SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73717; File No. SR-NYSEArca-2014-126)

December 2, 2014

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, Relating to the Listing and Trading of Shares of the AdvisorShares Pacific Asset Enhanced Floating Rate ETF under NYSE Arca Equities Rule 8.600

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the "Act")[2] and Rule 19b-4 thereunder,[3] notice is hereby given that, on November 19, 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 and II below, which Items have been prepared by the Exchange. On November 26, 2014, the Exchange filed Amendment No. 1 to the proposal.[4] The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment No. 1, 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"): AdvisorShares Pacific Asset Enhanced Floating Rate ETF. The text of the proposed rule change is available on the Exchange's website at

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

[2] 15 U.S.C. 78a.

[3] 17 CFR 240.19b-4.

[4] Amendment No. 1 amends the proposed rule change in the following ways: (1) specifies that the floating rate high yield corporate bonds in which the Fund invests generally must have a $100 million par amount outstanding at the time of investment; (2) clarifies that senior loans in which the Fund may invest includes leveraged loans; and (3) specifies that the U.S. exchange-traded futures contracts, U.S. exchange-traded options on futures contracts and U.S. exchange-traded put and call options in which the Fund invests will trade on exchanges that are members of the Intermarket Surveillance Group.

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 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 shares ("Shares") of the following under NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares[5]: AdvisorShares Pacific Asset Enhanced Floating Rate ETF ("Fund").[6] The Shares will be offered

5 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.

6 The Commission has approved listing and trading on the Exchange of a number of actively managed funds under Rule 8.600. See, e.g., Securities Exchange Act Release Nos. 69591 (May 16, 2013), 78 FR 30372 (May 22, 2013) (SR-NYSEArca-2013-33) (order approving Exchange listing and trading of International Bear ETF); 69061 (March 7, 2013), 78 FR 15990 (March 13, 2013) (SR-NYSEArca-2013-01) (order approving Exchange listing and trading of Newfleet Multi-Sector Income ETF); and 67277 (June 27, 2012), 77 FR 39554 (July 3, 2012) (SR-NYSEArca-2012-39) (order approving Exchange listing and trading of the Global Alpha & Beta ETF).

by AdvisorShares Trust (the "Trust"), a statutory trust organized under the laws of the State of Delaware and registered with the Securities and Exchange Commission (the "Commission") as an open-end management investment company.[7] The investment adviser to the Fund will be AdvisorShares Investments, LLC (the "Adviser"). Pacific Asset Management (the "Sub-Adviser")[8], will be the sub-advisor to the Fund, and is subject to the oversight of the Adviser and the Trust's Board of Directors ("Board"). Foreside Fund Services, LLC (the "Distributor") will be the principal underwriter and distributor of the Fund's Shares. The Bank of New York Mellon (the "Administrator") will serve as the administrator, custodian, transfer agent and fund accounting agent for the Fund.

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 shall 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. 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.[9] Commentary .06 to Rule 8.600 is similar to Commentary .03(a)(i) and (iii) to

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7 The Trust is registered under the 1940 Act. On June 25, 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) ("Securities Act") and under the 1940 Act relating to the Fund (File Nos. 333-157876 and 811-22110) ("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. 29291 (May 28, 2010) (File No. 812-13677) ("Exemptive Order").

8 Pacific Life Fund Advisors LLC, a registered adviser, conducts its fixed income asset management business under the name Pacific Asset Management.

9 An investment adviser to an open-end fund is required to be registered under the

NYSE Arca Equities Rule 5.2(j)(3); however, Commentary .06 in connection with the establishment of a "fire wall" between the investment adviser and the broker-dealer reflects the applicable open-end fund's portfolio, not an underlying benchmark index, as is the case with index-based funds. The Adviser is not registered as a broker-dealer or affiliated with a broker-dealer. The Sub-Adviser is not registered as a broker-dealer but is affiliated with Pacific Select Distributors, Inc., a registered broker-dealer.[10]

In the event (a) the Adviser or Sub-Adviser becomes, or becomes newly affiliated with, a broker-dealer, or (b) any new adviser or sub-adviser is, or becomes affiliated with, a broker-dealer, it will implement a fire wall with respect to its relevant personnel or broker-dealer affiliate, as applicable, regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

Investment Advisers Act of 1940 (the "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 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.

10 The Sub-Adviser represents that Pacific Select Distributors, Inc. is a limited purpose broker-dealer with a primary business purpose of serving as distributor for mutual funds and variable annuity products. Pacific Select Distributors, Inc. does not engage in any brokerage or trading activity.

Principal Investments

According to the Registration Statement, the Fund's investment objective will seek to provide a high level of current income.

Under normal circumstances,[11] the Fund will invest at least 80% of its net assets (plus any borrowings for investment purposes) in floating rate loans and other floating rate debt securities, derivatives or other instruments that have economic interests similar to such securities (each as described further below).

The Fund will attempt to achieve its investment objective through investments in a focused portfolio comprised primarily of senior secured floating rate loans ("Senior Loans"), floating rate high yield corporate bonds,[12] index credit default swap agreements, single name credit default swap agreements, total return swap agreements,[13] interest rate swap agreements

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[11] The term "under normal circumstances" 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.

[12] Senior Loans and floating rate high yield corporate bonds are instruments with interest rates which float, adjust or vary periodically based upon a benchmark indicator, a specified adjustment schedule, or prevailing interest rates. Senior Loans will generally be purchased from banks or other financial institutions through assignments or participations. A direct interest in a Senior Loan may be acquired directly from the agent of the lender or another lender by assignment or an indirect interest may be acquired as a participation in another lender's portion of a Senior Loan.

[13] Index Credit default swaps (CDX) can be used to gain exposure to a basket of credit risk by selling protection against default or other credit events or by buying protection in order to hedge broad market credit risk. Single name credit default swaps (CDS) can be used to allow the Fund to increase or decrease exposure to specific issuers through lower trading costs. Total return swaps (TRS) are contracts to obtain the total return of a reference asset or index in exchange for paying a financing cost. Interest rate swaps (IRS) are agreements between two parties to exchange one stream of interest payments for another. Each of these swaps is a type of derivative instrument, a financial contract whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to bonds, loans, interest rates and related indexes. CDX,

and cash.[14] The Fund will invest in Senior Loans that the Adviser or the Sub-Adviser deems to be highly liquid with readily available prices. The Fund will invest in Senior Loans rated C or higher by a credit rating agency registered as a nationally recognized statistical rating organization ("NRSRO") with the Commission (for example, Moody's Investor Service, Inc.), or is unrated but considered to be of comparable quality by the Adviser or Sub-Adviser. The Fund will not invest in Senior Loans that are in default at the time of purchase. In addition, for investment purposes, the Senior Loan must have a par amount outstanding of $150 million or greater at the time the loan is originally issued.[15] Floating rate high yield corporate bonds in which the Fund invests generally must have $100 million or more par amount outstanding at the time of investment.

According to the Fund's Registration Statement, the Fund generally will invest in Senior Loans (including leveraged loans) that may be in the form of participations and assignments. A direct interest in a Senior Loan may be acquired directly from the agent of the lender or another

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CDS, TRS and IRS are collectively referred to in the "Principal Investments" section of this filing as "swap agreements." The Fund will typically use exchange-traded and over-the-counter ("OTC") swap agreements as (i) a method to enhance returns; (ii) a substitute for taking a position in the underlying asset; and, (iii) as a part of a strategy designed to reduce exposure to other risks. To limit potential risks associated with such transactions, the Fund will segregate assets determined to be liquid by the Sub-Adviser in accordance with the 1940 Act to cover its obligations under derivative instruments. The Fund will include appropriate risk disclosure in its offering documents, including leveraging risk. The use of swap agreements will increase the Fund's net exposure to a particular issue, fixed income markets or the financial markets generally.

[14] In pursuing its investment objective, the Fund will seek to outperform the Credit Suisse Institutional Leveraged Loan Index (the "Index").

[15] The Commission previously has approved listing and trading on NYSE Arca of an issue of Managed Fund Shares that primarily holds senior loans that include leveraged loans. See Securities Exchange Act Release No. 69244 (March 27, 2013), 78 FR 19766 (April 2, 2013) (SR-NYSEArca-2013-08) (order approving listing and trading of SPDR Blackstone/GSO Senior Loan ETF under NYSE Arca Equities Rule 8.600).

lender by assignment or an indirect interest may be acquired as a participation in another lender's portion of a Senior Loan.

Generally, secured Senior Loans are secured by specific assets of the borrower. Senior Loans, and some floating rate high yield corporate bonds, are debt instruments that may have a right to payment that is senior to most other debts of the borrowers. Borrowers may include corporations, partnerships and other entities that operate in a variety of industries and geographic regions. Senior Loans in which the Fund will invest consist of domestic issuers and U.S. dollar denominated foreign issuers.

Senior Loans and floating rate high yield corporate bonds in which the Fund intends to invest are expected to be rated below investment grade (i.e., high yield/high risk securities, sometimes called non-investment grade securities)[16] or, may not be rated by any nationally recognized rating service, and if unrated, of comparable quality as determined by the Sub-Adviser.

Investment Characteristics

According to the Registration Statement, the Sub-Adviser's selection process will start with a top-down market analysis and will be complemented by bottom-up security selection. The strategy will aim to provide exposure to the most liquid segment of the bank loan marketplace. In general, the investable universe will be comprised of the largest loans in the Index. The factors considered by the Sub-Adviser when determining liquidity specifically for loans may include the frequency of trading or quotes, the number of dealers in the market willing

16 Non-investment-grade securities, also referred to as "high yield securities" or "junk bonds," are debt securities that are rated lower than the four highest rating categories by a nationally recognized statistical rating organization (for example, lower than Baa3 by Moody's Investors Service, Inc. ("Moody's") or lower than BBB- by Standard & Poor's ("S&P")) or are determined to be of comparable quality by the Fund's Sub-Adviser.

to purchase or sell the loan, trading volume, the nature of the security, and the market for the security including prospects for future demand for the loan.

Once the Sub-Adviser has determined the investable universe, both the macro-economic environment and technical factors that could materially impact the credit markets are assessed. The Sub-Adviser then will determine an overall target of portfolio risk and leverage to employ for the near term.

Once the Sub-Adviser has determined the target risk and investable universe, the Sub-Adviser will construct what is believed to be the most effective mix of investments in accordance with the overall portfolio guidelines. As a result, investments with the most favorable risk/reward analyses will tend to have a greater representation or leverage in the Fund's portfolio. Due to the nature of the exchange-traded fund ("ETF") structure and liquidity requirements, the portfolio will place a higher value on liquidity relative to products without such a requirement. The portfolio will be diversified by industry and issuer, with no individual issuer representing more than 5% of the portfolio. The typical duration positioning will be between 0.25 years to 0.75 years as determined by the Sub-Adviser.[17]

Once an investment is made, monitoring will take place each business day. Portfolio values will be monitored through daily third-party pricing. Credit updates will be captured through the Sub-Adviser's research system. This system will serve as a centralized credit hub for the Sub-Adviser's research team. The system will aggregate information such as portfolio holdings, outlooks, analyst comments, and investment theses for the portfolio management,

[17] Duration is a measure used to determine the sensitivity of a security's price to changes in interest rates. The longer a security's duration, the more sensitive it will be to changes in interest rates.

operations, and credit teams. Investments will be sold based upon relative value opportunities or changes in corporate fundamentals.

An investment will generally be sold when the issue no longer offers relative value or an adverse change in corporate or sector fundamentals has occurred.

Leverage

To seek an increase in yield, the Fund expects to employ leverage to enhance potential return. The Fund may use leverage by (i) borrowing money, up to the maximum amount permitted under the 1940 Act, for investment purposes normally on a floating rate basis or (ii) through swap agreements. The timing and terms of leverage will be determined by the Sub-Adviser's ETF Investment Committee.

The Fund's investments in swap agreements will be made in accordance with the 1940 Act and consistent with the Fund's investment objective and policies.[18]

The Fund's assets that are not invested directly in floating rate loans, floating rate high yield corporate bonds or swap agreements will be held in cash or cash equivalents, including money market instruments and exchange traded products ("ETPs")[19] that invest in these and other highly liquid instruments, in order to cover its obligations under certain swap agreements. The larger the value of the Fund's derivative positions, the more the Fund will be required to maintain cash or cash equivalents as collateral for such derivatives.

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18 The Fund will seek, where possible, to use counterparties whose financial status is such that the risk of default is reduced; however, the risk of losses resulting from default is still possible. The Sub-Adviser will evaluate the creditworthiness of counterparties on an ongoing basis. In addition to information provided by credit agencies, the Sub-Adviser evaluates each approved counterparty using various methods of analysis, including earning updates, a broker-dealer's reputation, the Sub-Adviser's past experience with the broker-dealer, a counterparty's liquidity and its share of market participation.

19 See note 23, infra.

Other (Non-Principal) Investments

According to the Registration Statement, while the Fund, under normal circumstances, will invest at least 80% of its net assets in securities and financial instruments described above, the Fund may invest up to 20% of its net assets in the following securities and financial instruments.[20]

The Fund may invest in debt securities (other than those described in the Principal Investments section above), which are securities consisting of a certificate or other evidence of a debt (secured or unsecured) on which the issuing company or governmental body promises to pay the holder thereof a fixed, variable, or floating rate of interest for a specified length of time, and to repay the debt on the specified maturity date.

Debt securities include investment-grade securities, non-investment-grade securities, and unrated securities. Selection of such debt securities will generally be dependent on an independent analysis performed by the Sub-Adviser.

Debt securities in which the Fund may invest consist of the following:

- Bank Obligations of domestic and foreign banks, which may include certificates of deposit, commercial paper,[21] bankers' acceptances, and fixed time deposits. The Fund will not invest in fixed time deposits which (i) are not subject to prepayment; or (ii) provide for withdrawal penalties upon prepayment, if in the aggregate, more than 15% of its net assets would be invested in such deposits,

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20 Unless otherwise indicated, the Fund may invest up to 20% of its net assets in the types of investments referenced below in this section, subject to the limitations imposed by the Fund's investment objective, policies, and restrictions described in the Fund's Registration Statement, as well as the federal securities laws.

21 Commercial paper is a short-term obligation with a maturity ranging from one to 270 days issued by banks, corporations and other borrowers. The Fund may invest in commercial paper rated A-1 or A-2 by S&P or Prime-1 or Prime-2 by Moody's.

repurchase agreements with remaining maturities of more than seven days or other illiquid assets;

- Corporate Debt, which are debt securities issued by businesses to finance their operations and consist of notes, corporate bonds, high yield bonds, debentures and commercial paper. The Fund may invest in corporate debt issued by domestic or foreign companies of all kinds, including those with small-, mid- and large-capitalizations. The Fund may also invest in corporate debt securities which are representative of one or more high yield bond or credit derivative indices, which may change from time to time;
- Asset-backed securities ("ABS") are instruments created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans. ABS are issued through special purpose vehicles that are bankruptcy remote from the issuer of the collateral. The Fund may invest in ABS provided such securities are consistent with the Fund's investment objectives and policies. The Fund will not invest more than 5% of its net assets in non-agency ABS;
- Mortgage Backed Securities ("MBS") and mortgage-related securities, which are interests in pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations. The Fund also may invest in debt instruments which are secured with collateral consisting of mortgage-related securities. The Fund will not

invest, however, more than 5% of its net assets in mortgage-related securities;

- Inflation-indexed bonds, which are debt securities whose principal value is periodically adjusted according to the rate of inflation;
- Floating rate loans (other than those described in the Principal Investments section above) consisting of (i) unsecured senior loans and (ii) secured and unsecured subordinated loans, second lien loans and subordinated bridge loans ("Junior Loans").[22] Unsecured senior loans and Junior Loans are subject to the same general risks of Senior Loans; however, due to their lower place in the borrower's capital structure and possible unsecured status, unsecured senior loans and Junior Loans involve a higher degree of overall risk than Senior Loans of the same borrower; and,
- U.S. government securities, which are securities issued or guaranteed by the U.S. government or its agencies or instrumentalities. U.S. government securities consist of U.S. Treasury bills, U.S. Treasury notes, U.S. Treasury bonds, obligations issued by U.S. government agencies and instrumentalities which are supported by (i) the full faith and credit of the U.S. Treasury, (ii) the discretionary authority of the U.S. government, or (iii) the right of the issuer to borrow from the U.S. Treasury, and separately traded principal and interest components of securities guaranteed or issued by the U.S. government or its agencies, instrumentalities or sponsored enterprises if such components trade independently

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22 The Fund will invest in Junior Loans the Adviser or Sub-Adviser deems to be highly liquid with readily available prices. The Fund will invest in Junior Loans rated C or higher by a NRSRO, or is unrated but considered to be of comparable quality by the Adviser or Sub-Adviser. The Fund will not invest in Junior Loans that are in default at time of purchase. In addition, for investment purposes, the Junior Loan must have a par amount outstanding of $150 million or greater at the time the loan is originally issued.

under the Separate Trading of Registered Interest and Principal of Securities program ("STRIPS") or any similar program sponsored by the U.S. government, or U.S. Treasury zero-coupon bonds, which are U.S. Treasury bonds which have been stripped of their unmatured interest coupons, the coupons themselves, and receipts or certificates representing interests in such stripped debt obligations and coupons.

The Fund may invest in issuers located outside the United States directly, or in financial instruments, ETFs or other ETPs that are indirectly linked to the performance of foreign issuers.[23] Such financial instruments consist of American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs"), European Depositary Receipts ("EDRs"), International Depository Receipts ("IDRs"), "ordinary shares," and "New York shares" issued and traded in the U.S.[24]

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[23] For purposes of this proposed rule change, 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); and Managed Fund Shares (as described in NYSE Arca Equities Rule 8.600). The ETPs all will be listed and traded in the U.S. on registered exchanges. The Fund will invest in the securities of ETFs registered under the 1940 Act 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 ETF investments in conformity with the requirements of Regulation M of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). While the Fund may invest in inverse ETPs, the Fund will not invest in leveraged or inverse leveraged ETPs (e.g., 2X or 3X).

[24] ADRs are U.S. dollar denominated receipts typically issued by U.S. banks and trust companies that evidence ownership of underlying securities issued by a foreign issuer. The underlying securities may not necessarily be denominated in the same currency as the securities into which they may be converted. The underlying securities are held in trust by a custodian bank or similar financial institution in the issuer's home country. The

The Fund may trade U.S. exchange-traded futures contracts, U.S. exchange-traded or OTC options on futures contracts, and U.S. exchange-traded or OTC put and call options on securities and securities indices, as the Sub-Adviser determines is appropriate in seeking the Fund's investment objective, and except as restricted by the Fund's investment limitations. The Fund may purchase futures contracts and options to protect against a decline in the market value of the securities in its portfolio or to anticipate an increase in the market value of securities that the Fund may seek to purchase in the future. In addition, the Fund may sell futures contracts or write covered call options as a means of increasing the yield on its assets and as a means of providing limited protection against decreases in its market value. U.S. exchange-traded futures contracts, U.S. exchange-traded options on futures contracts and U.S. exchange-traded put and call options in which the Fund invests will trade on exchanges that are members of ISG.

The Fund may invest in structured notes, which are debt obligations that also contain an embedded derivative component with characteristics that adjust the obligation's risk/return

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depositary 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. Generally, ADRs in registered form are designed for use in domestic securities markets and are traded on exchanges or OTC in the U.S. GDRs, EDRs, and IDRs are similar to ADRs in that they are certificates evidencing ownership of shares of a foreign issuer; however, GDRs, EDRs, and IDRs may be issued in bearer form and denominated in other currencies, and are generally designed for use in specific or multiple securities markets outside the U.S. EDRs, for example, are designed for use in European securities markets while GDRs are designed for use throughout the world. Ordinary shares are shares of foreign issuers that are traded abroad and on a U.S. exchange. New York shares are shares that a foreign issuer has allocated for trading in the U.S. ADRs, ordinary shares, and New York shares all may be purchased with and sold for U.S. dollars, which protects the Fund from the foreign settlement risks described below. ADRs may be sponsored or unsponsored, but unsponsored ADRs will not exceed 10% of the Fund's net assets. Not more than 10% of the net assets of the Fund in the aggregate invested in equity securities (other than non-exchange-traded investment company securities) shall consist of equity securities whose principal market is not a member of the Intermarket Surveillance Group ("ISG") or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. See note 40, infra.

profile. Generally, the performance of a structured note will track that of the underlying debt obligation and the derivative embedded within it. The Fund has the right to receive periodic interest payments from the issuer of the structured notes at an agreed-upon interest rate and a return of the principal at the maturity date.

The Fund may invest in exchange-traded equity securities that represent ownership interests in a company or partnership and that consist of common stocks, preferred stocks, warrants to acquire common stock, securities convertible into common stock, investments in master limited partnerships, and rights.

The Fund may invest in the securities of other investment companies to the extent that such an investment would be 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.

Consistent with the restrictions discussed above, the Fund may invest in several different types of investment companies from time to time, including mutual funds, ETFs, exchange and OTC-traded closed-end funds, and exchange and OTC-traded BDCs, when the Adviser or the Sub-Adviser believes such an investment is in the best interests of the Fund and its shareholders. For example, the Fund may elect to invest in another investment company when such an investment presents a more efficient investment option than buying securities individually. The Fund also may invest in investment companies that are included as components of an index, such as business development companies ("BDCs"), to seek to track the performance of that index. A BDC is a less common type of closed-end investment company that more closely resembles an operating company than a typical investment company. Investment companies may include index-based investments, such as ETFs that hold substantially all of their assets in securities representing a specific index as well as ETFs that are actively managed.

The Fund may invest in the securities of exchange and OTC-traded pooled investment vehicles that are not investment companies and, thus, not required to comply with the provisions of the 1940 Act. These pooled vehicles typically hold commodities, such as gold or oil, currency, or other property that is itself not a security.[25]

The Fund may enter into repurchase agreements with financial institutions, which may be deemed to be loans. It is the current policy of the Fund not to invest in repurchase agreements that do not mature within seven days if any such investment, together with any other illiquid assets held by the Fund, amounts to more than 15% of the Fund's net assets. The investments of the Fund in repurchase agreements, at times, may be substantial when, in the view of the Sub-Adviser, liquidity or other considerations so warrant.

The Fund may engage in short sales transactions in which the Fund sells a security it does not own.

The Fund may utilize swap agreements, other than those referenced in the Principal Investments section above, in an attempt to gain exposure to the securities in a market without actually purchasing those securities, or to hedge a position. Such swap agreements consist of interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap," interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified level, or "floor;" and interest rate collars, under

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[25] Exchange-traded pooled investment vehicles 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).

which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels.

Investment Restrictions

According to the Registration Statement, the Fund may 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 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 depositary receipt;[26] or

(ii) [sic] 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 does not apply to investments in securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, or shares of investment companies. The Fund will not invest 25% or more of its total assets in any investment company that so concentrates.[27]

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

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26 The diversification standard is set forth in Section 5(b)(1) of the 1940 Act. See note 24, supra, regarding depositary receipts that the Fund may hold.

27 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).

Adviser or Sub-Adviser,[28] in accordance with Commission guidance. The Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of 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.[29]

To respond to adverse market, economic, political or other conditions, the Fund may invest up to 100% of its total assets, without limitation, in debt securities and money market instruments, either directly or through ETPs (see supra note 23). The Fund may be invested in this manner for extended periods, depending on the Sub-Adviser's assessment of market conditions. For purposes of this paragraph, debt securities and money market instruments include

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[28] In reaching liquidity decisions, the Adviser or Sub-Adviser may consider the following factors: the frequency of trades and quotes for the security; the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; and the nature of the security and the nature of the marketplace in which it trades (e.g., the time needed to dispose of the security, the method of soliciting offers and the mechanics of transfer).

[29] 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 Securities Act).

shares of mutual funds, commercial paper, certificates of deposit, bankers' acceptances, U.S. government securities, repurchase agreements and bonds that are rated BBB or higher.

According to the Registration Statement, the Fund will seek to qualify for treatment as a Regulated Investment Company ("RIC") under the Internal Revenue Code.[30]

The Fund's investments will be consistent with its investment objective and will not be used to provide multiple returns of a benchmark or to produce leveraged returns. The Fund's investments will not be used to seek performance that is the multiple or inverse multiple (i.e., 2Xs and 3Xs) of the Fund's primary broad-based securities benchmark index (as defined in Form N-1A).[31]

Net Asset Value

The NAV per Share of the Fund will be computed by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of Shares of the Fund outstanding, rounded to the nearest cent. Expenses and fees, including without limitation, the management, administration and distribution fees, are accrued daily and taken into account for purposes of determining NAV per Share. The NAV per Share for the Fund will be calculated by the Administrator and 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 day that such exchange is open.

In computing the Fund's NAV, the Fund's securities holdings will be valued based on their last readily available market price. Price information on listed securities, including ETPs in which the Fund invests, will be taken from the exchange where the security is primarily traded.

[30] 26 U.S.C. 851.

[31] The Fund's broad-based securities benchmark index will be identified in a future amendment to the Registration Statement following the Fund's first full calendar year of performance.

Other portfolio securities and assets for which market quotations are not readily available or determined to not represent the current fair value will be valued based on fair value as determined in good faith by the Fund's Sub-Adviser in accordance with procedures adopted by the Board.

U.S. exchange-traded options, exchange-traded swaps and exchange-traded closed end funds will be valued at the closing settlement price determined by the applicable exchange. Exchange-traded equity securities, including common stocks, preferred stocks, warrants, convertible securities, rights, pooled investment vehicles, exchange-traded BDC's, master limited partnerships, ETPs, sponsored ADRs, GDRs, EDRs, IDRs, ordinary shares, and New York shares (collectively, "Exchange-traded Equity") 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. If market prices are unavailable or the Fund believes that they are unreliable, or when the value of a security has been materially affected by events occurring after the relevant market closes, the Fund will price those securities at fair value as determined in good faith using methods approved by the Trust's Board.

Unsponsored ADRs, which are traded OTC, will be valued on the basis of the market closing price on the exchange where the stock of the foreign issuer that underlies the ADR is listed. Investment company securities (other than ETFs, exchange-traded closed-end funds and exchange-traded BDCs), including mutual funds, OTC-traded closed-end funds, and OTC-traded BDCs, will be valued at net asset value. Non-exchange-traded derivatives, including swaps, options traded OTC, options on futures traded OTC, and certain structured notes, will normally be valued on the basis of quotes obtained from brokers and dealers or pricing services using data reflecting the earlier closing of the principal markets for those assets. Prices obtained from independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics.

Futures contracts will be valued at the settlement or closing price determined by the applicable exchange.

Debt securities, floating rate loans, other floating rate debt securities, Senior Loans, Junior Loans, U.S. Treasury securities, OTC-traded pooled investment vehicles, other obligations issued or guaranteed by U.S. government agencies and instrumentalities, STRIPs, zero-coupon bonds, bank obligations, corporate debt securities, ABS, mortgage-backed securities, mortgage-related securities, commercial paper, repurchase agreements, inflation-indexed bonds, certificates of deposits, bankers' acceptances, and certain structured notes (collectively, "OTC-traded Securities") generally trade in the OTC market rather than on a securities exchange. The Fund will generally value OTC-traded Securities by relying on independent pricing services. The Fund's pricing services will use valuation models or matrix pricing to determine current value. In general, pricing services use information with respect to comparable bond and note transactions, quotations from bond dealers or by reference to other securities that are considered comparable in such characteristics as rating, interest rate, maturity date, option adjusted spread models, prepayment projections, interest rate spreads and yield curves. Matrix price is an estimated price or value for a fixed-income security. Matrix pricing is considered a form of fair value pricing. The Fund's debt securities will generally be valued at bid prices. In certain cases, some of the Fund's debt securities may be valued at the mean between the last available bid and ask prices.

Foreign exchange rates will be priced using 4:00 p.m. (Eastern Time) mean prices from major market data vendors.

Creation and Redemption of Shares

According to the Registration Statement, the Fund will issue and redeem Shares on a continuous basis at NAV in aggregated lots which shall initially be of 25,000 Shares (each, a "Creation Unit").

All orders to create or redeem Creation Units must be received by the Distributor no later than 3:00 p.m., Eastern Time in order for the creation or redemption of Creation Units to be effected based on the NAV of Shares of the Fund as next determined on such date.

The Fund typically will issue and redeem Creation Units principally for cash, calculated based on the NAV per Share, multiplied by the number of Shares representing a Creation Unit ("Deposit Cash"), plus a fixed and/or variable transaction fee; however, the Trust reserves the right to permit or require Creation Units to be issued in exchange for the Deposit Securities together with the Cash Component, described below. [32]

The consideration for purchase of a Creation Unit of each Fund generally will consist of an in-kind deposit of a designated portfolio of securities – the "Deposit Securities" – per each Creation Unit constituting a substantial replication, or a representation, of the securities included in the Fund's portfolio and an amount of cash – the "Cash Component." Together, the Deposit Securities and the Cash Component will constitute the "Fund Deposit," which represents the minimum initial and subsequent investment amount for a Creation Unit of the Fund. The Cash Component is an amount equal to the difference between the NAV of the Shares of the Fund (per Creation Unit) and the market value of the Deposit Securities.

[32] The Adviser represents that, to the extent the Trust effects the creation of Shares in cash, such transactions will be effected in the same manner for all authorized participants.

In addition, the Trust reserves the right to permit or require the substitution of an amount of cash – i.e., a "cash in lieu" amount – to be added to the Cash Component to replace any Deposit Security which may not be available in sufficient quantity for delivery or which may not be eligible for transfer through the clearing process, or which may not be eligible for trading by an authorized participant or the investor for which it is acting.

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 Administrator and only on a business day. The Trust will not redeem Shares of the Fund in amounts less than Creation Units. Unless cash redemptions are available or specified, the redemption proceeds for a Creation Unit generally will consist of the "Fund Securities" – as announced by the Administrator 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 a request in proper form, and the value of the Fund Securities, less a redemption transaction fee.

The Administrator, through the National Securities Clearing Corporation ("NSCC"), will make available immediately prior to the opening of business on the Exchange (currently 9:30 a.m., Eastern Time) on each business day, the Fund Securities, Deposit Securities and Fund Deposit, that will be applicable to creation and redemption requests received in proper form on that day as well as the estimated Cash Component.

According to the Registration Statement, if it is not possible to effect deliveries of the Fund Securities, for example if the investor is not able to accept delivery, the Trust may in its discretion exercise its option to redeem Shares of the Fund in cash, and the redeeming beneficial owner will be required to receive its redemption proceeds in cash. In addition, an investor may request a redemption in cash which the Fund may, in its sole discretion, permit.[33] In either case, the investor will receive a cash payment equal to the NAV of its Shares based on the NAV of Shares of the Fund next determined after the redemption request is received in proper form (minus a redemption transaction fee and additional charge for requested cash redemptions, as described in the Registration Statement). The Fund may also, in its sole discretion, upon request of a shareholder, provide such redeemer a portfolio of securities which differs from the exact composition of the applicable Fund Securities but does not differ in NAV.

Redemptions of Shares for Fund Securities will be subject to compliance with applicable federal and state securities laws and the Fund (whether or not it otherwise permits cash redemptions) reserves the right to redeem Creation Units for cash to the extent that the Fund could not lawfully deliver specific Fund Securities upon redemptions or could not do so without first registering the Fund Securities under such laws. An authorized participant or an investor for which it is acting subject to a legal restriction with respect to a particular stock included in the Fund Securities applicable to the redemption of a Creation Unit may be paid an equivalent amount of cash.

Availability of Information

The Fund's website (www.advisorshares.com), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Fund that may be downloaded. The Fund's website will include additional quantitative information updated on a daily basis, including, for the Fund, (1) daily trading volume, the prior business day's reported closing price, NAV and mid-point of the bid/ask spread at the time of calculation of such NAV

33 The Adviser represents that, to the extent the Trust effects the redemption of Shares in cash, such transactions will be effected in the same manner for all authorized participants.

(the "Bid/Ask Price"),[34] and a calculation of the premium and discount of the Bid/Ask Price against the NAV, and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Fund's website will disclose the Disclosed Portfolio that will form the basis for the Fund's calculation of NAV at the end of the business day.[35]

The Fund will disclose on the Fund's website the following information regarding each portfolio holding, as applicable to the type of holding: ticker symbol, CUSIP number or other identifier, if any; a description of the holding (including the type of holding, such as the type of swap); the identity of the security, commodity, index or other asset or instrument underlying the holding, if any; for options, the option strike price; quantity held (as measured by, for example, par value, notional value or number of shares, contracts or units); maturity date, if any; coupon rate, if any; effective date, if any; market value of the holding; and the percentage weighting of the holding in the Fund's portfolio. The website information will be publicly available at no charge.

In addition, a basket composition file, which includes the security names and share quantities, if applicable, required to be delivered in exchange for the Fund's Shares, together with estimates and actual cash components, will be publicly disseminated daily prior to the

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[34] 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.

[35] 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.

opening of the Exchange via the NSCC. The basket represents one Creation Unit of the Fund. The NAV of Shares of the Fund will normally be determined as of the close of the regular trading session on the Exchange (ordinarily 4:00 p.m. Eastern Time) on each business day. Authorized participants may refer to the basket composition file for information regarding securities and financial instruments that may comprise the Fund's basket on a given day.

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 will be available free upon request from the Trust, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's website at 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 the underlying U.S. Exchange-traded Equity will be available via the Consolidated Tape Association ("CTA") high-speed line, and from the national securities exchange on which they are listed. Quotation and last sale information for exchange-listed options cleared via the Options Clearing Corporation will be available via the Options Price Reporting Authority. Price information regarding exchange-traded options, exchange-traded swaps, exchange-traded closed end funds, futures and Exchange-traded Equity held by the Fund will be available from the U.S. and non-U.S. exchanges trading such assets.

Quotation information from brokers and dealers or pricing services will be available for unsponsored ADRs; non-exchange-traded derivatives (including swaps, options traded OTC, options on futures traded OTC and certain structured notes); and OTC-traded Securities. Price information for investment company securities (other than ETFs, exchange-traded closed end funds and exchange-traded BDCs) is available from the applicable investment company's website and from market data vendors. Pricing information regarding each asset class in which the Fund will invest will generally be available through nationally recognized data service providers through subscription agreements. Foreign exchange prices are available from major market data vendors.

In addition, the Portfolio Indicative Value, as defined in NYSE Arca Equities Rule 8.600(c)(3), will be widely disseminated at least every 15 seconds during the Core Trading Session by one or more major market data vendors.[36] The dissemination of the Portfolio Indicative Value, together with the Disclosed Portfolio, will allow investors to determine the 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.

Additional information regarding the Trust and the Shares, including investment strategies, risks, creation and redemption procedures, fees, portfolio holdings disclosure policies, distributions and taxes is included in the Registration Statement. All terms relating to the Fund

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36 Currently, it is the Exchange's understanding that several major market data vendors display and/or make widely available Portfolio Indicative Values taken from CTA or other data feeds. The Portfolio Indicative Value calculation will be an estimate of the value of the Fund's NAV per Share using market data converted into U.S. dollars at the current currency rates. The Portfolio Indicative Value price will be based on quotes and closing prices from the securities' local market and may not reflect events that occur subsequent to the local market's close. Premiums and discounts between the Portfolio Indicative Value and the market price of the Shares may occur. This should not be viewed as a "real-time" update of the NAV per Share of the Fund, which will be calculated only once a day.

that are referred to, but not defined in, this proposed rule change are defined in the Registration Statement.

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.[37] 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 a.m. to 8 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,

[37] See NYSE Arca Equities Rule 7.12, Commentary .04.

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. Consistent with NYSE Arca Equities Rule 8.600(d)(2)(B)(ii), the Adviser will 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 Fund's portfolio. The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A-3[38] 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 as defined in NYSE Arca Equities Rule 8.600(c)(2) will be made available to all market participants at the same time.

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. 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.[39]

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[38] 17 CFR 240.10A-3.

[39] 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.

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.[40]

FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares, exchange-traded equity securities, futures contracts and exchange-traded options contracts 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, exchange-traded equity securities, futures contracts and exchange-traded options contracts from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares, exchange-traded equity securities, futures contracts and exchange-traded options contracts 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 Trade Reporting and Compliance Engine ("TRACE").

Not more than 10% of the net assets of the Fund in the aggregate invested in equity securities (other than non-exchange-traded investment company securities) shall consist of equity securities whose principal market is not a member of the ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. In addition, not more than 10% of the net assets of the Fund in the aggregate invested in in exchange-traded

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40 For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all components of the Disclosed Portfolio may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

options contracts shall consist of options contracts whose principal market is not a member of the 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 and the Disclosed Portfolio 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)[41] 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 applicable federal securities laws. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares, exchange-traded equity securities, futures contracts and exchange-traded options contracts 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, exchange-traded equity securities, futures contracts and exchange-traded options contracts from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares, exchange-traded equity securities, futures contracts and exchange-traded options contracts 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 TRACE. Not more than 10% of the

41 15 U.S.C. 78f(b)(5).

net assets of the Fund in the aggregate invested in equity securities (other than non-exchange-traded investment company securities) shall consist of equity securities whose principal market is not a member of the ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. The Fund may invest up to 5% of net assets in non-agency ABS. The Fund may invest up to 5% of net assets in mortgage-related securities. The Fund may not purchase or hold illiquid assets if, in the aggregate, more than 15% of its net assets would be invested in illiquid assets. The Adviser is not registered as a broker-dealer or affiliated with a broker-dealer. The Sub-Adviser is not registered as a broker-dealer but is affiliated with Pacific Select Distributors, Inc., a registered broker-dealer. The Sub-Adviser represents that Pacific Select Distributors, Inc. is a limited purpose broker-dealer with a primary business purpose of serving as distributor for mutual funds and variable annuity products. Pacific Select Distributors, Inc. does not engage in any brokerage or trading activity.

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 is publicly available regarding the Fund and the Shares, thereby promoting market transparency. Quotation and last sale information for the Shares and the underlying U.S. Exchange-traded Equity will be available via the CTA high-speed line, and from the national securities exchange on which they are listed. Quotation and last sale information for exchange-listed options cleared via the Options Clearing Corporation will be available via the Options Price Reporting Authority. Price information regarding exchange-traded options, exchange-traded swaps, exchange-traded closed end funds, futures and

Exchange-traded Equity held by the Fund will be available from the U.S. and non-U.S. exchanges trading such assets. Quotation information from brokers and dealers or pricing services will be available for unsponsored ADRs; non-exchange-traded derivatives (including swaps, options traded OTC, options on futures traded OTC and certain structured notes); and OTC-traded Securities. Price information for investment company securities (other than ETFs, exchange-traded closed end funds and exchange-traded BDCs) is available from the investment company's website and from market data vendors. Pricing information regarding each asset class in which the Fund will invest will generally be available through nationally recognized data service providers through subscription agreements. Foreign exchange prices are available from major market data vendors. The Fund will disclose on the Fund's website the following information regarding each portfolio holding, as applicable to the type of holding: ticker symbol, CUSIP number or other identifier, if any; a description of the holding (including the type of holding, such as the type of swap); the identity of the security, commodity, index or other asset or instrument underlying the holding, if any; for options, the option strike price; quantity held (as measured by, for example, par value, notional value or number of shares, contracts or units); maturity date, if any; coupon rate, if any; effective date, if any; market value of the holding; and the percentage weighting of the holding in the Fund's portfolio. 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. 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 an additional type of 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 up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove 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. Please include File Number SR-NYSEArca-2014-126 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NYSEArca-2014-126. 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 Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2014-126 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.[42]

Kevin M. O'Neill
Deputy Secretary

[42] 17 CFR 200.30-3(a)(12).