

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-62604; File No. SR-NYSEArca-2010-49)

July 30, 2010

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1 Thereto, Regarding Listing and Trading of the WisdomTree Emerging Markets Local Debt Fund

I. Introduction

On June 10, 2010, 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 of the WisdomTree Emerging Markets Local Debt Fund under NYSE Arca Equities Rule 8.600. On June 18, 2010, the Exchange filed Amendment No. 1 to the proposed rule change. The proposed rule change, as amended, was published for comment in the Federal Register on June 29, 2010.³ 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 shares (“Shares”) of the WisdomTree Emerging Markets Local Debt Fund (“Fund”) of the WisdomTree Trust (“Trust”), pursuant to NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares on the Exchange. The Fund will be an actively managed exchange-traded fund. The Shares will be offered by the Trust, which was established as a Delaware statutory trust on December 15, 2005

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 62350 (June 22, 2010), 75 FR 37502 (“Notice”).

and is registered with the Commission as an investment company.⁴ WisdomTree Asset Management, Inc. is the investment adviser (“Adviser”) to the Fund, and Mellon Capital Management Corporation serves as sub-adviser for the Fund (“Sub-Adviser”).⁵ The Exchange represents that the Shares will be subject to Rule 8.600(d), which sets forth the initial and continued listing criteria applicable to Managed Fund Shares. In addition, for initial and/or continued listing, the Shares will be in compliance with Rule 10A-3 under the Exchange Act,⁶ as provided by NYSE Arca Equities Rule 5.3.

The Fund seeks to provide investors with a high level of total return consisting of both income and capital appreciation and is designed to provide exposure to a broad range of emerging market countries and issuers through investments in local currency debt instruments. Specifically, the Fund intends to invest in issuers in Asia, Latin America, Eastern Europe, Africa, and the Middle East. Likely country exposures include Brazil, Chile, Colombia, Hungary, Indonesia, Israel, Malaysia, Mexico, Peru, Poland, Russia, South Africa, South Korea, Thailand, and Turkey. The Fund intends to invest at least 70% of its net assets in debt instruments denominated in a currency other than the U.S. dollar issued by emerging market governments, government agencies, corporations, and supranational issuers, which include international

⁴ The Fund has filed a registration statement on Form N-1A (“Registration Statement”) with the Commission. See Post-Effective Amendment No. 32 to Registration Statement on Form N-1A for the Trust, dated March 19, 2010 (File Nos. 333-132380 and 811-21864), as amended on June 8, 2010.

⁵ The Exchange represents that, while the Adviser is not affiliated with any broker-dealer, the Sub-Adviser is affiliated with multiple broker-dealers and has implemented a “fire wall” with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Fund’s portfolio. In addition, MCM personnel who make decisions regarding the Fund’s portfolio are subject to procedures designed to prevent the use and dissemination of material non-public information regarding the Fund’s portfolio. See Commentary .06 to NYSE Arca Equities Rule 8.600.

⁶ See 17 CFR 240.10A-3.

organizations such as the European Investment Bank, International Bank for Reconstruction and Development, International Finance Corporation, or other regional development banks (collectively, “Debt Instruments”). The Fund expects to invest up to 20% of its net assets in emerging market corporate bonds. The Fund will invest only in corporate bonds that the Adviser or Sub-Adviser deems to be sufficiently liquid. Generally, a corporate bond must have \$200 million or more par amount outstanding and significant par value traded to be considered as an eligible investment. Economic and other conditions in specific countries may, from time to time, lead to a decrease in the average par amount outstanding of bond issuances. Therefore, although the Fund does not intend to do so, the Fund may invest up to 5% of its net assets in corporate bonds with less than \$200 million par amount outstanding if (i) the Adviser or Sub-Adviser deems such security to be sufficiently liquid based on its analysis of the market for such security (based on, for example, broker-dealer quotations or its analysis of the trading history of the security or the trading history of other securities issued by the issuer), (ii) such investment is consistent with the Fund’s goal of providing exposure to a broad range of countries and issuers, and (iii) such investment is deemed by the Adviser or Sub-Adviser to be in the best interest of the Fund.

The Fund will invest in both investment grade and non-investment grade securities in a manner designed to provide exposure to broad-based emerging market debt. The Fund currently expects that it will have 75% or more of its assets invested in investment grade securities, and no more than 25% of its assets invested in non-investment grade securities. Because the Fund is designed to provide exposure to a broad range of emerging market countries and issuers and because the debt ratings of such countries and issuers will change from time to time, the exact percentage of the Fund’s investments in investment grade and non-investment grade debt will

change from time to time in response to economic events and changes to the credit ratings of such government and corporate issuers. Within the non-investment grade category some issuers and instruments are considered to be of lower credit quality and at higher risk of default. In order to limit its exposure to these more speculative credits, the Fund will not invest more than 15% of its assets in securities rated B or below by Moody's, or equivalently rated by S&P or Fitch. The Fund does not intend to invest in unrated securities. However, it may do so to a limited extent, such as where a rated security becomes unrated, if such security is determined by the Adviser and Sub-Adviser to be of comparable quality. In determining whether a security is of "comparable quality," the Adviser and Sub-Adviser will consider, for example, whether the issuer of the security has issued other rated securities.

With respect to its limited investments in instruments other than Debt Instruments, the Fund may purchase short-term obligations issued or guaranteed by the U.S. Treasury or the agencies or instrumentalities of the U.S. government; may invest in short-term securities issued or guaranteed by non-U.S. governments, agencies and instrumentalities; may invest in deposits and other obligations of U.S. and non-U.S. banks and financial institutions; may invest in deposits and obligations of banks and financial institutions including certificates of deposit, time deposits, and bankers' acceptances.

The Fund also may invest in corporate debt obligations with less than 397 calendar days remaining to maturity, purchase floating rate and adjustable rate obligations, such as demand notes, bonds, and commercial paper, and pursue its investment objective by investing some of its assets in other WisdomTree Funds based on foreign currencies. In addition, the Fund may use derivative instruments as part of its investment strategies. The examples of derivative instruments include forward currency contracts, non-deliverable forward currency contracts,

currency and interest rate swaps, currency options, futures contracts, options on futures contracts, and swap agreements. The Fund's use of derivative instruments will be underpinned by investments in short term, high-quality U.S. money market securities. The Fund expects that no more than 30% of the value of the Fund's net assets will be invested in derivative instruments. Such investments will be consistent with the Fund's investment objective and will not be used to enhance leverage.

With respect to certain kinds of derivative transactions entered into by the Fund that involve obligations to make future payments to third parties, including, but not limited to, futures, forward contracts, swap contracts, the purchase of securities on a when-issued or delayed delivery basis, or reverse repurchase agreements, under applicable federal securities laws, rules, and interpretations thereof, the Fund must "set aside" liquid assets or engage in other measures to "cover" open positions with respect to such transactions.

The Fund may engage in foreign currency transactions and may invest directly in foreign currencies in the form of bank and financial institution deposits, certificates of deposit, and bankers acceptances denominated in a specified non-U.S. currency. The Fund may also enter into forward currency contracts in order to "lock in" the exchange rate between the currency it will deliver and the currency it will receive for the duration of the contract.

The Fund may enter into swap agreements, including interest rate swaps and currency swaps, and may buy or sell put and call options on foreign currencies either on exchanges or in the over-the-counter market. The Fund may also enter into repurchase agreements with counterparties that are deemed to present acceptable credit risks and reverse repurchase agreements involving the sale of securities held by the Fund, subject to its agreement to repurchase the securities at an agreed upon date or upon demand and at a price reflecting a

market rate of interest.

Lastly, the Fund may invest in the securities of other investment companies (including money market funds and exchange-traded funds). The Fund may invest up to an aggregate amount of 10% of its net assets in illiquid securities. Illiquid securities include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets. The Fund will not invest in non-U.S. equity securities.

Additional details regarding the investment and trading policies of the Fund, creations and redemptions of the Shares, investment risks, NAV calculation, the dissemination of key values and availability of information about the underlying assets, trading halts, applicable trading rules, surveillance, and the Information Bulletin, among other things, can be found in the Notice and/or the Registration Statement, as applicable.⁷

III. Discussion and Commission's Findings

After careful consideration, the Commission finds that the proposed rule change to list and trade the Shares of the Fund is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.⁸ In particular, the Commission finds that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act,⁹ which requires, among other things, that the Exchange's rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions

⁷ See supra notes 3 and 4.

⁸ In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁹ 15 U.S.C. 78f(b)(5).

in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

The Commission finds that the proposal to list and trade the Shares on the Exchange is also consistent with Section 11A(a)(1)(C)(iii) of the Act,¹⁰ 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 regarding the Shares will be available via the Consolidated Tape Association's high-speed line. On each business day before commencement of trading in the Shares in the Core Trading Session on the Exchange, the Trust will disclose on its Web site the identities and quantities of the portfolio of securities and other assets ("Disclosed Portfolio") held by the Fund that will form the basis for the Fund's calculation of the NAV at the end of the business day.¹¹ The Disclosed Portfolio will include, as applicable, the names, quantity, percentage weighting and market value of securities, and other assets held by the Fund and the characteristics of such assets. In addition, an estimated value that reflects an estimated intraday value of the Fund's portfolio, defined in NYSE Arca Equities Rule 8.600 as the "Portfolio Indicative Value," will also be disseminated. The Portfolio Indicative Value will be based upon the current value for the components of the Disclosed Portfolio and will be updated and disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session on the

¹⁰ 15 U.S.C. 78k-1(a)(1)(C)(iii).

¹¹ 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"). Notwithstanding the foregoing, portfolio trades that are executed prior to the opening of the Exchange on any business day may be booked and reflected in NAV on such business day. Accordingly, 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.

Exchange. In addition, during hours when the markets for securities in the Fund's portfolio are closed, the Portfolio Indicative Value will be updated at least every 15 seconds during the Core Trading Session to reflect currency exchange fluctuations. The Web site for the Fund (www.wisdomtree.com) will contain the prospectus and additional data relating to NAV and other applicable quantitative information.

The Commission further believes that the proposal to list and trade the Shares is reasonably designed to promote fair disclosure of information that may be necessary to price the Shares appropriately and to prevent trading when a reasonable degree of transparency cannot be assured. The Commission notes that the Exchange will obtain a representation from the issuer of the Shares that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time. If the Exchange becomes aware that the NAV or Disclosed Portfolio with respect to the Shares is not disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV or Disclosed Portfolio is available to all market participants. Further, the Exchange may halt trading during the day in which an interruption to the dissemination of the Portfolio Indicative Value occurs. If the interruption to the dissemination of the Portfolio Indicative Value persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption.¹² The Exchange also represents that the Sub-Adviser, which is affiliated with multiple broker-dealers, has implemented a "fire wall" with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the

¹² See NYSE Arca Equities Rule 8.600(d)(2)(D). Trading in the Shares may also 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 comprising the Disclosed Portfolio and/or the financial instruments of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.

Fund's portfolio. In addition, Sub-Adviser personnel who make decisions regarding the Fund's portfolio are subject to procedures designed to prevent the use and dissemination of material non-public information regarding the Fund's portfolio.¹³ Finally, 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.¹⁴

The Exchange has represented that the Shares are deemed equity securities subject to the Exchange's rules governing the trading of equity securities. In support of this proposal, the Exchange has made representations, including the following:

- (1) The Shares will be subject to NYSE Arca Equities Rule 8.600(d), which sets forth the initial and continued listing criteria applicable to Managed Fund Shares.
- (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 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

¹³ See supra note 5 and accompanying text.

¹⁴ See NYSE Arca Equities Rule 8.600(d)(2)(B)(ii).

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

- (5) A minimum of 100,000 Shares will be outstanding at the commencement of trading on the Exchange.
- (6) For initial and continued listing, the Shares must be in compliance with Rule 10A-3 under the Act.¹⁵

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 the Act and the rules and regulations thereunder applicable to a national securities exchange.

¹⁵ See supra note 6.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁶ that the proposed rule change (SR-NYSEArca-2010-49), as modified by Amendment No. 1 thereto, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Florence E. Harmon
Deputy Secretary

¹⁶ 15 U.S.C. 78f(b)(2).

¹⁷ 17 CFR 200.30-3(a)(12).