

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-63919; File No. SR-NYSEArca-2010-116)

February 16, 2011

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

I. Introduction

On December 13, 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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to list and trade shares of the WisdomTree Asia Local Debt Fund (f/k/a WisdomTree Asia Bond Fund) under NYSE Arca Equities Rule 8.600. The proposed rule change was published for comment in the Federal Register on January 3, 2011.<sup>3</sup> On February 15, 2011, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>4</sup> The Commission received no comments on the proposal. This order grants approval of the proposed rule change, as amended.

II. Description of the Proposal

The Exchange proposes to list and trade shares (“Shares”) of the WisdomTree Asia Local Debt Fund (“Fund”) of the WisdomTree Trust (“Trust”) under NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares on the Exchange. The Fund will

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

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

<sup>3</sup> See Securities Exchange Act Release No. 63609 (December 27, 2010), 76 FR 194 (“Notice”).

<sup>4</sup> In Amendment No. 1, the Exchange modified the name of the Fund from “WisdomTree Asia Bond Fund” to “WisdomTree Asia Local Debt Fund,” updated references to the amended Registration Statement (as defined herein), and clarified that the Fund intends to invest in issuers in Australia and New Zealand. Because such modifications are either technical in nature or clarifications, the amendment does not require notice and comment.

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 and is registered with the Commission as an investment company.<sup>5</sup> WisdomTree Asset Management, Inc. (“WisdomTree Asset Management”) is the investment adviser (“Adviser”) to the Fund,<sup>6</sup> and Mellon Capital Management serves as sub-adviser for the Fund (“Sub-Adviser”).<sup>7</sup> The Bank of New York Mellon is the administrator, custodian, and transfer agent for the Trust, and ALPS Distributors, Inc. serves as the distributor for the Trust.

The Fund seeks to provide investors with a high level of total return consisting of both income and capital appreciation. The Fund is designed to provide exposure to a broad range of Asian government and corporate bonds through investment in both local currency (e.g., Hong Kong dollar; South Korean won) and U.S. dollar-denominated Fixed Income Securities.<sup>8</sup> The Fund seeks to achieve its investment objective through direct and indirect investments in Fixed Income Securities issued by governments and corporations in Asian countries and intends to focus on the developing/emerging market economies in Asia, primarily China, Hong Kong, India, Indonesia, South Korea, Malaysia, the Philippines, Singapore, Taiwan, and Thailand.

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<sup>5</sup> The Fund has filed a registration statement on Form N-1A (“Registration Statement”) with the Commission. See Post-Effective Amendment No. 42 to Registration Statement on Form N-1A for the Trust, dated January 24, 2011 (File Nos. 333-132380 and 811-21864).

<sup>6</sup> WisdomTree Investments, Inc. is the parent company of WisdomTree Asset Management.

<sup>7</sup> The Sub-Adviser is responsible for day-to-day management of the Fund and, as such, typically makes all decisions with respect to portfolio holdings. The Adviser has ongoing oversight responsibility.

<sup>8</sup> Fixed Income Securities include bonds, notes or other debt obligations, such as government or corporate bonds, denominated in local currencies or U.S. dollars, as well as issues denominated in Asian local currencies that are issued by “supranational issuers,” such as the European Investment Bank, International Bank for Reconstruction and Development, and the International Finance Corporation, as well as development agencies supported by other national governments.

While the Fund is permitted to invest in developed market economies, this is not a focus of the Fund. However, the Fund intends to invest in issuers in Australia and New Zealand.

The Fund intends to invest at least 70% of its net assets in Fixed Income Securities. The Fund expects to invest up to 20% of its net assets in Asian 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 Asia 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 Asian government and corporate bonds, and (iii) such investment is deemed by the Adviser or Sub-Adviser to be in the best interest of the Fund. The Fund will hold Fixed Income Securities of at least 13 non-affiliated issuers.

The Fund is designed to provide a broad-based, representative exposure to Asian government and corporate bonds and therefore will invest in both investment grade and non-investment grade securities in a manner designed to provide this exposure. The Fund 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 Asian government and corporate bonds, and because the

debt ratings of the Asian governments and those corporate issuers will change from time to time, the exact percentage of the Fund's investments in investment grade and non-investment grade securities will change from time to time in response to economic events and changes to the credit ratings of the Asian 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. The Fund will not invest in non-U.S. equity securities.

The Fund intends to invest in Money Market Securities in order to help manage cash flows in and out of the Fund, such as in connection with payment of dividends or expenses, and to satisfy margin requirements, to provide collateral or to otherwise back investments in derivative instruments. For these purposes, Money Market Securities include: short-term, high-quality obligations issued or guaranteed by the U.S. Treasury or the agencies or instrumentalities of the U.S. government; short-term, high-quality securities issued or guaranteed by non-U.S. governments, agencies and instrumentalities; repurchase agreements backed by U.S. government securities; money market mutual funds; and deposits and other obligations of U.S. and non-U.S. banks and financial institutions. All Money Market Securities acquired by the Fund will be rated investment grade, except that the Fund may invest in unrated Money Market Securities that are

deemed by the Adviser or Sub-Adviser to be of comparable quality to money market securities rated investment grade.

The Fund may use derivative instruments as part of its investment strategies. Examples of derivative instruments include listed futures contracts,<sup>9</sup> forward currency contracts, non-deliverable forward currency contracts, currency and interest rate swaps, currency options, options on futures contracts, swap agreements and credit-linked notes.<sup>10</sup> The Fund's use of derivative instruments (other than credit-linked notes) will be collateralized or otherwise backed 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.

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.

Additional details regarding the Trust and the Fund, the investment objective and strategies, creations and redemptions of the Shares, investment risks, net asset value ("NAV") calculation, the dissemination of key values and availability of information about the underlying

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<sup>9</sup> The listed futures contracts in which the Fund will invest may be listed on exchanges either in the U.S. or in either Hong Kong or Singapore.

<sup>10</sup> The Fund's investments in credit-linked notes will be limited to notes providing exposure to Asian Fixed Income Securities. The Fund's overall investment in credit-linked notes will not exceed 25% of the Fund's assets.

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.<sup>11</sup>

### 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.<sup>12</sup> In particular, the Commission finds that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act,<sup>13</sup> 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 in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system. The Commission notes that the Shares and Fund must comply with the requirements of NYSE Arca Equities Rule 8.600, among other Exchange rules, to be listed and traded on the Exchange.

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,<sup>14</sup> 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

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<sup>11</sup> See supra notes 3 and 5.

<sup>12</sup> 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).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

<sup>14</sup> 15 U.S.C. 78k-1(a)(1)(C)(iii).

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<sup>15</sup> on the Exchange, the Trust will disclose on its website 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 NAV at the end of the business day.<sup>16</sup> The Disclosed Portfolio will include, as applicable, the names, quantity, percentage weighting, and market value of Fixed Income Securities and other assets held by the Fund and the characteristics of such assets. The NAV of the Fund's Shares generally is calculated once daily Monday through Friday as of the close of regular trading on the New York Stock Exchange, generally 4:00 p.m. Eastern time. 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 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. Intra-day and end-of-day prices for the Fixed Income Securities, Money Market Securities, and derivative instruments held by the Fund are readily available through major market data providers and broker-dealers. The

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<sup>15</sup> The Core Trading Session is 9:30 a.m. to 4:00 p.m. Eastern time.

<sup>16</sup> Under accounting procedures followed by the Fund, trades made on the prior business day ("T") will be booked and reflected in NAV on the current business day ("T+1"). 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.

website for the Fund ([www.wisdomtree.com](http://www.wisdomtree.com)) will include a form of 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.<sup>17</sup> 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.<sup>18</sup> 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 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

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<sup>17</sup> See NYSE Arca Equities Rule 8.600(d)(1)(B).

<sup>18</sup> 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 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.

non-public information regarding the Fund's portfolio.<sup>19</sup> 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.<sup>20</sup>

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, 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

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<sup>19</sup> See Commentary .06 to NYSE Arca Equities Rule 8.600. In the event (a) the Adviser or the Sub-Adviser becomes newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser becomes affiliated with a broker-dealer, they will be required to implement a fire wall with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the portfolio.

<sup>20</sup> 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/or continued listing, the Shares must be in compliance with Rule 10A-3 under the Act.<sup>21</sup>

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.

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<sup>21</sup> See 17 CFR 240.10A-3.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>22</sup> that the proposed rule change (SR-NYSEArca-2010-116), 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.<sup>23</sup>

Cathy H. Ahn  
Deputy Secretary

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<sup>22</sup> 15 U.S.C. 78f(b)(2).

<sup>23</sup> 17 CFR 200.30-3(a)(12).