and credit default swaps, are valued at the mean price.

Prices described above will be obtained from pricing services that have been approved by the Fund's Board of Trustees. A number of independent third party pricing services are available and the Fund may use more than one of these services. The Fund may also discontinue the use of any pricing service at any time. FMR will engage in oversight activities with respect to the Fund's pricing services, which includes, among other things, testing the prices provided by pricing services prior to calculation of the Fund's NAV, conducting periodic due diligence meetings, and periodically reviewing the methodologies and inputs used by these services.

Foreign securities and instruments will be valued in their local currency following the methodologies described above. Foreign securities, instruments and currencies will be translated to U.S. dollars, based on foreign currency exchange rate quotations supplied by a pricing service as of the close of the New York Stock Exchange ("NYSE"), which will use a proprietary model to determine the exchange rate.

Forward foreign currency exchange contracts will be valued at an interpolated rate based on days to maturity between the closest preceding and subsequent settlement

period. Such interpolated rates are derived from foreign currency exchange rate quotations reported by an independent third-party pricing service.

Other portfolio securities and assets for which market quotations, official closing prices, or information furnished by a pricing service are not readily available or, in the opinion of the FMR Committee, are deemed unreliable will be fair valued in good faith by the FMR Committee in accordance with applicable fair value pricing policies. For example, if, in the opinion of the FMR Committee, a security's value has been materially affected by events occurring before the Fund's pricing time but after the close of the exchange or market on which the security is principally traded, that security will be fair valued in good faith by the FMR Committee in accordance with applicable fair value pricing policies.

In fair valuing a security, the FMR Committee may consider factors including price movements in futures contracts and ADRs, market and trading trends, the bid/ask quotes of brokers, and off-exchange institutional trading.

#### Creation and Redemption of Shares

According to the Registration Statement, the Fund will issue and redeem Shares on a continuous basis at NAV per Share in aggregations of a specified number of Shares called "Creation Units." Creation Units generally will be issued in exchange for portfolio securities and/or cash. Shares trade in the secondary market at market prices that may differ from the Shares' NAV. Shares are not individually redeemable, but are redeemable only in Creation Unit aggregations, and in exchange for portfolio securities and/or cash. A Creation Unit of the Fund will consist of a block of 50,000 shares, which is subject to

change. Shareholders who are not “Authorized Participants” (as defined below) will not be able to purchase or redeem Shares directly with or from the Fund.

Purchases and redemptions of Creation Units may be made in whole or in part on a cash basis, rather than in-kind, under the circumstances set forth in the Exemptive Order.

The Trust will issue and redeem Shares of the Fund only in Creation Units on a continuous basis through FDC, without a sales load, at its NAV next determined after receipt, on any business day, of an order in proper form. To be eligible to place orders to purchase a Creation Unit of the Fund, an entity must be an Authorized Participant, which is either (i) a “Participating Party,” i.e., broker-dealer or other participant in the clearing process through the Continuous Net Settlement System of the National Securities Clearing Corporation (“NSCC”), a clearing agency that is registered with the Commission (the “Clearing Process”); or (ii) a Depository Trust Company (“DTC”) participant, and, in each case, must have executed an agreement with FDC, with respect to creations and redemptions of Creation Units (“Participant Agreement”). All Shares of the Fund, however created, will be entered on the records of DTC in the name of Cede & Co. for the account of a DTC participant.

The consideration for purchase of a Creation Unit generally will consist of an in-kind deposit of a designated portfolio of securities (“Deposit Securities”) together with a deposit of a specified cash payment (“Cash Component”) computed as described herein. Alternatively, the Fund may issue and redeem Creation Units in exchange for a specified all-cash payment (“Cash Deposit”). Together, the Deposit Securities and the Cash Component or, alternatively, the Cash Deposit, will constitute the “Portfolio Deposit,”

which represents the minimum initial and subsequent investment amount for a Creation Unit. In the event the Fund requires Deposit Securities and a Cash Component in consideration for purchasing a Creation Unit, the function of the Cash Component is to compensate for any differences between the NAV per Creation Unit and the Deposit Amount (as defined below). The Cash Component would be an amount equal to the difference between the NAV of the Shares (per Creation Unit) and the “Deposit Amount,” which is an amount equal to the market value of the Deposit Securities. A fixed transaction fee is applicable to each purchase of Creation Units, and an additional variable transaction fee may apply under certain circumstances.<sup>49</sup>

The Fund will make available through the NSCC on each business day, prior to the opening of trading on the NYSE (currently 9:30 a.m. Eastern time), the list of the names and the required number of shares of each Deposit Security and the amount of the Cash Component (or Cash Deposit) to be included in the current Portfolio Deposit (based on information at the end of the previous business day) for the Fund. Such Portfolio Deposit will be applicable, subject to any adjustments as described below, in order to effect purchases of Creation Units until such time as the next-announced Portfolio Deposit composition is made available.

Shares may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Fund through the transfer agent and only on a business day through an Authorized Participant that has entered into a Participant Agreement. FMR, through NSCC, will make available immediately prior to

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<sup>49</sup> An additional variable transaction charge will be imposed for purchases effected outside the Clearing Process, which would include purchases of Creation Units for cash and in-kind purchases where the investor is allowed to substitute cash in lieu of depositing a portion of the Deposit Securities.

the opening of trading on NYSE (currently 9:30 a.m. Eastern time) on each business day, the identity of the basket of securities (“Fund Securities”) that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form (as defined below) on that day.

All orders to purchase Creation Units of the Fund must be received by FDC or its agent no later than the closing time of regular trading hours on the NYSE (ordinarily 4:00 p.m. Eastern time), or one hour prior to the closing time (ordinarily 3:00 p.m. Eastern time) in the case of nonconforming orders,<sup>50</sup> in each case on the date such order is placed in order for the creation of Creation Units to be effected based on the NAV of Shares of the Fund as next determined on such date after receipt of the order in proper form.

The redemption proceeds for a Creation Unit generally will consist of an in-kind transfer Fund Securities - as announced by the Fund on the business day of the request for redemption received in proper form - plus cash in an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after a receipt of the request in proper form, and the value of the Fund Securities (“Cash Redemption Amount”), less a redemption transaction fee and any applicable variable fee. In the event that the Fund Securities have a value greater than the NAV of the Shares being redeemed,

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<sup>50</sup> A nonconforming order may be placed by an Authorized Participant in the event that the Fund permits the substitution of an amount of cash to be added to the Cash Component to replace any Deposit Security. The Fund reserves the right to permit the substitution of an amount of cash (i.e., a cash in lieu amount) to replace any Deposit Security which may, among other reasons, not be available in sufficient quantity for delivery, not be eligible for transfer through the systems of DTC, the Federal Reserve System or the clearing process, not be permitted to be re-registered in the name of the Trust as a result of an in-kind purchase order pursuant to local law or market convention, restricted under the securities laws or which may not be eligible for trading by an Authorized Participant or the investor for which it is acting.

a compensating cash payment to the Fund equal to the differential plus the applicable redemption transaction fee is required to be made by or through an Authorized Participant by the redeeming shareholder. Notwithstanding the foregoing, the Fund will substitute a cash-in-lieu amount to replace any Fund Security that is a non-deliverable instrument. Non-deliverable instruments will be part of the Cash Component.

An order to redeem Creation Units will be deemed received by the Fund on the transmittal date if such order is received in proper form by the transfer agent not later than 4:00 p.m. Eastern time (or one hour prior to the closing time (ordinarily 3:00 p.m. Eastern time) for nonconforming orders) on such transmittal date and other applicable requirements are met.

The right of redemption may be suspended or the date of payment postponed with respect to the Fund (i) for any period during which the NYSE is closed (other than customary weekend and holiday closings); (ii) for any period during which trading on the NYSE is suspended or restricted; (iii) for any period during which an emergency exists as a result of which disposal of the shares or determination of the Fund's NAV is not reasonably practicable; or (iv) in such other circumstances as is permitted by the Commission.

#### Availability of Information

The Trust's website ([www.fidelity.com](http://www.fidelity.com)), which will be publicly available, will include a form of the prospectus for the Fund that may be downloaded. The Trust's website will include additional quantitative information updated on a daily basis, including, on a per Share basis for the Fund, the prior business day's NAV and the market closing price or, if that is unavailable, the mid-point of the bid/ask spread at the

time of calculation of such NAV (the “Bid/Ask Price”),<sup>51</sup> and a calculation of the premium or discount of the market closing price, or if that is unavailable, the Bid/Ask Price against the NAV. On each business day, before commencement of trading in Shares in the “Core Trading Session” (9:30 a.m. Eastern time to 4:00 p.m. Eastern time) on the Exchange, the Fund will disclose on the Trust’s website the Disclosed Portfolio as defined in NYSE Arca Equities Rule 8.600 (c) (2) that will form the basis for the Fund’s calculation of NAV at the end of the business day.<sup>52</sup>

On a daily basis, the Fund will disclose for each portfolio security and other financial instrument of the Fund the following information: ticker symbol (if applicable), name of security or financial instrument, number of shares (if applicable) and dollar value of each of the securities and financial instruments held in the portfolio, and percentage weighting of the security and financial instrument in the portfolio. The website information will be publicly available at no charge.

Investors can also obtain the Trust’s Statement of Additional Information (“SAI”), the Fund’s Shareholder Reports, and its Form N-CSR and Form N-SAR, filed twice a year. The Trust’s SAI and Shareholder Reports are available free upon request from the Trust, and those documents and the Form N-CSR and Form N-SAR may be

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<sup>51</sup> The Bid/Ask Price of the Fund’s Shares will be determined using the mid-point 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 Fund and its service providers.

<sup>52</sup> Under accounting procedures followed by the Fund, trades made on the prior business day (“T”) will be booked and reflected in NAV on the current business day (“T+1”). Accordingly, the 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.

viewed on-screen or downloaded from the Commission's website at [www.sec.gov](http://www.sec.gov).

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. Information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers.

Quotation and last sale information for the Shares and underlying equity securities that are U.S. exchange listed, including ETFs, ETPs, ETNs, and ADRs and exchange-traded REITs, exchange-traded preferred securities, and exchange-traded convertible securities will be available via the Consolidated Tape Association ("CTA") high speed line. Quotation and last sale information for such U.S. exchange-listed securities, as well as futures will be available from the exchange on which they are listed. Quotation and last sale information for exchange-listed options will be available via the Options Price Reporting Authority.

Quotation information for OTC-Traded Securities, OTC-traded derivative securities (such as options, swaps, forwards and currency-related derivatives), and investment company securities (excluding ETFs), may be obtained from brokers and dealers who make markets in such securities or through nationally recognized pricing services through subscription agreements. The U.S. dollar value of foreign securities, instruments and currencies can be derived by using foreign currency exchange rate quotations obtained from nationally recognized pricing services.

In addition, the Portfolio Indicative Value, as defined in NYSE Arca Equities Rule 8.600 (c)(3), will be widely disseminated by one or more major market data vendors

at least every 15 seconds during the Core Trading Session.<sup>53</sup> The dissemination of the Portfolio Indicative Value, together with the Disclosed Portfolio, will allow investors to determine the approximate value of the underlying portfolio of the Fund on a daily basis and will provide a close estimate of that value throughout the trading day.

#### 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 the Fund.<sup>54</sup> Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in the securities and/or the financial instruments comprising the Disclosed Portfolio of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted.

#### Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m.

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<sup>53</sup> Currently, it is the Exchange's understanding that several major market data vendors display and/or make widely available Portfolio Indicative Values taken from the CTA or other data feeds.

<sup>54</sup> See NYSE Arca Equities Rule 7.12.

Eastern time in accordance with NYSE Arca Equities Rule 7.34 (Opening, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, Commentary .03, the minimum price variation (“MPV”) for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600. The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A-3<sup>55</sup> under the Act, as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares 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.<sup>56</sup>

### Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by 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>57</sup> The Exchange represents that

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<sup>55</sup> 17 CFR 240.10A-3.

<sup>56</sup> The term “Disclosed Portfolio” is defined in NYSE Arca Equities Rule 8.600(c)(2).

<sup>57</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.

these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.

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.

FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares and underlying exchange-traded options, futures, exchange-traded equity securities (including ADRs, EDRs and GDRs), and other exchange-traded instruments with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares and underlying exchange-traded options, futures, exchange-traded equity securities (including ADRs, EDRs and GDRs), and other exchange-traded instruments from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and underlying exchange-traded options, futures, exchange-traded equity securities (including ADRs, EDRs and GDRs), and other exchange-traded instruments from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.<sup>58</sup>

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<sup>58</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 for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by the Fund reported to FINRA's Trade Reporting and Compliance Engine ("TRACE").

Not more than 10% of the net assets of the Fund in the aggregate shall consist of futures contracts or exchange-traded options contracts whose principal market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

#### Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders in an Information Bulletin ("Bulletin") of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (2) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its Equity Trading Permit Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated Portfolio Indicative Value will not be calculated or publicly disseminated; (4) how information regarding the Portfolio Indicative Value is disseminated; (5) the requirement that Equity Trading Permit Holders 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 Bulletin will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Bulletin will discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act. The Bulletin will also disclose that the NAV for the Shares will be calculated after 4:00 p.m. Eastern time each trading day.

## 2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>59</sup> that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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 NYSE Arca Equities Rule 8.600. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares and underlying exchange-traded options, futures, exchange-traded equity securities (including ADRs, EDRs and GDRs), and other exchange-traded instruments with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in

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<sup>59</sup> 15 U.S.C. 78f(b)(5).

the Shares and underlying exchange-traded options, futures, exchange-traded equity securities (including ADRs, EDRs and GDRs), and other exchange-traded instruments from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares and underlying exchange-traded options, futures, exchange-traded equity securities (including ADRs, EDRs and GDRs), and other exchange-traded instruments from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by the Fund reported to FINRA's TRACE.

FMR normally will invest at least 80% of assets in investment-grade corporate bonds and other corporate debt securities. The Manager and the Sub-Advisers are affiliated with one or more broker-dealers and have implemented a fire wall with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Fund's portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding the portfolio. The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Manager or Sub-Adviser. Any foreign equity securities in which the Fund may invest will be limited to securities that trade in markets that are members of the ISG or parties to a comprehensive surveillance sharing agreement. The Fund will invest only in ADRs, EDRs and GDRs that are traded on an exchange that is a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. Not more

than 10% of the net assets of the Fund in the aggregate shall consist of futures contracts or exchange-traded options contracts whose principal market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

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 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 Fund and the Shares, thereby promoting market transparency. Quotation and last sale information for the Shares and underlying securities that are U.S. exchange listed, including ETFs, ETPs, ETNs, ADRs, EDRs, GDRs, exchange-traded REITs, exchange-traded preferred securities, and exchange-traded convertible securities, will be available via the CTA high speed line. Quotation and last sale information for such U.S. exchange-listed securities as well as futures will be available from the exchange on which they are listed. Quotation and last sale information for exchange-listed options will be available via the Options Price Reporting Authority. Quotation information from brokers and dealers or pricing services will be available for Debt Securities; restricted securities; OTC-traded REITs; OTC-traded preferred securities; OTC-traded derivative securities, including options, swaps, and currency-related derivatives; forwards; and investment company securities (other than ETFs).

Moreover, the Portfolio Indicative Value will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core

Trading Session. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Fund will disclose on the Trust's website the Disclosed Portfolio that will form the basis for the Fund's calculation of NAV at the end of the business day. The Trust's website will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Moreover, prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached 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 NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Portfolio 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 an additional type of actively-managed exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, as noted above, investors

will have ready access to information regarding the Fund's holdings, the Portfolio Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

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 purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of another actively-managed exchange-traded product 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

No written comments were solicited or received with respect to the proposed rule change.

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 (i) as the Commission may designate up to 90 days of such date 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 the 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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEARCA-2014-47 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NYSEARCA-2014-47. This file number should be included on the subject line if e-mail 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 website (<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 website viewing and printing in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549-1090. Copies of the filing will also be available for inspection and copying at the NYSE's principal office and on its Internet website at [www.nyse.com](http://www.nyse.com). 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-NYSEARCA-2014-47 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>60</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>60</sup> 17 CFR 200.30-3(a)(12).