SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-64690; File No. SR-NYSEArca-2011-17)

June 16, 2011

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change Relating to the Listing and Trading of the Madrona Forward Domestic ETF, Madrona Forward International ETF, and Madrona Forward Global Bond ETF

I. Introduction

On April 13, 2011, NYSE Arca, Inc. ("Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to list and trade shares ("Shares") of the Madrona Forward Domestic ETF, Madrona Forward International ETF, and Madrona Forward Global Bond ETF (each a "Fund," and, together, the "Funds") under NYSE Arca Equities Rule 8.600. The proposed rule change was published in the Federal Register on May 2, 2011.[3] The Commission received no comments on the proposal. This order grants approval of the proposed rule change.

II. Description of the Proposal

The Exchange proposes to list and trade the Shares pursuant to NYSE Arca Equities Rule 8.600. The Shares will be offered by the AdvisorShares Trust ("Trust"), a statutory trust organized under the laws of the State of Delaware and registered with the Commission as an open-end management investment company.[4] The investment advisor for the Funds is AdvisorShares

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 See Securities Exchange Act Release No. 64342 (April 26, 2011), 76 FR 24548 ("Notice").

4 The Trust is registered under the Investment Company Act of 1940 ("1940 Act"). On November 30, 2010, the Trust filed with the Commission Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) and under the 1940 Act relating to the Funds (File

Investments, LLC ("Adviser"). Madrona Funds LLC is the Funds' sub-adviser ("Sub-Adviser") and provides day-to-day portfolio management of the Funds. Foreside Fund Services, LLC ("Distributor") is the principal underwriter and distributor of the Funds' Shares. The Bank of New York Mellon Corporation ("Administrator") serves as administrator, custodian, and transfer agent for the Funds. The Exchange states that neither the Adviser nor the Sub-Adviser is affiliated with a broker-dealer.[5]

With respect to each of the Funds, the Sub-Adviser will employ a forward-looking fundamental investment process when making capital allocation decisions across investment strategies for the Funds. The underlying investment process for the Madrona Forward Domestic ETF and the Madrona Forward International ETF is based on a measure of forecasted earnings and projected growth relative to the price of the equities. The underlying investment process for the Madrona Forward Global Bond ETF is based on fundamental yield curve analysis and a measure of mean reversion for future expected yield curve trajectory. Each Fund will utilize a core investment allocation strategy seeking to replace what the Sub-Adviser's investment committee deems inefficient index methodologies for core investing that are prevalent in the marketplace. The Funds will invest in actively managed, broadly diversified portfolios and differ from most traditional indices in that the proportion, or weighting, of the securities in the

---

Nos. 333-157876 and 811-22110) ("Registration Statement"). The Trust has also filed an Application for an Order under Section 6(c) of the 1940 Act for exemptions from various provisions of the 1940 Act and rules thereunder (File No. 812-13677), dated May 6, 2010 ("Exemptive Application").

5 See Commentary .06 to NYSE Arca Equities Rule 8.600. The Exchange represents that, in the event (a) the Adviser or Sub-Adviser becomes newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser becomes affiliated with a broker-dealer, such adviser and/or sub-adviser will implement a fire wall with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

Funds are based on forward-looking fundamental analysis rather than only on market capitalization of such securities. Risk management guidelines will be employed to protect against dramatic over- or under-weighting of individual securities, reducing company specific risks.

Madrona Forward Domestic ETF

The investment objective of this Fund is to seek long-term capital appreciation above the capital appreciation of its benchmark, the S&P 500 Index. The Sub-Adviser will seek to achieve the Fund's investment objective primarily by selecting a portfolio of up to 500 of the largest U.S. exchange-traded equity securities.[6] The Sub-Adviser will select the securities for the Fund's portfolio using a weighted allocation system based on a consensus of analyst estimates of the present value of future expected earnings relative to the share price of each security. The Sub-Adviser's investment committee will meet on a bi-weekly basis to monitor the portfolio and make allocation decisions. The investment committee will use third-party analyst research and a proprietary fundamental process to make allocation decisions and employ guidelines to protect against dramatic over- or under-weighting of individual securities in the Fund's portfolio. The investment committee relies heavily on a stock's price and market cap relative to its future expected earnings in its analysis of individual securities. Changes to the Fund's portfolio will typically occur upon the reporting and analysis of individual securities through the earnings season and rely heavily on a stock's price and market cap relative to the future expected earnings.

The Fund will utilize the following investment process:

---

[6] The Fund may hold only equity securities traded in the U.S. on registered exchanges and will hold a minimum of 13 equity components.

Step 1: The Sub-Adviser will use third-party research consisting of analysis of the consensus analyst valuation estimates to drive the proprietary models that derive the present value of future expected earnings relative to the current stock price of each stock.

Step 2: The Sub-Adviser will review the data on a company-by-company basis, and the companies will be put in order from most attractive to least attractive, and the Fund will weigh these companies accordingly.

Step 3: Risk management guidelines will be established to allocate the total percentage invested in each quartile of securities. Thus, each group of up to 125 securities will receive a certain investment percentage within the Sub-Adviser's established guidelines, ensuring no dramatic over-weighting or under-weighting of individual securities.

Step 4: The Fund's portfolio will be consistently monitored when company-specific data is released, and the Sub-Adviser's models will be updated to drive allocation changes.

Madrona Forward International ETF

The investment objective of the this Fund is to seek long-term capital appreciation above the capital appreciation of its international benchmarks, the MSCI EAFE Index, the Fund's primary benchmark, and the BNY Mellon Classic ADR Index, the Fund's secondary benchmark. The Fund will select a portfolio primarily composed of U.S. exchange-listed American Depository Receipts ("ADRs") from among the largest issuers of Europe, Australasia and the Far East ("EAFE"), and Canada. The Fund's portfolio may also include U.S. exchange-listed equity securities of large-capitalization, non-U.S. issuers that provide exposure to certain markets deemed to be emerging markets. Securities are selected, weighted, and sold based upon the Sub-Adviser's proprietary investment process. The Sub-Adviser's investment committee will meet on a bi-weekly basis to monitor the portfolio and make allocation decisions. The investment committee will use third-party analyst research and a proprietary fundamental process to make allocation decisions. Changes to the Fund's portfolio will typically occur upon the reporting and analysis of individual securities through the earnings season and rely heavily on a security's price and market cap relative to future earnings.

The composition of the Fund's portfolio, on a continual basis, will be subject to the following:

(1) Component stocks, including component stocks underlying ADRs, that, in the aggregate, account for at least 90% of the weight of the portfolio, each shall have a minimum market value of at least $100 million;

(2) Component stocks, including component stocks underlying ADRs, that, in the aggregate, account for at least 70% of the weight of the portfolio, each shall have a minimum global monthly trading volume of 250,000 shares, or minimum global notional volume traded per month of $25,000,000, averaged over the last six months;

(3) A minimum of 20 component stocks, including component stocks underlying ADRs, of which the most heavily weighted component stock shall not exceed 25% of the weight of the portfolio, and the five most heavily weighted component stocks shall not exceed 60% of the weight of the portfolio; and

(4) Each non-U.S. equity security underlying ADRs held by the Fund will be listed and traded on an exchange that has last-sale reporting.

The Fund will utilize the following investment process:

Step 1: The Sub-Adviser will use third-party research consisting of analysis of the consensus analyst valuation estimates to drive the proprietary models that derive the present value of future expected earnings relative to the current stock price of each stock.

Step 2: The Sub-Adviser will review the data on a company-by-company basis, and the companies will be put in order from most attractive to least attractive, and the Fund will weigh these companies accordingly.

Step 3: Risk management guidelines will be established to allocate the total percentage invested in each quartile of securities. Each quartile will receive a certain investment percentage within the Sub-Adviser's established guidelines, ensuring no dramatic over-weighting or under-weighting of individual securities.

Step 4: The Fund's portfolio will be consistently monitored when company specific data is released, and the Sub-Adviser's models will be updated to drive allocation changes.

Madrona Forward Global Bond ETF

The investment of this Fund is to seek investment results that exceed the price and yield performance of its benchmark, the Barclays Capital Aggregate Bond Index. The Sub-Adviser will primarily select a portfolio of fixed income (bond) U.S. exchange-traded funds ("ETFs") and other U.S. exchange-traded products ("ETPs" and, together with ETFs, "Underlying ETPs"), including but not limited to, exchange-traded notes ("ETNs"), exchange-traded currency trusts, and exchange-traded commodity pools.[7] The Fund will invest in indexed Underlying ETPs that

[7] Underlying ETPs include Investment Company Units (as described in NYSE Arca Equities Rule 5.2(j)(3)); Index-Linked Securities (as described in NYSE Arca Equities Rule 5.2(j)(6)); Portfolio Depositary Receipts (as described in NYSE Arca Equities Rule 8.100); 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); Trust Units (as described in NYSE Arca Equities Rule 8.500); Managed Fund Shares (as described in NYSE Arca Equities Rule 8.600); and closed-end funds. The Underlying ETPs will be listed and traded in the U.S. on registered exchanges. The Madrona Forward Global Bond ETF may invest in the securities of Underlying ETPs consistent with the requirements of Section 12(d)(1) of the 1940 Act, or any rule, regulation, or order of the Commission or interpretation thereof. The Fund will only make such investments in conformity with the requirements of Section 817 of the Internal Revenue Code of 1986.

will invest in at least 12 distinct global bond classes, including, but not limited to, the following: Mortgage Backed/Agency; Investment Grade U.S. Corporate; Short-Term Treasury; Intermediate-Term Treasury; Long-Term Treasury; Inflation Protected Treasury (TIPS); High-Yield U.S. Corporate ; International Treasury; Convertible and Preferred; Emerging Markets; Municipal; International Investment Grade Corporate; International High Yield; and Build America Bonds. Each major bond category would have a three percent minimum percentage inclusion in the Fund's portfolio.

The Fund will invest in an Underlying ETP for each of the bond classes held in the portfolio. Changes to the Fund's portfolio typically occur upon the reporting and analysis of each bond category's risk assessment.

The Fund will utilize the following investment process:

Step 1: The Sub-Adviser will select an Underlying ETP for each bond category based on expense ratios and institutional strengths of each Underlying ETP provider to ensure efficient internal trading.

Step 2: The Sub-Adviser will use third-party research consisting of analysis of the historical class by class yield-curve analysis and how the curve stands in relation to the current yield-curve of the particular bond class. Based on the research, the Sub-Adviser will determine which bond classes will receive higher- and lower-than-average allocations as compared to typical bond indices.

Step 3: Risk management guidelines will be established to allocate the total percentage invested in each bond class. Each class will receive a minimum investment within the

---

The Underlying ETPs in which the Fund may invest will primarily be index-based ETFs that hold substantially all of their assets in securities representing a specific index.

Sub-Adviser's established guidelines, ensuring no dramatic over-weighting or under-weighting of individual bond categories.

Step 4: The Fund's portfolio will be consistently monitored when bond class data is released, and the Sub-Adviser's models will be updated to drive allocation changes.

Other Investments of the Funds

Each Fund may invest 100% of its total assets in short-term, high-quality debt securities and money market instruments either directly or through Underlying ETPs to respond to adverse market, economic, or political conditions.[8] A Fund may invest in such instruments for extended periods, depending on the Sub-Adviser's assessment of market conditions. These debt securities and money market instruments may include shares of other mutual funds, commercial paper, certificates of deposit, bankers' acceptances, U.S. Government securities, repurchase agreements, and bonds that are rated BBB or higher. The Funds also may invest in shares of REITs, which are pooled investment vehicles that invest primarily in real estate or real estate-related loans.

A Fund will not (i) with respect to 75% of its total assets, purchase securities of any issuer (except securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities, or shares of investment companies) if, as a result, more than 5% of its total assets would be invested in the securities of such issuer; or (ii) acquire more than 10% of the

---

8 Adverse market conditions would include large downturns in the broad market value of two or more times current average volatility, where the Sub-Adviser views such downturns as likely to continue for an extended period of time. Adverse economic conditions would include significant negative results in factors deemed critical at the time by the Sub-Adviser, including significant negative results regarding unemployment, Gross Domestic Product, consumer spending or housing numbers. Adverse political conditions would include events such as government overthrows or instability, where the Sub-Adviser expects that such events may potentially create a negative market or economic condition for an extended period of time.

outstanding voting securities of any one issuer. For purposes of this policy, the issuer of the underlying security will be deemed to be the issuer of any respective ADR.

A Fund will not invest 25% or more of its total assets in the securities of one or more issuers conducting their principal business activities in the same industry or group of industries. This limitation will not apply to investments in securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities, or shares of investment companies. Each Fund will not invest 25% or more of its total assets in any investment company that so concentrates. For purposes of this policy, the issuer of the underlying security will be deemed to be the issuer of any respective ADR.

The Funds will not purchase illiquid securities if, in the aggregate, more than 15% of their net assets would be invested in illiquid securities. Except for Underlying ETPs that may hold non-U.S. issues, the Funds will not otherwise invest in non-U.S.-registered issues. In addition, the Funds intend to qualify for treatment as a Regulated Investment Company under the Internal Revenue Code.

Pursuant to the terms of the Exemptive Application, the Funds will not invest in options contracts, futures contracts, or swap agreements. The Funds' investments will be consistent with each Fund's investment objective and will not be used to enhance leverage.

Additional information regarding the Trust, the Funds, and the Shares, the Funds' investment strategies, risks, creation and redemption procedures, fees, portfolio holdings and disclosure policies, distributions and taxes, availability of information, trading rules and halts, and surveillance procedures, among other things, can be found in the Notice and the Registration Statement, as applicable.[9]

---

[9] See Notice and Registration Statement, supra notes 3 and 4, respectively.

III. Discussion and Commission's Findings

The Commission has carefully reviewed the proposed rule change and finds that it is consistent with the requirements of Section 6 of the Act[10] and the rules and regulations thereunder applicable to a national securities exchange.[11] In particular, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,[12] which requires, among other things, that the Exchange's rules be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Commission notes that the Shares must comply with the requirements of NYSE Arca Equities Rule 8.600 to be listed and traded on the Exchange.

The Commission finds that the proposal to list and trade the Shares on the Exchange is consistent with Section 11A(a)(1)(C)(iii) of the Act,[13] which sets forth Congress' finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations for, and transactions in, securities. Quotation and last-sale information for the Shares will be available via the Consolidated Tape Association high-speed line. In addition, the Portfolio Indicative Value, as defined in NYSE Arca Equities Rule 8.600(c)(3), will be disseminated by the Exchange at least every 15 seconds during the Core Trading Session. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Funds will disclose on their website the Disclosed Portfolio, as defined in NYSE

---

10 15 U.S.C. 78f.

11 In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

12 17 U.S.C. 78f(b)(5).

13 15 U.S.C. 78k-1(a)(1)(C)(iii).

Arca Equities Rule 8.600(c)(2), that will form the basis for each Fund's calculation of the net asset value ("NAV") at the end of the business day.[14] The NAV of each of the Funds will be determined as of the close of the regular trading session on the New York Stock Exchange ("NYSE") (ordinarily 4:00 p.m. Eastern Time) on each business day. The intra-day, closing, and settlement prices of the portfolio securities are readily available from the national securities exchanges trading such securities, automated quotation systems, published or other public sources, or on-line information services such as Bloomberg or Reuters. In addition, a basket composition file, which includes the security names and share quantities required to be delivered in exchange for Fund shares, together with estimates and actual cash components, will be publicly disseminated daily prior to the opening of the NYSE via the National Securities Clearing Corporation. Information regarding market price and trading volume of the Shares is and will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and information regarding the previous day's closing price and trading volume information will be published daily in the financial section of newspapers. The Funds' website will also include a form of the prospectus for the Funds, information relating to NAV, and other quantitative and trading information.

The Commission further believes that the proposal to list and trade the Shares is reasonably designed to promote fair disclosure of information that may be necessary to price the Shares appropriately and to prevent trading when a reasonable degree of transparency cannot be assured. The Commission notes that the Exchange will obtain a representation from the issuer of the Shares

---

[14] On a daily basis, the Adviser will disclose for each portfolio security or other financial instrument of the Funds the following information: Ticker symbol (if applicable), name of security or financial instrument, number of shares or dollar value of financial instruments held in the portfolio, and percentage weighting of the security or financial instrument in the portfolio.

that the NAV will be calculated daily, and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.[15] In addition, the Exchange will halt trading in the Shares under the specific circumstances set forth in NYSE Arca Equities Rule 8.600(d)(2)(D), and may halt trading in the Shares if trading is not occurring in the securities and/or the financial instruments comprising the Disclosed Portfolio of the Funds, or if other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.[16] Further, the Commission notes that the Reporting Authority that provides the Disclosed Portfolio must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the actual components of the portfolio.[17] The Exchange states that neither the Adviser nor the Sub-Adviser is affiliated with a broker-dealer.[18]

---

15 See NYSE Arca Equities Rule 8.600(d)(2)(D).

16 See NYSE Arca Equities Rule 8.600(d)(2)(C)(ii). With respect to trading halts, the Exchange may consider other relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Funds. Trading in Shares of the Funds will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable.

17 See NYSE Arca Equities Rule 8.600(d)(2)(B)(ii).

18 See supra note 5. The Commission notes that an investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 ("Advisers Act"). As a result, the Adviser and Sub-Adviser 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

The Exchange represents that the Shares are deemed to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. In support of this proposal, the Exchange has made representations, including:

(1) The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600.

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

(3) The Exchange's surveillance 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 applicable federal securities laws.

(4) Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit ("ETP") Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Specifically, the Information Bulletin will discuss the following: (a) the procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (b) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (c) 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; (d) how information regarding the Portfolio Indicative Value is disseminated; (e) the requirement that ETP Holders deliver a prospectus to

---

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.

investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (f) trading and other information.

(5) For initial and/or continued listing, the Funds will be in compliance with Rule 10A-3 under the Act,[19] as provided by NYSE Arca Equities Rule 5.3.

(6) The Funds will not invest in non-U.S. equity securities (except for Underlying ETPs that may hold non-U.S. issues), options contracts, futures contracts, or swap agreements. In addition, the Funds' investments will be consistent with each Fund's investment objective and will not be used to enhance leverage.

(7) A minimum of 100,000 Shares of each Fund will be outstanding at the commencement of trading on the Exchange.

This approval order is based on the Exchange's representations.

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act[20] and the rules and regulations thereunder applicable to a national securities exchange.

---

[19] See 17 CFR 240.10A-3.

[20] 15 U.S.C. 78f(b)(5).

IV. Conclusion

IT IS THERFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[21] that the proposed rule change (SR-NYSEArca-2011-17) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[22]

Cathy H. Ahn
Deputy Secretary

---

21 15 U.S.C. 78s(b)(2).

22 17 CFR 200.30-3(a)(12).