

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-66342; File No. SR-NYSEArca-2011-82)

February 7, 2012

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of a Proposed Rule Change, as Modified by Amendment No. 3 Thereto, Relating to the Listing and Trading of Shares of the WisdomTree Emerging Markets Inflation Protection Bond Fund under NYSE Arca Equities Rule 8.600

I. Introduction

On November 14, 2011, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to list and trade shares of the WisdomTree Emerging Markets Inflation Protection Bond Fund under NYSE Arca Equities Rule 8.600. The proposed rule change was published for comment in the Federal Register on December 5, 2011.³ On January 17, 2012, the Exchange filed Amendment No. 1 to the proposed rule change (“Amendment No. 1”).⁴ On January 18, 2012, the Exchange filed Amendment No. 2 to the proposed rule change (“Amendment No. 2”).⁵ On January 23, 2012, the Exchange further extended the time period for Commission action to February 8, 2012. On January 25, 2012, the Exchange filed Amendment No. 3 to the proposed rule change (“Amendment No. 3”).⁶ The Commission received no comments on the proposal. This order

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 65846 (November 29, 2011), 76 FR 75932 (“Notice”).

⁴ The Exchange withdrew Amendment No. 1 on January 18, 2012 and extended the time period for Commission action to January 25, 2012.

⁵ The Exchange withdrew Amendment No. 2 on January 25, 2012.

⁶ The proposed rule change originally stated that “[t]he Fund may invest up to an aggregate amount of 15% of its net assets in (a) illiquid securities and (2) [sic] Rule 144A

grants approval of the proposed rule change, as modified by Amendment No. 3.

II. Description of the Proposed Rule Change

The Exchange proposes to list and trade shares (“Shares”) of the WisdomTree Emerging Markets Inflation Protection Bond Fund (“Fund”) 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 WisdomTree Trust (“Trust”), which was established as a Delaware statutory trust on December 15, 2005. The Fund is registered with the Commission as an investment company, and the Fund has filed a registration statement on Form N-1A (“Registration Statement”) with the Commission.⁷

WisdomTree Asset Management, Inc. is the investment adviser (“Adviser”) to the Fund, and Mellon Capital Management serves as sub-adviser for the Fund (“Sub-Adviser”). 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.⁸ The Exchange states that, while

securities.” See Notice, 76 FR at 75936, supra note 3. Amendment No. 3 amended the proposed rule change by replacing the term “invest” with “hold.” The purpose of Amendment No. 3 was to make the proposed rule change more consistent with the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) requirements relating to restrictions on holdings of illiquid securities by registered open-end management investment companies. Because Amendment No. 3 seeks to maintain consistency with the 1940 Act and rules and regulations thereunder, and does not materially alter the substance of the proposed rule change or raise any novel regulatory issues, the amendment is not subject to notice and comment.

⁷ See Post-Effective Amendment No. 54 to Registration Statement on Form N-1A for the Trust, dated July 1, 2011 (File Nos. 333-132380 and 811-21864).

⁸ The Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 28171 (October 27, 2008) (File No. 812-13458) (“Exemptive Order”). In compliance with Commentary .05 to NYSE Arca Equities Rule 8.600, which applies to Managed Fund Shares based on an international or global portfolio, the Trust’s application for exemptive relief under the 1940 Act states that the Fund will comply with the federal securities laws in accepting securities for deposits and satisfying redemptions with redemption securities, including that the securities accepted for deposits and the securities used to satisfy redemption

WisdomTree Asset Management is not affiliated with any broker-dealer, the Sub-Adviser is affiliated with multiple broker-dealers. As a result, the Sub-Adviser 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 nonpublic information regarding the Fund’s portfolio.⁹

Description of the Fund

The Fund seeks to provide a high level of income and capital appreciation representative of investments in inflation-linked debt of emerging market issuers. The Fund intends to achieve its investment objectives through direct and indirect investments in inflation-protected Fixed Income Securities¹⁰ of emerging market countries. The Fund expects that it will have at least 70% of its assets invested in Fixed Income Securities. The Fund will invest in Fixed Income Securities linked to inflation rates in emerging markets throughout the world. The Fund may invest in Fixed Income Securities that are not linked to inflation, such as U.S. or non-U.S. government bonds, as well as Fixed Income Securities that pay variable or floating rates. The

requests are sold in transactions that would be exempt from registration under the Securities Act of 1933 (15 U.S.C. 77a).

⁹ See Commentary .06 to NYSE Arca Equities Rule 8.600. The Exchange represents that, 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, it will implement a fire wall with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

¹⁰ For these purposes, “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 emerging market local currencies that are issued by “supranational issuers,” such as the International Bank for Reconstruction and Development and the International Finance Corporation, as well as development agencies supported by other national governments.

Fund may also invest in Money Market Securities and derivative instruments, as described below.

The Fund intends to invest in inflation-linked Fixed Income Securities of issuers in the following regions: Asia, Latin America, Eastern Europe, Africa, and the Middle East. Within these regions, the Fund is likely to invest in countries such as Brazil, Chile, Colombia, Hungary, Indonesia, Malaysia, Mexico, Peru, Philippines, Poland, Russia, South Africa, South Korea, Thailand, and Turkey, although this list may change as market developments occur and may include additional emerging market countries that conform to selected ratings, liquidity, and other criteria. As a general matter, and subject to the Fund's investment guideline to provide exposure across geographic regions and countries, the Fund generally will invest a higher percentage of its assets in countries with larger and more liquid debt markets. The Fund's exposure to any single country generally will be limited to 20% of the Fund's assets. The percentage of Fund assets invested in a specific region, country, or issuer will change from time to time.

The Fund expects that it will have at least 70% of its assets invested in investment grade securities, and no more than 30% of its assets invested in non-investment grade securities. Because the debt ratings of issuers will change from time to time, the exact percentage of the Fund's investments in investment grade and non-investment grade Fixed Income Securities will change from time to time in response to economic events and changes to the credit ratings of such 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 10% of its assets in securities rated BB 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.

While the Fund intends to focus its investments in Fixed Income Securities on bonds and other obligations of governments and agencies of emerging market countries, the Fund may invest up to 20% of its net assets in 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 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 deemed by the Adviser or Sub-Adviser to be in the best interest of the Fund, and (iii) such investment is deemed consistent with the Fund’s goal of providing broad exposure to inflation-linked Fixed Income Securities.

The Fund may invest in Fixed Income Securities with effective or final maturities of any length. The Fund will seek to keep the average effective duration of its portfolio between 2 and 8 years. Effective duration is an indication of an investment’s interest rate risk or how sensitive

an investment or a fund is to changes in interest rates. Generally, a fund or instrument with a longer effective duration is more sensitive to interest rate fluctuations, and, therefore, more volatile, than a fund with a shorter effective duration. The Fund's actual portfolio duration may be longer or shorter depending on market conditions.

The Fund intends to invest in Fixed Income Securities of at least 13 non-affiliated issuers and will not concentrate 25% or more of the value of its total assets in any one industry, as that term is used in the 1940 Act. The Fund further intends to qualify each year as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended. The Fund will invest its assets, and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M.

In addition to satisfying the above-referenced RIC diversification requirements, no portfolio security held by the Fund (other than U.S. government securities and non-U.S. government securities) will represent more than 30% of the weight of the Fund's portfolio and the five highest weighted portfolio securities of the Fund (other than U.S. government securities and/or non-U.S. government securities) will not in the aggregate account for more than 65% of the weight of the Fund's portfolio. For these purposes, the Fund may treat repurchase agreements collateralized by U.S. government securities or non-U.S. government securities as U.S. or non-U.S. government securities, as applicable.

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 short-term U.S. government securities or non-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. The Fund does not intend to invest in any unrated Money Market Securities. However, it may do so to a limited extent, such as where a rated Money Market Security becomes unrated, if such Money Market Security is determined by the Adviser and Sub-Adviser to be of comparable quality.

Consistent with the Exemptive Order, the Fund may use derivative instruments as part of its investment strategies. Examples of derivative instruments include exchange-listed futures contracts, forward currency contracts, non-deliverable forward currency contracts, currency swaps, interest rate swaps, inflation rate swaps, currency options, options on futures contracts, swap agreements, and structured notes. The Fund's use of derivatives contracts (other than structured 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. For example, the Fund may engage in swap transactions that provide exposure to inflation rates, inflation-linked bonds, inflation-sensitive indices, or interest rates.¹¹ The Fund also may buy or sell listed futures

¹¹ An inflation-linked swap is an agreement between two parties to exchange payments at a future date based on the difference between a fixed payment and a payment linked to an inflation rate or value at a future date. A typical interest rate swap involves the exchange

contracts on U.S. Treasury securities, non-U.S. government securities, and major non-U.S. currencies.

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 and forward contracts, swap contracts, the purchase of securities on a when-issued or delayed delivery basis, or reverse repurchase agreements, the Fund, in accordance with applicable federal securities laws, rules, and interpretations thereof, will “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 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.¹²

The Fund may invest in the securities of other investment companies (including money market funds and exchange-traded funds). The Fund may hold up to an aggregate amount of 15% of its net assets in (a) illiquid securities and (b) Rule 144A securities.¹³ The Commission staff has interpreted the term “illiquid” in this context to mean a security that cannot be sold or disposed of within seven days in the ordinary course of business at approximately the amount at

of a floating interest rate payment for a fixed interest payment.

¹² The Fund will invest only in currencies, and instruments that provide exposure to such currencies, that have significant foreign exchange turnover and are included in the Bank for International Settlements, Triennial Central Bank Survey, Report on Global Foreign Exchange Market Activity in 2010 (December 2010) (“BIS Survey”). The Fund may invest in currencies, and instruments that provide exposure to such currencies, selected from the top 40 currencies (as measured by percentage share of average daily turnover for the applicable month and year) included in the BIS Survey.

¹³ See supra note 6.

which a fund has valued such security. The Fund will not invest in any non-U.S. equity securities.

Additional details regarding the Trust, Shares, trading policies of the Fund, creations and redemptions of the Shares, Fixed Income Securities, Money Market Securities, investment risks, net asset value (“NAV”) calculation, the dissemination 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 Statements, as applicable.¹⁴

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 Section 6 of the Act and the rules and regulations thereunder applicable to a national securities exchange.¹⁵ In particular, the Commission finds that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act,¹⁶ 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, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Commission notes that the Funds and the Shares must comply with the requirements of NYSE Arca Equities Rule 8.600 and Commentaries thereto to be listed and

¹⁴ See Notice and Registration Statement, supra notes 3 and 7, respectively.

¹⁵ 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).

¹⁶ 15 U.S.C. 78f(b)(5).

traded on the Exchange.

The Commission finds that the proposal to list and trade the Shares on the Exchange is consistent with Section 11A(a)(1)(C)(iii) of the Act,¹⁷ which sets forth Congress’s finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations for, and transactions in, securities. Quotation and last-sale information for the Shares will be available via the Consolidated Tape Association (“CTA”) high-speed line. In addition, the Portfolio Indicative Value (“PIV”) for the Fund will be widely disseminated by one or more major market data vendors at least every 15 seconds during the NYSE Arca Core Trading Session.¹⁸ The NAV of the Fund’s Shares generally will be 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. On each business day, before commencement of trading in Shares in the Core Trading Session, 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.¹⁹ The Disclosed Portfolio will include, as applicable, the names, quantity, percentage weighting, and

¹⁷ 15 U.S.C. 78k-1(a)(1)(C)(iii).

¹⁸ The Core Trading Session is 9:30 a.m. to 4:00 p.m. Eastern time. During hours when the markets for Fixed Income Securities in the Fund’s portfolio are closed, the PIV will be updated at least every 15 seconds during the Core Trading Session to reflect currency exchange fluctuations. According to the Exchange, several major market data vendors display and/or make widely available PIVs published on CTA or other data feeds.

¹⁹ Under accounting procedures to be 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.

market value of Fixed Income Securities and other assets held by the Fund and the characteristics of such assets. Intra-day, executable price quotations on emerging market Fixed Income Securities, as well as Money Market Securities and derivative instruments, are available from major broker-dealer firms, as well as subscription services such as Bloomberg and Thomson Reuters. In addition, the website for the Fund will contain the prospectus and additional data relating to NAV and other applicable quantitative information calculated on a daily basis.

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 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.²⁰ The Exchange 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.²¹ The Exchange will halt trading in the

²⁰ See NYSE Arca Equities Rule 8.600(d)(1)(B).

²¹ See supra note 9 and accompanying text. The Commission notes that an investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (“Advisers Act”). As a result, the Adviser and Sub-Adviser and their related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of

Shares under the specific circumstances set forth in NYSE Arca Equities Rule 8.600(d)(2)(D) and may halt trading in the Shares if trading is not occurring in the securities and/or the financial instruments comprising the Disclosed Portfolio of the Fund, or if other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.²² Further, the Commission notes that the Reporting Authority that provides the Disclosed Portfolio must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the actual components of the portfolio.²³ The Exchange also states that it has a general policy prohibiting the distribution of material, non-public information by its employees.

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

- (1) The Shares will 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 applicable to derivative products, which

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.

²² With respect to trading halts, the Exchange may consider other relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund. 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.

²³ See NYSE Arca Equities Rule 8.600(d)(2)(B)(ii).

include Managed Fund Shares, are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

- (4) Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Specifically, the Information Bulletin will discuss the following: (a) the procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (b) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (c) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated PIV will not be calculated or publicly disseminated; (d) how information regarding the PIV 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 as of the start of trading on the Exchange.
- (6) The Fund: (a) may hold up to an aggregate amount of 15% of its net assets in (i) illiquid securities and (ii) Rule 144A securities; (b) will not invest in any non-U.S. equity securities; and (c) expects that no more than 30% of the value of its net assets will be invested in derivative instruments, which will be consistent with the Fund's investment objective and will not be used to enhance leverage.

- (7) For initial and/or continued listing, the Fund must be in compliance with Rule 10A-3 under the Act.²⁴

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

For the foregoing reasons, the Commission finds that the proposed rule change, as modified by Amendment No. 3 thereto, is consistent with Section 6(b)(5) of the Act²⁵ and the rules and regulations thereunder applicable to a national securities exchange.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,²⁶ that the proposed rule change (SR-NYSEArca-2011-82), as modified by Amendment No. 3 thereto, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷

Kevin M. O'Neill
Deputy Secretary

²⁴ See 17 CFR 240.10A-3.

²⁵ 15 U.S.C. 78f(b)(5).

²⁶ 15 U.S.C. 78s(b)(2).

²⁷ 17 CFR 200.30-3(a)(12).