

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67552; File No. SR-NYSEArca-2012-55)

August 1, 2012

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change Relating to the Listing and Trading of the STAR™ Global Buy-Write ETF under NYSE Arca Equities Rule 8.600

I. Introduction

On May 31, 2012, 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” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to list and trade shares (“Shares”) of the STAR™ Global Buy-Write ETF (“Fund”) under NYSE Arca Equities Rule 8.600. The proposed rule change was published for comment in the Federal Register on June 18, 2012.³ The Commission received no comments on the proposed rule change. This order grants approval of the proposed rule change.

II. Description of the Proposed Rule Change

The Exchange proposes to list and trade Shares of the Fund pursuant to NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares on the Exchange. The Shares will be offered by AdvisorShares Trust (“Trust”), a statutory trust organized under the laws of the State of Delaware and registered with the Commission as an open-end management investment company.⁴ The investment adviser to the Fund is

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 67183 (June 12, 2012), 77 FR 36314 (“Notice”).

⁴ The Trust is registered under the Investment Company Act of 1940 (“1940 Act”). On October 28, 2011, the Trust filed an amendment to its registration statement on Form N-1A under the Securities Act of 1933 (“1933 Act”) and under the 1940 Act relating to the

AdvisorShares Investments, LLC (“Adviser”). Partnervest Advisory Services, LLC serves as investment sub-adviser to the Fund (“Sub-Adviser”) and provides day-to-day portfolio management of the Fund. Foreside Fund Services, LLC is the principal underwriter and distributor of the Fund’s Shares. The Bank of New York Mellon serves as administrator, custodian, and transfer agent for the Fund. The Exchange has represented that neither the Adviser nor the Sub-Adviser is affiliated with a broker-dealer.⁵

The Fund’s investment objective is to seek consistent repeatable returns across all market cycles. The Fund is a “fund-of-funds” and, under normal market conditions,⁶ intends to invest at least 60% of its total assets in exchange-traded funds (“ETFs”)⁷ and exchange-traded notes (“ETNs”)⁸ that seek to track a diversified basket of global indices and investment sectors, and in exchange-traded pooled investment vehicles that invest directly in commodities or currencies

Fund (File Nos. 333-157876 and 811-22110) (“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. 28822 (July 20, 2009) (File No. 812-13488).

⁵ See NYSE Arca Equities Rule 8.600, Commentary .06. 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.

⁶ The term “under normal market conditions” includes, but is not limited to, the absence of extreme volatility or trading halts in the equity 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.

⁷ For purposes of this proposed rule change, ETFs are securities registered under the 1940 Act such as those listed and traded on the Exchange under NYSE Arca Equities Rules 5.2(j)(3), 8.100, and 8.600.

⁸ For purposes of this proposed rule change, ETNs are securities that are registered pursuant to the 1933 Act such as those listed and traded on the Exchange pursuant to NYSE Arca Equities Rule 5.2(j)(6).

and that are registered pursuant to the 1933 Act (together with ETFs and ETNs, “Underlying ETPs”)⁹ that meet certain selection criteria established by the Sub-Adviser. The selection criteria include size, historical track record, diversification among indices, the correlation of an index to other indices, and an ability to write exchange-listed covered call options on the particular Underlying ETP.¹⁰ An Underlying ETP may be disposed of should it no longer meet the selection criteria.

The Fund currently intends to invest primarily in the securities of ETFs 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 Underlying ETPs in which the Fund will invest will primarily be Underlying ETPs that hold substantially all of their assets in securities representing a country (or region) specific index.

The Sub-Adviser seeks to achieve the Fund’s investment objective by using a proprietary overwrite strategy known as Volatility Enhanced Global Appreciation (“VEGA”). Through VEGA, the Fund will invest in Underlying ETPs in combination with call options on generally all such Underlying ETPs to seek cumulative price appreciation from the portfolio’s global exposure while generating an additional return stream from the sale of covered call and/or cash-secured put options.¹¹ While the Fund is permitted to invest up to 40% of its total assets in call

⁹ Underlying ETPs include, in addition to ETFs and ETNs, the following securities: 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 closed-end funds. The Underlying ETPs all will be listed and traded in the U.S. on registered exchanges. The ETFs in which the Fund may invest will primarily be index-based ETFs that hold substantially all of their assets in securities representing a specific index.

¹⁰ The options in which the Fund will invest will be U.S. exchange-listed.

¹¹ A covered call option involves holding a long position in a particular asset, in this case shares of an Underlying ETP, and writing a call option on that same asset with the goal of

options on Underlying ETPs, the Adviser expects that, under normal market conditions, the Fund will invest no more than 15% in such call options on a daily basis. To the extent cash and cash equivalents in the Fund's portfolio serve as collateral for cash-secured put options, such cash and cash equivalents may not be invested in Underlying ETPs, additional options, or other similar investments in pursuit of the Fund's investment objective. Rather, on a day-to-day basis, such collateral may be invested in U.S. Government securities, short-term, high-quality fixed income securities, money market instruments, cash, and other cash equivalents with maturities of one year or less, or Underlying ETPs that hold such investments.¹²

realizing additional income from the option premium. A put option is a contract that gives the owner of the option the right to sell a specified amount of the asset underlying the option at a specified price ("strike price") within a specified time. When a put option is exercised or assigned, the writer of the option is obligated to purchase the requisite amount of the asset underlying the option to complete the sale. A put option is considered cash-secured when the writer of the put option segregates an amount of cash or cash equivalents sufficient to cover the purchase price of the asset underlying the option.

¹² All options written on indices or securities must be covered. A written call option on a security may be covered if a fund: (1) owns the security underlying the call until the option is exercised or expires; (2) holds an American-style call on the same security as the call written with an exercise price (a) no greater than the exercise price of the call written or (b) greater than the exercise price of the call written if the difference is maintained by the fund in cash or other liquid assets designated on the fund's records or placed in a segregated account with the fund's custodian; (3) has an absolute and immediate right to acquire the security without additional cost (or if additional consideration is required, cash or other liquid assets in such amount have been segregated); or (4) segregates cash or other liquid assets on the fund's records or with the custodian in an amount equal to (when added to any margin on deposit) the current market value of the call option, but not less than the exercise price, marked to market daily. If the call option is exercised by the purchaser during the option period, the seller is required to deliver the underlying security against payment of the exercise price or pay the difference. The seller's obligation terminates upon expiration of the option period or when the seller executes a closing purchase transaction with respect to such option. All put options written by the Fund will be covered by: (1) segregating cash, cash equivalents, such as U.S. Treasury securities or overnight repurchase agreements, or other liquid assets on the Fund's records or with the custodian having a value at least equal to the exercise price of the option (less cash received, if any); or (2) holding a put option on the same security as the option written where the exercise price of the written

The Sub-Adviser will use VEGA, a proprietary quantitative and qualitative investment process, to determine the optimal Underlying ETPs and options for the strategy. The process focuses on the performance of a comprehensive portfolio of assets based on the combination of risk, return, and their correlation to each other. Consistent with VEGA, call options will be sold on generally all of the Underlying ETPs at a strike price equivalent to targets based on volatility and quantitative criteria. As calls are covered and/or expire, additional options on the Underlying ETPs will be sold. The average time until expiration for the option portfolio will be typically one quarter (91 days) or less, so that premiums may be received on options on Underlying ETPs approximately four times per year. The Sub-Adviser, however, will reserve the right to close out or enter into options on a more or less frequent basis in its discretion if it believes it is in the best interest of the Fund. The Sub-Adviser periodically will monitor the performance of the Fund's portfolio and systematically rebalance and initiate tactical shifts in the underlying investments when the strategy indicates it is both optimal and beneficial to do so.

VEGA is designed to generate quarterly returns in the form of premiums received from the sale of covered call and/or cash-secured put options. The amount of the premium will typically be determined at the start of the quarter, and realized either at expiration or sooner if the strategy determines that conditions warrant covering the short option position beforehand.¹³

put option is (i) equal to or higher than the exercise price of the option written or (ii) less than the exercise price of the option written provided the Fund segregates cash or other liquid assets in the amount of the difference.

¹³ The risks of covered call writing include the potential for the market to rise sharply. In such instance, the buyer of the call option would likely acquire the Underlying ETP from the Fund and the return on that Underlying ETP would be limited to the premium received and the difference between the strike price and the purchase price until such time as the Underlying ETP is repurchased as applicable. The risks of cash-secured put writing include the potential for the price of the Underlying ETP to decline significantly causing the put writer, the Fund, to have an unrealized loss due to the high stock purchase price.

Except for premium amounts required for transactional and portfolio management purposes, the Sub-Adviser, in its discretion, may allocate the accumulated premium in “principal protection” and/or “reinvestment strategies,” as described below.

The “principal protection” feature is intended as a means to profit and/or hedge against potential price declines of 20% or greater of Underlying ETPs. The feature may be implemented when volatility declines and/or security prices rise, and the Sub-Adviser determines the cost of principal protection to be beneficial. The cost of the protection is expected to be paid from accumulated option premiums, but principal may be used. The use of principal protection entails the purchase of put options on Underlying ETPs representing some or all of the Fund’s portfolio holdings. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put. Option premiums received by the Fund will remain in cash or cash equivalents or may be invested in Underlying ETPs that invest primarily in U.S. treasuries or other cash equivalent securities.

The Sub-Adviser also will utilize a “reinvestment strategy” whereby accumulated option premiums may be reinvested back into additional shares of Underlying ETPs held by the Fund based on the Sub-Adviser’s view of the market.

Principal Fund Investments

The Fund, through its investment in Underlying ETPs, may invest in equity securities. Equity securities represent ownership interests in a company or partnership and consist of common stocks, preferred stocks, warrants to acquire common stock, securities convertible into common stock, and investments in master limited partnerships, rights, and depositary receipts, including American Depositary Receipts (“ADRs”) and Global Depositary Receipts (“GDRs”).

The Fund, through its investment in Underlying ETPs, may purchase equity securities traded in the U.S. on registered exchanges or the over-the-counter market.

The Fund, through its investment in Underlying ETPs, may invest in the equity securities of foreign issuers, including the securities of foreign issuers in emerging countries. Emerging or developing markets exist in countries that are considered to be in the initial stages of industrialization.

The Fund, through its investment in Underlying ETPs, may invest in closed-end funds, pooled investment vehicles that are registered under the 1940 Act and whose shares are listed and traded on U.S. national securities exchanges.

The Fund, or the Underlying ETPs in which it invests, may invest in U.S. government securities. Securities issued or guaranteed by the U.S. government or its agencies or instrumentalities include U.S. Treasury securities, which are backed by the full faith and credit of the U.S. Treasury and which differ only in their interest rates, maturities, and times of issuance. Certain U.S. government securities are issued or guaranteed by agencies or instrumentalities of the U.S. government including, but not limited to, obligations of U.S. government agencies or instrumentalities such as Fannie Mae, Freddie Mac, the Government National Mortgage Association, the Small Business Administration, the Federal Farm Credit Administration, the Federal Home Loan Banks, Banks for Cooperatives (including the Central Bank for Cooperatives), the Federal Land Banks, the Federal Intermediate Credit Banks, the Tennessee Valley Authority, the Export-Import Bank of the United States, the Commodity Credit Corporation, the Federal Financing Bank, the Student Loan Marketing Association, the National Credit Union Administration, and the Federal Agricultural Mortgage Corporation.

The Fund, through its investments in Underlying ETPs from time to time, in the ordinary course of business, may purchase securities on a when-issued or delayed-delivery basis (i.e., delivery and payment can take place between a month and 120 days after the date of the transaction).

The Fund, or the Underlying ETPs in which it invests, may invest in U.S. Treasury zero-coupon bonds. The Fund, through its investment in ETFs, may invest in shares of real estate investment trusts.

Other Investments

To respond to adverse market, economic, political, or other conditions, the Fund may invest 100% of its total assets, without limitation, in high-quality debt securities and money market instruments either directly or through Underlying ETPs. The Fund may be invested in this manner for extended periods depending on the Sub-Adviser's assessment of market conditions. Debt securities and money market instruments include shares of other mutual funds, commercial paper, certificates of deposit, bankers' acceptances, U.S. Government securities, repurchase agreements, and bonds that are BBB or higher. The Fund may also invest a substantial portion of its assets in such instruments at any time to maintain liquidity or pending selection of investments in accordance with its policies.

The Fund may invest in derivatives, including, for example, options, futures, options on futures, and swaps. While the Fund currently does not intend to invest in swaps, it may invest up to 10% of its total assets in swaps. The Fund may invest in derivatives to gain market exposure, enhance returns, or hedge against market declines.

Other than options on Underlying ETPs in which the Fund may invest, as described above, the Fund may trade U.S. exchange-listed put and call options on other securities,

securities indices, and currencies, as the Sub-Adviser determines is appropriate in seeking the Fund's investment objective and except as restricted by the Fund's investment limitations.¹⁴

While the Fund may invest in put and call options on other securities, the Adviser expects that, under normal market conditions, the Fund will invest from 0% up to 10% in such put and call options on a daily basis.

The Fund may invest up to 10% of its total assets in futures contracts and related options on futures contracts for bona fide hedging; attempting to offset changes in the value of securities held or expected to be acquired or be disposed of; attempting to gain exposure to a particular market, index, or instrument; or other risk management purposes. To the extent the Fund uses futures and/or options on futures, it will do so in accordance with Rule 4.5 under the Commodity Exchange Act ("CEA").¹⁵

The Fund may enter into repurchase agreements with financial institutions, which may be deemed to be loans. The Fund also may enter into reverse repurchase agreements without limit as part of the Fund's investment strategy.

The Fund may not 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, (i) more than 5% of its total assets would be invested in the securities of such issuer, or (ii) more than 10% of the outstanding voting securities of any one issuer would be held by the Fund. For purposes of this policy, the issuer of the underlying security will be deemed to be the issuer of any respective depositary receipt.

¹⁴ See supra note 10.

¹⁵ The Exchange represents that the Trust, on behalf of all of its series, including the Fund, has filed a notice of eligibility for exclusion from the definition of the term "commodity pool operator" in accordance with Rule 4.5 and, therefore, the Fund is not subject to registration or regulation as a commodity pool operator under the CEA.

The Fund may not invest 25% or more of its total assets in the securities of one or more issuers conducting their principal business activities in the same industry or group of industries. This limitation 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.

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid securities (calculated at the time of investment), including Rule 144A securities and loan participation interests. 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 securities. Illiquid securities 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.

According to the Registration Statement, the Fund will seek to qualify for treatment as a Regulated Investment Company under the Internal Revenue Code.

Except for Underlying ETPs that may hold non-U.S. issues, the Fund will not otherwise invest in non-U.S.-registered issues.

The Fund does not intend to invest in leveraged, inverse, or inverse leveraged Underlying ETPs. The Fund's investments will be consistent with the Fund's investment objective and will not be used to enhance leverage. That is, while the Fund will be permitted to borrow as permitted under the 1940 Act, 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 broad-based securities

market index (as defined in Form N-1A).¹⁶

The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600. The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A-3 under the Exchange Act,¹⁷ as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares for the Fund 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 net asset value (“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.

Additional information regarding the Trust, Fund, Shares, Fund’s investment strategies, risks, creation and redemption procedures, fees, portfolio holdings and disclosure policies, distributions and taxes, availability of information, trading rules and halts, and surveillance procedures, among other things, can be found in the Notice and/or the Registration Statement, as applicable.¹⁸

III. Discussion and Commission’s Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of Section 6 of the Act¹⁹ and the rules and regulations thereunder applicable to a national securities exchange.²⁰ In particular, the Commission finds that the

¹⁶ The Fund’s broad-based securities market index, which is to be determined, will be identified in an amendment to the Registration Statement.

¹⁷ 17 CFR 240.10A-3.

¹⁸ See Notice and Registration Statement, supra notes 3 and 4, respectively.

¹⁹ 15 U.S.C. 78f.

²⁰ 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).

proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act,²¹ 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 Fund and the Shares must comply with the requirements of NYSE Arca Equities Rule 8.600 to be listed and traded on the Exchange.

The Commission finds that the proposal to list and trade the Shares on the Exchange is consistent with Section 11A(a)(1)(C)(iii) of the Act,²² 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, and, for the Underlying ETPs, will be available from the national securities exchanges on which they are listed. Quotation and last-sale information for the U.S. exchange-listed options in which the Fund will invest will be available from the applicable U.S. options exchange via the Options Price Reporting Authority. In addition, the Portfolio Indicative Value, as defined in NYSE Arca Equities Rule 8.600(c)(3), will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session.²³ On each business day,

²¹ 15 U.S.C. 78f(b)(5).

²² 15 U.S.C. 78k-1(a)(1)(C)(iii).

²³ According to the Exchange, several major market data vendors widely disseminate Portfolio Indicative Values taken from the CTA or other data feeds.

before commencement of trading in Shares in the Core Trading Session on the Exchange, the Fund will disclose on its website the Disclosed Portfolio, as defined in NYSE Arca Equities Rule 8.600(c)(2), that will form the basis for the Fund's calculation of NAV at the end of the business day.²⁴ The Fund will calculate NAV once each business day as of the regularly scheduled close of trading on the New York Stock Exchange ("NYSE") (normally 4:00 p.m., Eastern Time). 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. In addition, the intra-day, closing, and settlement prices of the other portfolio securities and instruments held by the Fund will be readily available from the national securities exchanges trading such securities, automated quotation systems, published or other public sources, or on-line information services, such as Bloomberg or Reuters. The Fund's website will include a form of the prospectus for the Fund 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 per Share will be calculated daily and that the NAV and the Disclosed

²⁴ On a daily basis, the Adviser will disclose for each portfolio security and other financial instrument of the Fund the following information on the Fund's website: ticker symbol (if applicable), name of security and financial instrument, number of shares or dollar value of securities and financial instruments held in the portfolio, and percentage weighting of the security and financial instrument in the portfolio. The website information will be publicly available at no charge.

Portfolio will be made available to all market participants at the same time.²⁵ In addition, 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. The Exchange 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.²⁶ 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.²⁷ The Exchange states that it has a general policy prohibiting the distribution of material, non-public information by its employees. The Exchange also states that neither the Adviser nor the Sub-Adviser is affiliated with a broker-dealer.²⁸ Moreover, the Exchange represents that it is able to obtain information from the U.S.

²⁵ See NYSE Arca Equities Rule 8.600(d)(1)(B).

²⁶ See NYSE Arca Equities Rule 8.600(d)(2)(C) (providing additional considerations for the suspension of trading in or removal from listing of Managed Fund Shares on the Exchange). 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.

²⁷ See NYSE Arca Equities Rule 8.600(d)(2)(B)(ii).

²⁸ See supra note 5. The Commission notes that an investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (“Advisers Act”). As a result, the Adviser and Sub-Adviser and their related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment

exchanges, all of which are members of the Intermarket Surveillance Group (“ISG”), on which the Underlying ETPs and options are listed and traded.

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

- (1) The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600.
- (2) The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions.
- (3) The Exchange’s surveillance procedures applicable to derivative products, which 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 (“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

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.

duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (c) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated Portfolio Indicative Value will not be calculated or publicly disseminated; (d) how information regarding the Portfolio Indicative Value is disseminated; (e) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (f) trading information.

- (5) For initial and/or continued listing, the Fund will be in compliance with Rule 10A-3 under the Exchange Act,²⁹ as provided by NYSE Arca Equities Rule 5.3.
- (6) The options contracts held by the Fund will be U.S. exchange-listed. Except for Underlying ETPs that may hold non-U.S. issues, the Fund will not otherwise invest in non-U.S.-registered issues. The Exchange may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, the Exchange is able to obtain information from the U.S. exchanges, all of which are ISG members, on which the Underlying ETPs and options are listed and traded.
- (7) The Fund does not intend to invest in leveraged, inverse, or inverse leveraged Underlying ETPs. The Fund's investments will be consistent with the Fund's investment objective and will not be used to enhance leverage.
- (8) While the Fund is permitted to invest up to 40% of its total assets in call options on Underlying ETPs, the Adviser expects that, under normal market conditions,

²⁹ 17 CFR 240.10A-3.

the Fund will invest no more than 15% in such call options on a daily basis.

- (9) The Fund may invest up to 10% of its total assets in futures contracts and related options on futures contracts. While the Fund may invest in put and call options on securities other than Underlying ETPs, the Adviser expects that, under normal market conditions, the Fund will invest from 0% to up to 10% in such put and call options on a daily basis. While the Fund currently does not intend to invest in swaps, it may invest up to 10% of its total assets in swaps.
- (10) The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid securities (calculated at the time of investment), including Rule 144A securities and loan participation interests.
- (11) A minimum of 100,000 Shares of the Fund will be outstanding at the commencement of trading on the Exchange.

This approval order is based on all of the Exchange's representations, including those set forth above and in the Notice, and the Exchange's description of the Fund.

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act³⁰ 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,³¹ that the

³⁰ 15 U.S.C. 78f(b)(5).

³¹ 15 U.S.C. 78s(b)(2).

proposed rule change (SR-NYSEArca-2012-55) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³²

Kevin M. O'Neill
Deputy Secretary

³² 17 CFR 200.30-3(a)(12).